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Editorial Perspective

That this world of ours is imperfect needs no supporting arguments and we have reasons to believe that although we may hope for a better, we need not look for a perfect world either in the near or distant future. For it is imperfect of necessity. A universe uniform and without variety, static and unchanging … could be no scene or home of life.
W. MacNeile Dixon: *The Human Situation*

Remaking the world is an insignificant task. It is not the world that must be remade, but man.
Albert Camus: *Notebooks* (1942-1951)

Is there any hope in education? The usual answer is that we must educate our *masters:* that is, ourselves. We must teach citizenship and political science at school. But must we? There is no must about it, the hard fact being that we must not teach political science or citizenship at school. The school master who attempted it would soon find himself penniless in the streets without pupils, if not in the dock pleading to a pompously worded indictment for sedition against the exploiters. Our schools teach the morality of feudalism corrupted by commercialism, and hold up the military conqueror, the robber baron, and the profiteer as models of the illustrious and the successful.
Bernard Shaw: *Back to Methuselah*

Corporate thinker, in his misplaced enthusiasm and over influenced by the lure of paradigms created by vulgar pragmatism, morbid utilitarianism, stifling relativism and post-modern nihilism, has neglected the need and necessity for moral discourse in the corporate model of society. Corporate culture has willfully succumbed to economics and profit orientation as dominant and unassailable forces that form and reform the corporate world-view. The corporate thinker has become sadly forgetful of the gradual disappearance of *transcendence* from the corporate world-view, resulting in an impoverished sense of the place of *lived-world* in the field of his consciousness.

It has now become increasingly clear that many a flaws and failures characterizing the corporate system are indeed a consequence of the corporate thinkers' biased and unwise reduction of *value* to *fact*. It is now felt and not without good reason that business morality is not completely above reproach. It is also an unsavory fact that business management suffers from fatal flaws as it is demonstrated by the ethical practices and conduct of its functionaries and the lack of moral integrity of their purposes.

The corporate functionary operates behind a pious façade and deceitful veil created by the dynamics of *personality ethics,* artfully casting the shadow of oblivion on the pristine simplicity of *character ethics* and the purity of the heart. Both Stephen R. Covey and Jim Collins have made it evidently clear that such an attitude can be maintained only by those who, like Miller, believe that the "business system" is congenitally corrupt and the morally degenerate practices of its functionaries are built into the corporate system. Such a position is antithetical to the belief held by those who, like Randall, believe that the corporate leaders can and therefore must "set off a moral and spiritual reawakening."

So, in the final analysis, the contending positions can be reduced to the question whether the character weaknesses, ethical venalities and morally crude and crass practices castigated by the critic of corporate system are beyond man's creative will, i.e., his will to truth, and his moral and ethical judgments and evaluation whereby he can, subjectively and inter-subjectivity, make and remake, create and recreate his world, including the corporate world as a *lived-world*.

Unless our corporate functionary can find an answer to such a perplexing question, laden with issues of ethical and moral disquietude, a heavy cloud of vulnerability and moral turpitude will color his thoughts, feelings and emotions and he will stand convicted in the public mind, if not in his own eyes.

Our moral crisis is riddled with distressing issues; we cannot sidetrack their haunting presence, nor can we step over their thickening and lengthening shadows in good faith and a clear conscience. Living in denial will only worsen our crisis. Wishful thinking in this regard simply does not ring true and it will not make it go away. History of the corporate world is replete with instances which prove that unless we face it squarely and on its own terms, i.e., the terms and conditions on which moral and ethical life is lived and can be lived in good faith and with a clear conscience, our moral crisis is here to stay.

Our moral crises also defines the nature and scope of the dilemma corporate management is facing, i.e., the irrefutatable fact that in the domain of ethical discourse, nothing is settled unless it is settled right and on moral grounds. The lightness of this observation tends to become too heavy a burden to bear for whoever ventures into the thorny, dusty, stony and arduous zone of ethics and morality to let the *truth* prevail and to make the *good* speak for itself. But, ironically, that is the existential burden of anyone willing to assume the role of a business manager and a corporate executive. He must have the *will to truth*, demonstrated in his behavior and conduct. The corporate functionary must be a leader endowed with the vision to *see* the truth and also the courage to *do* the right. He must be a man of moral character and his character must be revealed in the ways he exercises *power* and *authority*. Under all circumstances, the corporate executive must cherish moral fortitude because in life nothing beautifies the mind, ennobles the soul and glorifies a man's *ownness* more than the authenticity of his being and the invincibility of his character. If he wishes to be vindicated of the moral and ethical vulnerabilities he has been accused of, our corporate functionary must abide by the Kantian categorical imperative. He must "act in such a way that by his will, his action becomes law universal". This legislative and evaluative moral will is the defining feature of the man who is not *you* or *me* but Nietzsche's *obermanch*, wrongly translated as "superman". The *obermanch* is the man who is over there, somewhere in the distant future, and has yet to arrive. The view is also held by Jean Paul Sartre and other existentialist thinkers. Albert Camus was a passionate believer in man's creative power to make and remake himself through iconoclastic acts of self-transcendence. Iqbal pushed the existential frenzy of moral will and the creative rage of the transcendental attitude to the farthest limit of human imagination.

ہر اک مقام سے آگے مقام ہے تیرا
حیات ذوق سفر کے سوا کچھ اور نہیں

Thoughts such as these may not easily harmonize with the corporate mindset but they will be constant irritants in all sober and unassuming reflections on the ethical and moral foundations of corporate world-view. These thoughts are and will not cease to be the thorns in the heart of the heartless, dehumanizing, objectivating and desensitized culture. Such thoughts highlight the challenge to our business leadership, inviting the corporate management to revamp the *worldliness* of the corporate world, to demolish the artificial boundaries and barriers created by unexamined beliefs, half-felt emotions and dimly visualized ideas. Dialectically, the corporate management must destroy the sacrosanct ideas, and develop new analogies to construct and reconstruct attitudes, to envision *different* ways of making the same old corporate world the home of our "ownness". Our corporate leadership must whole heartedly engage in a critical examination of business ethics and a radical re-evaluation of our moral values. If it sounds a far flung philosophical indulgence, then we must ask the defender of the *status quo*: what ought to be the case in order for him to believe that the position taken by the critic of the corporate system and the moral crisis highlighted by him is really not the case?

It is hard to side track or slide past the significance, pertinence and relevance of this question. The question is not new but, in the given form, its underlying concern has deepened, casting thick shadows of gloom and doubt over the pious façade, seductive smile and a seemingly inscrutable straight face of the corporate functionary. It is a question we do not want to ask either because we know that it is a question to which we do not have a pleasant answer *or* because we believe that by asking such a question we will stand convicted in our own eyes and also in the public mind. In either case, our dilemma betrays the defining features of the corporate temper shrouded in a moral crisis.

It is therefore not difficult to understand why corporate culture has so irresistibly succumbed to the lure of economics, profit motive and utilitarian consequentialism without any ethical and moral anxiety and the reason why the corporate manager has consistently neglected the need to examine the underlying anamolies of our predicament. This neglectful attitude, under the contrived pretence of innocence, lies at the root of the ethical and moral turpitude which, like cancer, has seeped into the whole fabric of the corporate system. However, in reality, life in its simplest terms means a trial by existence. It is a "poor, nasty and brutish" thing if a man has to live for something he is not willing to die for or has to die for something he is not willing to live for. The dilemma and the *either/or* situation tends to become more grave as we realize that our thinking about the corporate life must *either* be predicated on human metaphor *or* the corporate world will never be the abode of anything human. It is a sadly neglected theme in the philosophy of the corporate system. As a consequence of the gradual disappearance of transcendence from the corporate world-view, the *worldliness* of the world and the concept of the world has itself suffered a distressful loss of anticipation of the *yet to be,* delaying the dawn of the new world, the morning freshness and the glory of the *world-to-be.*

It has also made us forgetful of the phenomenological fact that the concept of the lived–world is a broad, fluid and dynamic category under which can be subsumed man's *worlds* with their distinctive identifications, specifications, meaning structures, value judgments and dispositions. These worlds–political, moral, ethical, economic, religious, corporate etc, cannot be understood without incorporating into their descriptions the truth about the distinctive feature of the way these worlds are *lived* by men. Therefore, the real ontological context in which the worldliness of the world acquires a descriptive significance is man's hyphenated relationship to the world, i.e., man's-being-in-the-world. This relationship converges upon and acquires its unique ontological meaning firstly from the meaning of the preposition *in*, i.e., the manner in which man happens to be *in* the world. That is what makes the world a *lived world.* Secondly, the important thing in this regard is not the *fact* that there exists a relationship between man and the world but *how this fact is experienced* by man. That is what adds *value, meaning* and *purpose* to the world and makes it a *lived-world*. Apart from the nexus of these two coordinates, the worldliness of the world has no meaning and significance. It is a world bereft of all vision, value and purpose, ideals and idealizations and, above all, it is a world bereft of transcendence and transcendental movement towards the *yet to be.* Such a world is a concept without percept and, as such, it does not exist. Berkeley, the British idealist philosopher, was right to have observed that to exist means to be perceived (*esse est percipi*). Only the way it is *lived* and *experienced* gives the world the description of existence. It means that *the world does not exist, only the worlds exist*: yours and mine, his and hers, ours and theirs, idealistic or materialistic, ethical and moral, progressive or retrogressive worlds, etc. These two co-ordinates make human existence situated existence. Therefore, without integrating human metaphor into the lived and experienced structure of the world, it is not possible to understood that *we do not live in different worlds; we live in the same world differently*. Iqbal said it all:

پرواز ہے دونوں کی اسی ایک فضا میں
کرگس کا جہاں اور ہے شاہیں کا جہاں اور

The critics of the corporate system have severely castigated the ethical and moral flaws and the crimes of the heart and the mind of the over enthusiastic “managers” and “specialists” with their stifling and narrow vision, resulting in the confining barriers of corporate knowledge and more so the impoverished sense of diminished and diminishing horizontal and perspectival unfoldment. Let us hope that someday, in the corporate world, as elsewhere in our *lived-world*, our vision will exceed our comprehension, our creative will shall will the truth, our liberal orientation in education will demolish the barriers created by departments and departmentalization, enlarging and deepening our pedagogical concerns. Let us therefore THINK and remind ourselves that in the grand succession of phenomena and the alteration of the day and night, how silently the “time present”, carrying the burden of “yesterday”, blends into the “time future”! Time moves on and continues on it journey. Nothing abides, but the echoes of silence; nothing is permanent, except the shadows of what used to be. How then, do we make the corporate man realize that he is a “Journeying Self” whose journeying is towards the yet to be of his being able to be? How do we make him believe that in relation to the existential and ontological possibilities inherent in the transcending vision of the worldliness of his world, he is always ahead of himself and forever larger than who he is? The Japanese have a word for this gradual and perpetually incremental transition from the “good to great” and from the “thus it is” to “thus it ought to be”. They call it KAIZEN.

Iqbal’s description of the *principle of movement in Islamic Culture* is more than a poetic metaphor. It aims at unfolding the creative will lying buried deep down in the depth of man’s being and the deepest recesses of his consciousness. The thought here is that when creative will is awakened from its dogmatic slumber to reflect upon its naturalistic way of circumstancing the *life-world*, it releases the transcending vision, from its narrow confinements enlarging the possibilities of incorporating the ‘given’ and 'thus it is' into the ontological structure of "thus it ought to be", stretching the possibilities of man's being able to become what he is capable of becoming.

تو ابھی رہگزر میں ہے قید مقام سے گزر
مصر و حجاز سے گزر، فارس و شام سے گزر

Such is the abbreviated story of the odyssey of a journeying self and the legacy of an autobiographical consciousness. For a corporate thinker, it may be an unsavoury observation but if it is not totally misplaced and untenable then to whatever extent it carries the burden of plausibility, to that extent it must be seamlessly drawn into the fold of the corporate world-view. Jim Collins, in his book "*Good to Great",* says that "good is the enemy of great" and he explains that:

> "We don't have great schools, principally because we have good schools…. Few people attain great lives, in large part because it is just so easy to settle for a good life. The vast majority of companies never become great, precisely because the vast majority become quite good and that is their main problem."

The possibility of our becoming virtuous is a permanent possibility. Man is not but becomes moral and ethical as he *actualizes* this possibility in and through his actions, decisions and choices, demonstrated in his conduct and behavior and, above all, the pristine simplicity of his character. Virtuous character is a necessary pre-condition for moral and ethical soundness. The beauty of ethical and moral life resides in the refreshing glory of becoming. In life, to be means to become, to live means to outlive and to grow means to outgrow. One of the petrifying notions and the sacrosanct ideas we need to outgrow in order to reach moral greatness is the notion of *fait accompli* . The corporate thinker faces the problem of devising the mechanism and cultivating attitudes whereby these observations can be drawn into the field of corporate thinking. The question of how to convince ourselves that corporate culture has the creative vitality which can engage our will to believe in the ethical consciousness and moral intentionality will engage the sensibilities of the corporate thinker in the era ahead.

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RESEARCH

Pakistan's Experience with the International Monetary Fund (IMF) 2000 – 2004

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Pakistan's relationship with the International Monetary Fund during the 2000 – 2004 period was quite unique and distinctive. Unlike the earlier eight agreements that were concluded with the IMF during 1988-99 and were never implemented beyond the first tranche release it was only in this period that two successive agreements – a nine month Stand-by Arrangement (SBA) in the year 2000 followed by a three year Poverty Reduction and Growth Facility (PRGF) were successfully completed. All the sixteen reviews by IMF staff were completed and eleven successive tranches were drawn on time without any extension or interruption[1]. The last two tranches were not drawn down although the conditionalities were met because the country had acquired financial strength and did not require the IMF money.

The IMF in its own report 'Pakistan – Ex Post assessment of Longer-Term Program Engagement'[2] pointed out that "conditionality in Pakistan's Fund-supported programs become increasingly extensive after 1999. Structural conditionality peaked in the 2000 SBA. To overcome shortcomings in performance in the previous incomplete programs quantitative conditionality was augmented in the 2000 SBA and 2001 PRGF. Despite such tough conditionalities Pakistan delivered on its commitment and established a track record of performance. The total of 56 Performance Criteria, benchmarks and prior actions in this arrangement was nearly three times the Fund-wide arrangement of 19 conditions."

The other distinctive feature was that Pakistan was one of the few countries which graduated from an IMF program country directly to international financial markets in 2004. All the sovereign bonds issued during 2004 to 2007 were oversubscribed and the pricing was tight.

In order to understand as to why the experience in this period was different from the past episodes of relationship with the IMF it would help if the following questions are addressed :

a) When does a country approach the IMF?
b) Why did Pakistan approach IMF?
c) What did Pakistan get out of the two agreements with the Fund?
d) What were the factors that led to an early exit?
e) Why did Pakistan have to go back to the IMF in 2008?

The agenda of second generation reforms that can put back the economy on a sustained path after the completion of IMF agreements was initiated but not followed through and got interrupted due to political considerations and the regime change. These reforms are necessary to build upon the stabilization phase and are therefore recapitulated in this paper for the consideration of the policy makers.

The IMF is a cooperative institution of developing and developed countries which was established at Bretton-Woods in 1945 to provide stability to international financial system. Unlike its twin, the World Bank, which is a long term development partner of developing countries, the IMF comes into action only when a country faces dire financial difficulties. Thus, its assistance is for temporary and limited duration and not for longer term.[3] A prolonged association with the IMF shows that the economy is suffering from chronic ailment and has not been able to come out of the woods.[4] This carries a stigma in the international financial markets which become reluctant to provide financing to such IMF dependent economies. The sooner a country is able to sever its financial programs with the IMF, the better off it is in signaling that the economy has become normal and healthy.

(a) When does a country approach the IMF? [5]

A normal healthy and well functioning economy does not approach the IMF for financial assistance. It is only when an economy is in a crisis situation or likely to hit a crisis in near term, the authorities invite the IMF to engage in negotiations for a possible financial package that can be quickly disbursed over a given period of time to overcome or avert the crisis. The occasions for such a recourse arise (a) when the country is having serious current account imbalances and is unable to meet its external payment obligations out of its own generated resources including the normal flows from external sources such as Foreign Direct Investment (FDI), disbursements of loans, etc. or (b) when the external debt obligations falling due immediately are in excess of the country's capacity to pay. This occurs mainly when commercial creditors refuse to roll over maturing debt or demand high roll-over premiums, or (c) when a country has been hit by speculative attack on its currency (particularly under a fixed exchange rate) and is depleting its foreign exchange reserves rapidly to avert that attack or (d) when the banking sector or financial sector suffers from a systemic failure and the depositors' money is at risk or a combination of these and other factors.

The examples of Mexico, Russia, East Asian countries, Turkey and Argentina in the late 1990s can be used to illustrate one or the other of the above described motivating factors for their approaching the IMF.

Most of the African countries have been prolonged users of IMF resources – reflecting the unhealthy state of their economies. In Asia, Pakistan, Philippines and Indonesia have been resorting to the Fund for assistance more frequently and for longer periods than other countries. India entered into an agreement in 1991 but exited the program a few years later as it recovered from the crisis situation. China hasn't approached the IMF as it has a strong and healthy economy.

(b) Why did Pakistan approach the IMF? [6]

There were three main motivations behind Pakistan's decision to approach the IMF in 2000 (i) as the country was almost on the brink of a default on external payments, quick infusion of funds was needed to sustain and support the balance of payments situation, (ii) to find a permanent and durable solution to the external debt problem. Instead of approaching the IMF every three years or so and obtain a rescheduling of the flows, it was determined that a stock re-profiling should instead be sought that will align the debt payment capacity with the new profile of payments, and (iii) to restore the lost credibility of Pakistan in the international financial community as Pakistan was called a one-tranche country. Pakistan used to enter into agreements and draw down the first tranche but seldom fulfilled all the obligations and conditionalities contained in the agreements.

It was quite clear from the beginning that this will not be an easy ride and the people of Pakistan will have to suffer pain in the short term. But the idea was that after going through this tough period of tribulations and avoiding the crisis situation, the country will be able to stand on its own two feet and regain its national sovereignty in economic decision making. The authorities won't have to run to the IMF or the US Government every now and then with a begging bowl to bail us out of one crisis or the other. This was the objective with which the stand-by agreement of 2000 and the Poverty Reduction and Growth Facility (PRGF) agreement of 2001 were negotiated with the IMF. The objective was achieved upto October 2007 but then the neglect in making necessary economic adjustments and steering the course of the economy firmly led to a reversal.

(c) What did Pakistan get out of the two agreements with IMF? [7]

Pakistan was able to establish its credibility as a serious player in the international financial community by drawing down eleven successive tranches from the IMF without any delay or extension or interruption over a period of three years. This was an unprecedented record in the history of economic management of Pakistan and led to the up-gradation of Pakistan's credit rating from selective default in 1999 to B2 in 2003, almost a universal appreciation of our track record by bilateral and multilateral creditors and opened the way to accessing credit from the international markets at affordable price.

As the agreements with the IMF remained on track and the performance was impressive, the Paris Club – a group of officials of bilateral creditors – agreed to reprofile the entire stock of external bilateral debt of $12 billion on a long-term basis. The grace period for the re-profiled debt was fixed at 15 years and the repayment period was extended to 38 years. Thus, in net present value terms, the stock of the debt was reduced by one-third. This treatment was exceptional and only four other countries had received such a generous package. Pakistan was no longer obligated to have further agreements with the IMF to seek debt rescheduling. In one go the country was able to find a permanent and durable resolution of the bilateral external debt by cutting back of bilateral debt. Those who argue that debt reprofiling has simply postponed the D-day were sadly mistaken. The payments due after next 15 years will be miniscule in relation to the country's expanded earning capacity.

The IMF's financial assistance combined with that from the World Bank and Asian Development Bank in form of quick disbursing concessional loans provided the cash flow in the initial years to meet the balance of payments obligations. The substitution of concessional loans for hard-term loans from these institutions was part of the debt reduction strategy. This infusion also helped restore the confidence of other private commercial creditors and slowed down flight of capital by resident Pakistanis. The slow build-up of foreign exchange reserves from less than $1 billion in 2000 to $3.2 billion by June 2001 also stemmed the speculative attack on rupee and calmed the foreign currency markets.

It is fair to surmise that Pakistan was able to achieve all the three objectives it had set out for itself in approaching the IMF in the year 2000. There is no denying the fact the post September 2001 developments have immensely helped strengthen Pakistan's external sector but the sacrifices made by the ordinary Pakistanis in meeting the harsh conditionalities of the IMF should not be ignored or overlooked. Had there been no September 11 it would have taken another two more years to achieve the results that were witnessed in 2002/03. September 11 did help accelerate the process of economic recovery and external sector viability.

(d) What were the factors that led to an early exit? [8]

At least six compelling reasons can be advanced in support of the exit strategy.

1) A positive structural shift in external account of the country was achieved. Pakistan's payment capacity had become stronger and sound due to the following developments.

   (a) Debt re-profiling, early payments of expensive debt and substitution of concessional for non-concessional loans from International Financial Institutions (IFIs) radically reduced the burden of debt servicing from 66 percent of foreign exchange earnings in FY00 to 25 percent in FY04 and even lower in FY05 and thereafter. New debt contracted was at concessional rates that were highly selective and the rate of debt growth was quite low. External Debt to GDP ratio fell significantly from 45 percent in 1999/00 to 28 percent in 2004/05.

(b) As confidence in the economy built up, workers' remittances started being routed through official banking channels adding to the supply in the foreign exchange market. As the number of workers emigrating overseas was expanding every year and net migration back to Pakistan remained low – this source of foreign exchange earnings financed the growing trade imbalances.

(c) Trade gap gradually declined and exports' coverage ratio of imports rose until 2006/07. Trade deficit that was $2 billion or 3.4 percent of GDP in 1999/2000 came down to only $ 400 million or 0.6 percent of GDP in 2004/05.

(d) Foreign exchange reserves built up by the State Bank of Pakistan largely through non debt creating flows helped the country meet un-anticipated exogenous shocks such as rise in oil prices, poor harvest, depressed world demand, etc. The risk that these reserves will be depleted because of the payments of borrowed resources and foreign currency deposits withdrawals was minimized. Foreign reserves were acquired by mopping up current account surpluses over three years and were free from any encumbrances unlike in the past where the foreign exchange reserves were only $ 1 billion or $ 2 billion compared to foreign currency deposits liabilities of $ 11 billion.

(e) A substantial amount of liquid reserves provided a strong backing for low cost market borrowing without harsh conditionalities. If and when financing was needed to meet some short-term mismatches or requirements, the country was in a position to access international markets at favorable terms. This was demonstrated by the successful entry of Pakistan in the international bond markets for four successive years where blue chip investment houses and fund managers over subscribed to the Pakistani bonds and provided fine pricing.

(f) Telecommunications, oil & gas, and financial services proved attractive avenues for increased foreign direct investment in the country. The very positive response to the award of cellular licenses attested to this trend. The inflow of foreign direct investment obviated the need for contracting external debt and led to a reduction in the country's indebtedness.

(g) Privatization of large public sector enterprises also generated positive earning in foreign exchange over the next few years as a number of foreign strategic investors were attracted by the country's favorable macroeconomic environment.

2) Fiscal deficit was reduced to 3—3.5 percent of the GDP. The need for large scale borrowing from either domestic or foreign sources was lowered. Fiscal deficit reduction was built on the basis of solid and durable footing such as:

   (a) Debt servicing as a proportion of government revenue was on a declining course freeing up space for development spending on infrastructure and social services. In 1999/2000 debt servicing claimed 66 percent of government revenues. By 2004/05 this ratio significantly declined to 31 percent and 25 percent by 2006/07. Unlike the past where cut on development expenditures led to lowering of growth rate this boost to development spending stimulated the economy. Every rupee spent on external debt servicing leaves the country. If that rupee is instead spent on schools, water, medicines, a poor person or pensioner, the country benefits. In the past, fiscal deficit target was achieved by cutting development expenditure but during this period the current expenditure was curtailed from 16.5 percent of GDP in 1999/2000 to 14.4 percent in the year 2004/05. In the same period Development expenditure went up from 2.2 percent of GDP to 3.9 percent of GDP.

   (b) Tax collection increased by almost two thirds during the last four years on the back of structural reforms and widening of tax base. The ongoing reforms in restructuring of CBR and tax administration should lead to higher tax collection in future with lowering of tax rates, minimizing contact between tax payer and tax collection, improving the quality of tax administration and providing immediate relief against discretionary excesses of tax collectors. Pakistan has one of the lowest tax to GDP ratios in South Asia. Higher tax to GDP ratio will guarantee an increasing level of development budget within a lower fiscal deficit target and with declining debt ratios.

   (c) Public sector organizations that were incurring huge losses such as nationalized commercial banks have been privatized; others were restructured and turned into profitable ventures such as Pakistan Steel and Pakistan National Shipping Corporation (PNSC); several others are yet to be privatized such as Water and Power Distribution Authority (WAPDA) distribution companies. The elimination of public sector enterprise losses will result in budgetary savings and lowering fiscal deficit.

3) It was ensured that Fiscal discipline would not be abandoned after the expiry of the IMF Agreement but enforced by the Parliament of the country. A legal framework in the form of Fiscal Responsibility Law was enacted with a clear timeline for reducing the level of fiscal deficit and

the extent of indebtedness (60 percent of GDP). Under this law, Parliament is expected to monitor the progress and thus the target setting, monitoring and economic decision has been shifted from external agencies to the elected representatives of the people. As these targets reflected the consensus among the Local Governments, Provinces and Federal Government it was more likely that these would be adhered to and the change in governments would not affect this commitment. However, this expectation was not met in 2007-08 when the fiscal targets under the law were not met although a long term credible instrument of economic discipline had been put in place in the country. The lesson to be drawn from this episode is that political will is more critical than the letter of law .

4) Another important tool to keep the economy on the right path after it enters the financial markets is the reaction of financial markets. Once Pakistan, as a sovereign borrower or Pakistani corporate sector establishes links with the global markets the country will be under constant scrutiny by the Fund Managers, Credit Rating Agencies, Research Analysts, etc. Any tendency of laxity on our part is instantaneously penalized by the markets in form of increased spreads on Pakistani paper as happened in 2008. These spreads act as a powerful signal and feedback effect that we should either mend our ways or be ready for a likely financial crisis as lack of confidence by the markets in Pakistan's economy can eventually push us to that dungeon. Unlike the situation where we can enter into negotiations with the IMF and persuade their Board to waive off some of the performance criteria the verdict by the market is made instantaneously by thousands of players in a herd like fashion and the economic managers are simply helpless by-standers to the inflicting of this punishment. The need to remain on course under such circumstances should be quite obvious to everyone.

5) A number of financial crisis in the emerging economies had arisen due to weak financial sector institutions particularly the commercial banks. Fortunately, since 1997 the banking sector in Pakistan has undergone major transformation and has emerged today quite strong in terms of capital adequacy, asset quality, management soundness, liquidity, profitability and systems. Electronic banking, product diversification, cost reduction, strong risk management and corporate governance and a healthy competitive environment have introduced cost efficiencies, improved customer service, increased coverage and outreach, and extended the benefits of financial intermediation to middle and low income groups of the population. The supervisory and regulatory framework has been strengthened to international standards and the Central Bank and Securities

and Exchange Commission of Pakistan (SECP) act as vigilant watchdogs over the affairs of these institutions to ensure that they work to maximize the returns to the economy at low acceptable risk. A healthy and sound financial sector will be less vulnerable to shocks and will have the resilience to withstand those shocks without recourse to exceptional assistance from the IMF.

6) Monetary and credit policies and exchange rate policies had become flexible and entrenched low inflationary expectations with base money growth driven mainly by accumulation of international reserves. The developments in 2007-08 and early half of 2008-09 whereby the Government borrowed heavily from the Central Bank reversed these expectations and both headline inflation and core inflation reached record high levels. Export competitiveness was the main focus of the exchange rate policy so that Pakistan is able to enhance its share in global markets, diversify into new products and new markets and develop new areas of comparative advantage. There have been slippages in meeting export targets in the last two years but it is primarily due to domestic energy shortages rather than the exchange rate misalignment. IMF's calculations show that the Pakistani rupee was not overvalued in terms of Real Effective Exchange Rate (REER).

(e) Why did Pakistan have to get back to the IMF in 2008? [9]

A natural question that has perplexed the minds of most Pakistanis is: If the 2000-2004 program was so successful and had laid the foundations of sustained growth why did the economic conditions deteriorate so rapidly that the country had to once again enter into another stand by program in 2008 – just four years later.

A cursory glance at macroeconomic indicators in October 2007 – a year prior to the new SBA clearly demonstrate that the economy was in a good shape. Exchange rate was stable at around Rs.60 per US $; foreign exchange reserves were at their peak around $ 16.5 billion; current account deficit was running at an annualized rate of 5.3 percent of GDP. Export growth rate was 14.2 percent and import growth rate was 4.5 percent. Monetary growth was 18.2 percent slightly above nominal GDP growth rate and private sector credit expanded by 15.2%. Headline CPI inflation was 9.3% on Year to Year (YoY) basis in October 2007. Government borrowing from SBP seemed to be within safe limits.

From November 2007 onwards, however, all these indicators worsened and the speed of their deterioration was quite rapid. Foreign exchange reserves were depleting fast, rupee depreciated by almost 25 percent. Headline inflation hit YoY rate of 25 percent. Current account deficit widened to annualized 11.7 percent of GDP.

What caused this rapid deterioration that forced the country into a serious distress situation? Both international and domestic factors have contributed to this set back. The government's reluctance to make gradual adjustments in the prices of oil, electricity and gas, particularly in response to the changing international conditions, the postponement of new Global Depository Receipt (GDR) and bond issues and privatization, the preoccupation with political issues and judicial crisis, the resort to excessive borrowing from the Central Bank for meeting the widening fiscal deficits, subordination of economic decision making to political expediency and the flawed transition to the newly democratically elected government were the major domestic factors. On the international front, the hike in oil prices from $ 50 a barrel to $ 150 during an 18 month period and doubling of most commodity prices, the front-line state status of Pakistan participating in the war against terrorism and the weakening security and law and order situation as a consequence caused major dislocations and amplified the imbalances in the economy. Until 2006-07 it was possible to finance the current account deficit through Foreign Direct Investment, GDR issues, international bond issues and other capital flows due to high investor confidence in Pakistan's economy. As the sentiments of both domestic and foreign investors turned negative due to political uncertainty, assassination of the former Prime Minister Mohatarma Benazir Bhutto, the unstable coalition following the elections, the frequent changes in economic managers blaming the previous government of fudging the data and a general sense of drift and inaction these capital flows dried up. Domestic investors availed of the opportunities offered by the real estate boom in the UAE and transferred their capital there. Foreign investors withdrew their portfolio capital while the suspension of the privatization process, GDR issues and other new bond floatation's unnerved the foreign investors. In FY 07 the current account deficit of $ 6.9 billion was not only fully financed by capital inflows of $ 10.4 billion but an overall surplus on the balance of payments of $ 3.7 billion added to the country's foreign exchange reserves. In contrast, the current account deficit in FY 08 rose to $ 14.0 billion but the capital inflows shrank to only $ 7.8 billion and the negative overall balance of $ 5.8 billion was financed by depleting the country's foreign exchange reserves. This further weakened investor confidence, led to further capital flight and an attack on the rupee-dollar exchange rate almost created a panic situation.

Under the above set of circumstances the Government had no other option but to approach the IMF to tide over the crisis. The subsequent developments since November 2008 have shown that this decision was quite justified in terms of arresting the deterioration of macro-economic conditions.

Post – IMF Reforms

The second generation of reforms which Pakistan ought to undertake have to be driven domestically and do not require any assistance from the IMF. As the emphasis of economic policy shifts from macro-economic stabilization to accelerated pro-poor growth with employment generation and poverty reduction the exit from the IMF program allows the policy makers greater flexibility in achieving these objectives in a manner that does not cause severe hardships to the population at large. Social well being of the population moves from secondary position to occupy the primary position as the country achieves macro-economic stability (and will continue to hold on to it). The targets would now be set in terms of social targets and targets for pro-poor growth leading the course and not the other way around, i.e. budgetary deficit objective driving the targets of poverty reduction, employment generation and social sector expenditures. Primary budgetary surplus for debt reduction should remain a target but its size and evolutionary path will be determined by the progress achieved in meeting the social targets – particularly education, health, nutrition, drinking water, population, pensions and social safety nets. As pointed out earlier the control of the country's fiscal balance should not be relaxed but it becomes possible to work with higher public expenditure, lower interest rates and a lighter monetary policy which are all consistent with high but pro-poor economic growth and stronger social targets. Instead of cutting the development expenditures in ad-hoc manner as was the case under the IMF programs the balancing act is done by readjusting non-development expenditure and raising tax revenues. The scope and time horizon for adjustment will be more realistic as the country frees itself from short-term performance criteria and quarterly targets monitored under an IMF program.

Second, it has become quite abundant from the experience of the Social Action program in the 1990s that budgetary outlays are not the only major constraint in delivery of social services and development of human capital. The fault equally lies in the pervasive weakness of the institutions responsible for the delivery. Devolution of power to local governments offers an excellent opportunity for ensuring that the poor participate in the decision making and receive the services at their doorsteps with minimal waste and leakages. Capacity building private-public-community partnerships needs to be promoted to strengthen the local government institutions assigned the task for the delivery of social services. This is purely an internal matter in which the IMF cannot provide much help.

Third, the incidence of taxes and surcharges on the various classes of population should be examined and the structure altered to reduce the excessive burden on the poor, i.e. ensure better distribution of tax burden. Surcharges on electricity, gas and petroleum products are regressive in nature and can be dispensed with by improving the governance of utility companies, bringing in more tax payers under the income-tax and corporate tax net, reducing widespread evasion, levying higher tax rates on luxury and conspicuous consumption and plugging in leakages and corruption. These measures require institutional strengthening and restructuring for which the IMF financial program is not relevant.

Fourth, monetary and credit policy must be geared to provide access to the poor and middle class segments of the population. Microfinance, Women's banking, consumer financing, mortgage loans, SME financing, agriculture credit, personal loans have just begun to take hold but they ought to be expanded as part of the banks' retail business. The boost in aggregate demand will have backward linkages in form of higher industrial production and buoyant service sector thus stimulating the level of economic activity in the country. A strong and independent Central Bank can pursue such policies without any external help but keeping a vigilant eye on the banking industry.

Fifth, infrastructure facilities such as energy, irrigation water canals and lining of water courses, farm to market roads, storages and silos for grains, urban transport, railway service, port handling, need to be upgraded so as to remove shortage and congestion for the benefit of the majority of the population. Energy shortages have created an irreparable loss to the manufacturing and export sectors and the sooner the capacity is expanded economic revival will pick up. Under a supply-constrained and non-price rationing environment it is the poor who suffer the most and the elites derive most of the benefits through connections and influence peddling. Those measures that provide equal access to public goods to the poor as well as non-poor require a change in the mindset of our political leaders across the party lines and an outside agency such as IMF can hardly be useful for this purpose.

Sixth, scientific education, research and technological development have been neglected far too long to the extent that Pakistan is losing its competitive edge in the dynamic products of the global market. Adequate budgetary allocations with strong incentives linking research and development with industrial productivity and continuous up-grading of higher skills should be part of this strategy. The resistance to reforms in higher education is quite fierce from the faculty organizations while priority to technological development is quite low both by the private and public sector. Reorientation of our policies and institutions in this area call for tough actions that can be best managed by a strong leadership.

Seventh, poverty is not only lack of economic opportunities but is also a state of powerlessness and helplessness on the part of the poor who are denied access to Police, Justice and Executive branches of the Government. Reforms of Civil Service, Police and Judiciary to make them more responsive to the needs of the poor have to be introduced. These reforms require a long term road map which is blessed by all stakeholders involved. Technical assistance from external donors can be helpful but the implementation has to be domestically driven. There is very little that the IMF can contribute toward the implementation of this agenda.

Conclusion

It can be seen from the outline of the above agenda that the second generation reforms are deeply rooted in the institutional restructuring, require political will and consensus among stakeholders, strong ownership and are not in any way contingent on the financial assistance of the IMF. This agenda will be driven mainly by the Parliament, political parties, Federal, Provincial and Local Governments, private sector, NGOs, academia and communities. Thus the exit from the IMF program upon completion of macro-economic stabilization phase is fully justifiable as the country would not require any exceptional financial infusion and the road ahead can be traversed without the assistance of the IMF.

The biggest risk to this exit strategy is: When the economy bounces back, will the pressure for reform, fiscal discipline and good governance disappear in absence of an IMF program? Will we revert to the bad old ways of doing things e.g.,

? Appointments and postings on "sifarish", favoritism and nepotism.
? Award of contracts on kickbacks and plunder.
? Issuance of SROs to make a few selected individuals rich.
? Sanction of loans on the basis of political connections.
? Undertaking unproductive and wasteful mega projects of little economic value.
? Slow down of privatization process and financing of losses of public sector enterprise from within the budget.
? Paralyzing the functioning of local governments.
? Return of creeping protection of domestic industry to appease the lobbies of rent seekers.
? Incessant bureaucratic and political interference resulting in inconsistent, unpredictable and discontinuous policies.

If this scenario works out then even if an IMF program is in place, the IMF is bound to suspend the program and withdraw its assistance. Under those circumstances what is the point in going through the agony of negotiating another program and then suffer the humiliation and lose the credibility. If the intention is to go back to old ways of doing things then there is no point in extending the program in any case.

To reiterate, the success depends upon continuity and consistency of policies, good governance, institutional restructuring, national consensus building and strong work ethic by all Pakistanis. Government can be an enabler and facilitator but the ultimate results will depend on the collective efforts and hard work of millions of farmers, firms, entrepreneurs, individual businesses and professionals. This mix will determine whether the majority of Pakistanis can achieve a better standard of life.

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In his Harvard Business Review essay Alan Kantrow writes: “Drucker’s real contribution to managerial understanding lies not so much in the utility of his ideas as in the rigorous activity of mind by which they are formulated.” Drawing from history, philosophy, moral psychology, sociology, politics, science, literature - and, yes, medicine - Drucker’s pattern - seeking thinking models how to “identify the constellations of significance in the otherwise chaotic flow of information.” His books “enact an unfolding drama of perspective.” The drama stems from the openness, the unfoldingness, of this thinking-in-writing. He claims to have “never learned anything from a book” - the Jane Austen “never of conversation.” He has to write (or teach) to discover what he thinks. Consequently, his books capture the spontaneity of performance.

Jack Beatty
The World According to Drucker

ARTICLE

Reasons For Construction Firms Transiting To ISO 9001:2008 Quality Management Systems

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ABSTRACT

The International Organization for Standardization (ISO) is a worldwide federation of national standards bodies from approximately 162 countries. ISO is also a non-governmental organization that forms the missing link between the public and private sectors. With increasing awareness and attention on delivering quality and desirable products to the end users, ISO certification has increasingly become an important benchmark and confidence for both the organization and its customers. To keep up with the evolution and advancement in the different industries such as manufacturing, hospitality and construction, and also to satisfy higher customer's expectations, ISO has to constantly improve and renew its standards. Consequently, with respect to quality management, an updated version of ISO 9001:2000 was issued recently in 2008. The current applicable standard is thus the ISO 9001:2008 relating to quality management systems. ISO 9001:2008 does not evolve from a major overhaul of ISO 9001:2000. Instead, it introduces significant clarification to the requirements stated in ISO 9001:2000. This study examines the willingness and receptiveness of large construction firms in Singapore to transit to the new ISO 9001:2008 standard. It also evaluates organization behavior that motivates construction firms to make the transition to the new ISO 9001:2008 standard.

Keywords: Quality management, ISO 9001:2008, Construction firms, Organization behavior

Introduction

The International Organization for Standardization (ISO) was founded in 1946 in Geneva, Switzerland. Its purpose was to establish a common worldwide standard for manufacturing, communication and trade. One of the key roles of the ISO is to publish and disseminate good practice standards for worldwide adoption across nations. An important standard released by the ISO relates to the ISO 9000 standards for quality management systems.

It should however be noted that the ISO 9000 standards are not product standards and are not prescriptive in nature. However, the ISO 9000 standards define the requirements for quality management and quality assurance systems that are used by companies for the purpose of providing good services and products to customers. The certification started out on a voluntary basis but in today's context, a company without an ISO 9000 certification will lose its competitive edge and credibility. In addition, it is a requirement that customers will look for when doing business or entering into a contract.

In Singapore's context, the Building and Construction Authority (BCA) launched the ISO 9000 certification scheme way back in 1991. The objective of this scheme was to promote the adoption of an international quality management system standard in Singapore's construction industry. Since July 1, 1999, top contractors and consultants have been required to obtain ISO 9000 certification which will enable them to tender for public sector projects above S$30 million. It is also mandatory for construction firms which are classified under the larger A1, A2, B1 and B2 categories within BCA to obtain ISO 9000 certification. This requirement set out by BCA helps to create a more productive and efficient quality management system and environment within the organization. This helps to ensure that the company will be able to deliver good quality work and products consistently.

A majority of the construction firms in Singapore are ISO 9001:2000 certified. An updated version of the ISO 9001:2000 standard was been released recently. The new ISO 9001:2008 standard will replace the existing ISO 9001:2000 certification. The intention of the updated version is not to overwrite or replace the requirements stated in ISO 9001:2000. To bring about clarification and also increase its compatibility with ISO 14001 for Environmental Management Systems.

The Singapore Accreditation Council (SAC) released a notice on 22 January 2009 to state that construction firms would be given two years to conform with the new ISO 9001:2008 standards. This means that all accredited new certifications or re-certifications will have to adhere to the new ISO 9001:2008 version from mid-November 2009, a year from its publication in mid November 2008. And within two years, which is from mid-November 2010, accredited certifications to the existing ISO 9001:2000 version will no longer be valid.

The aim of this study is to investigate the readiness and willingness of construction firms when it comes to transiting to the new ISO 9001:2008 standards from the prevailing ISO 9001:2000 standards. The objectives of this research are:

1. To highlight the differences between ISO 9001:2000 and ISO 9001:2008.
2. To understand the reasons for construction firms transiting (or not transiting to ISO 9001:2008).

ISO 9000 Guiding Principles

ISO 9000 is a set of criteria that can be applied to all organizations regardless of type, size, product or service provided by these organizations. When applied correctly, these standards will help an organization develop the capability to create and retain satisfied customers and other stakeholdders (Hoyle, 2009). ISO 9000 also refers to a set of three standards which are ISO 9000, ISO 9001 and ISO 9004. All three standards are referred to as quality management system standards. ISO 9000 discusses the definition and terminology and is used to clarify the concepts used by ISO 9001 and ISO 9004 standards. ISO 9001 contains requirements and is often used for certification purposes while ISO 9004 presents a set of guidelines and is used to develop quality management systems that go beyond ISO 9001.

ISO 9000 is important to organizations because it provides a platform for them to compete and excel internationally. It is supported by the national standards bodies from over 150 countries. It has become a benchmark that every customer would look for when doing business internationally. It brings about efficiency, productivity and good quality products and services. Only with a good quality management system, then can there be a world class standard of quality.

Historically, ISO 9001:1994 consisted of the following 20 quality system elements:

1. Management Responsibility
2. Quality System
3. Contract Review
4. Design Control
5. Document and Data Control
6. Purchasing
7. Purchaser (Customer) Supplied Product
8. Product Identification
9. Process Control
10. Inspection and Testing
11. Control of Inspection, Measuring and Test Equipment
12. Inspection and Test Status
13. Control of nonconforming product
14. Corrective and Preventive Action
15. Handling, Storage, Packaging, Preservation and Delivery
16. Control of Quality Records
17. Internal Quality Audits
18. Training
19. Servicing
20. Statistical Techniques

The ISO 9001:2000 standard is a far more generic standard than the earlier 1994 standard with the 20 elements annotated above. It adopts the process management approach which is widely used in business today and which more clearly addresses the Quality Management System (QMS) requirements for an organization to show its capability for meeting customer requirements (Tricker, 2006). ISO 9001:2000 is more flexible and does not imply uniformity of quality management systems; as such, it does not imply a requirement to change the structure of quality management system documentation (Weallans, 2000; Stapp, 2001). In addition, the ISO 9001:2000 standard is also made more compatible with the ISO 14000 series of standards for environmental management as well as national/international health and safety management standards (Tricker, 2006).

ISO 9001:2000 underwent a major overhaul which changed its requirements, sections and approach towards quality management systems. Hoyle (2000) observed that the reasons for the changes are due to the following:

1. Process models became more prominent in quality management.
2. There was confusion on adoption and implementation requirements from different standards within the ISO family and also for different organizations of different nature.
3. Smaller firms experienced difficulties in interpreting and understanding the requirements.
4. The debate as to the associated business benefits.
5. The previous standard was not closely compatible with ISO 14000.

ISO 9001:2000 was more customer oriented. It placed greater emphasis on customer's expectations and satisfaction. Greater improvement in business performance can be achieved through positive customer experience. The standard adopted five auditable clauses and eight quality management principles which top management in the organization can use to improve performance and efficiency. The five auditable clauses are:

1. Quality management system
2. Management responsibility
3. Resource management
4. Product realization
5. Measurement, analysis and improvement

The eight quality management principles in ISO 9001:2000 are:

1. **Customer focus**
   Customer requirements need to be determined and fulfilled with an intent to achieve customer satisfaction.

2. **Leadership**
   Leaders establish unity of purpose and direction for the organization. They should create and maintain an internal environment in which people can become fully involved in achieving the organization's objectives.

3. **Involvement of people**
   People at all levels are the essence of an organization and their full involvement enables their abilities to be used for the organization's benefit.

4. **Process approach**
   A desired result is achieved more efficiently when activities and related resources are managed as a process.

5. **System approach to management**
   Identifying, understanding and managing interrelated processes as a system contribute to the organization's effectiveness and efficiency in achieving its objectives.

6. **Continual improvement**
   Continual improvement of the organization's overall performance should be a permanent objective of the organization.

7. **Factual approach to decision making**
   Effective decisions are based on the analysis of data and information.

8. **Mutually beneficial supplier relationships**
   An organization and its suppliers are interdependent and a mutually beneficial relationship enhances the ability of both to create value.

   Top management can use these eight quality management principles to lead the organization towards improved performance (Tricker, 2006).

ISO 9001:2008

The ISO 9001:2008 standard was officially published on 14 November 2008. There are perceptibly no major differences between the 2000 and 2008 versions of the standard. ISO 9001:2008, however, provides better clarity and compatibility with ISO 14001. It also provide organizations with continual improvement and effective quality management systems to operate more efficiently.

It is a general principle for the ISO to regularly revise its ISO standards every three years from the day it was published. In this manner, the standard will always be up to date with the latest developments in management system practices. These reasons led to the publication of ISO 9001:2008. This current ISO standard improves translatability and maintains consistency with the ISO 9000 family of standards. The clauses that have undergone more significant changes include:

? 0.1 General
? 6.3 Infrastructure
? 7.2.1 Determination of requirements related to the product
? 7.5.4 Customer property
? 7.6 Control of monitoring and measuring equipment

ISO 9001:2008 provides compatibility with ISO 14001, whose clauses and requirements are now in sync with each other. This synchronization brings about flexibility and a more systematic process of documentation and implementation. In the process, this also encourages the organization to strive towards ISO 14001 certification as well.

Organizational Behavior

Organization behavior is a field of study that investigates the impact that individuals, groups and structures have on behavior within the organization. This impact works towards improving or adversely affecting the organization's effectiveness. It is also seen as a way to provide a behavioral approach to management. One of the most important parts of an organization relates to manpower, the people who make up and run the organization. Be it an individual or a group, people form a necessary part of any behavioral situation. Managing and controlling organization behavior is easier said than done. It deals with people, and often, emotions, culture, background, expectations, perceptions and personalities are involved. This is the reason why organization behavior is complex and interesting. Organizational behavior is interesting because it is about people and human nature (Miner, 2007). Hackman, Lawler and Porter (1983) noted that the task of getting organizations to function effectively can be a difficult one.

Understanding organization behavior cannot be achieved by just reading, documenting or implementing a system. It involves managing relationships in the organization and knowing how people may feel, think or react to certain decisions and actions. Hence, being able to maintain healthy relationships among employees, and also between employees and the management, helps to steer the organization as a united body towards its goals and objectives. People shape organizations and organizations influence people (Thompson, 2007).

Being able to grasp the whole idea of managing organization behavior will not only help manage people and spur the organization towards its goals; it will also help the organization to improve. Any problems can be identified by the managers and they will know the right way to resolve them efficiently and effectively. With motivated people with the right attitude in the organization, the organizational performance can be enhanced (Hersey, Blanchard and Johnson, 2000).

Three Pillar Framework

Scott's (2001) three pillar framework is made up of the regulatory pillar, the normative pillar and the cultural-cognitive pillar. This provides further elaboration on organization behavior. The framework can be seen as mutually reinforcing and complementing one another in an organization. Although such an inclusive model has its advantages and strengths, it also masks important differences (Scott, 2001). The three pillars function in different manners within an organization. There is no one better option over the other, but each may work better in a particular environment compared to another. Each pillar has its own definition of managing an organization and its quality system. Table 1 summarizes the three pillars and their respective constituents.

(a) Regulatory Pillar

Rules are common in organizations. These help to monitor and ensure that things are done properly and correctly. Related activities can include the manipulation and use of sanctions, checking on conformity to the rules that are established, etc. Rewards and punishments can also be meted out respectively for good practices or violation of rules.

Force, fear and expedience are among the key considerations in the regulatory pillar. The primary mechanism of control is coercion. With authority and relevant laws imposed, this will bring about submission from people for tasks to be completed in a more systematic manner. A stable system of rules, either formal or informal, backed by surveillance and sanctioning power, is one of the prevailing view of organizations (Scott, 2001).

(b) Normative Pillar

Social obligations and moral values play an important role in a normative environment. Normative control can also be described as a system of control. The system works through subjective attributes and dispositions, which people are made aware of, and are compatible with the maintenance of certain types of work organization. Everyone in an organization has different norms of doing things and with different value systems. However, these factors are flexible as different job requirements may cause them to develop roles. For example, a particular position in an organization (for example, the role of the quality manager) may have specified responsibilities and rights to accomplish its job requirements (Scott, 2001).

(c) Cultural-cognitive Pillar

In the cognitive paradigm, what an individual does is, in large part, a function of that individual's internal representation of the environment. The functioning process and nature of a cultural-cognitive organization can therefore be shaped by the environment. The cultural factors determine the manner in which social interests are defined and how the organization functions. In addition, individual values also play an important role for identify the characteristics of the individual and how his job performance (Scott, 2001).

The ISO 9001:2008 standard emphasizes on developing and maintaining a good quality management system. The process of transiting from ISO 9001:2000 to ISO 9001:2008 involves coordination between human resources, document control and within the entire organization. Scott's (2001) three pillar framework can help to explain the relationship between a good quality management system and the corresponding organization behavior.

Research Methodology

A fieldwork was conducted to better understand the rationale for construction firms to transit from the ISO 9001:2000 standard to the current ISO 9001:2008 standard for quality management systems. Surveys and interviews were conducted with the A1, A2, B1 and B2 categories of construction firms registered with the Building and Construction Authority (BCA) in Singapore. These are generally amongst the largest construction firms operating in Singapore. The surveys were conducted via email which is more convenient and effective. Interviews with quality assurance managers were also conducted to obtain first hand information on who deal with various aspects of quality in the daily work routine.

The survey questionnaire was formulated with the following objectives in mind.

1. To understand if construction firms in Singapore are receptive towards the new ISO 9001:2008 standard for quality management systems during the transition period.
2. To understand how organization behavior explains involvement and decisions relating to quality management systems in construction firms during the transition period.

The survey was conducted with a random selection of construction firms classified under the A1, A2, B1 and B2 categories with the BCA. These categories of firms were chosen because they already have ISO 9000 certification in place. Hence, the question of transiting to the current ISO 9001: 2008 standard would be relevant for these firms.

Interviews help to provide a better understanding of how the quality management systems evolved in these firms in tandem with updating of the ISO 9001 standard. Two participants were selected for the interview. The interviewees must be in a senior position within the firm to be able to provide credible information. In addition, they must be familiar and involved with quality management systems and their implementation. A total of 102 survey questionnaires were sent to BCA-registered A1, A2, B1 and B2 construction firms. Of these, 31 completed questionnaires were returned, representing a response rate of about 30%. The respondents were generally associated with quality management responsibilities in their organizations. Of these, 15 were from A1 firms, 6 were from A2 firms, 3 were from B1 firms and 7 were from B2 firms. All the firms that responded were ISO 9001:2000 certified and they were aware of the latest ISO 9001:2008 standards. Following a pilot study, the survey and interviews took place in mid-2009.

Survey Findings

1. Background information

(a) Intention to transit to ISO 9001:2008 certification

2 out of 31 respondents (6%) had no intention at the time of the survey to transit to ISO 9001:2008 certification. It appears that these two firms felt that their current ISO 9001:2000 was stable and did not therefore see the need to transit to the new version as there were also no significant difference which set the two standards apart. From another point of view, the two firms may have planned to transit to the ISO 9001:2008 in the future but not at the time of the survey in mid-2009.

(b) Time Line for certification

The following time-lines were reported by the respondents:

? Within one month – two respondents
? Within two to four months – ten respondents
? Within five to seven months – eleven respondents
? Eight months and more – eight respondents

A majority of eleven respondents planned to obtain ISO 9001:2008 certification within 5-7 months. This could be because the ISO 9001:2008 standard had been only published very recently and the firms needed time to understand their requirements before implementation. On the other hand, there appears to be a goal of these firms wanting to be ahead of their competitors in obtaining the certification first. Hence, it seems that the period of 5 to 7 months is a reasonable time period for these firms to obtain their certification to meet the new standard.

(c) No intention to transit

1 out of the 2 above-mentioned respondents who had no intention of transiting to the ISO 9001:2008 certification answered this question. The construction firm that responded stated that its quality management system was better compared to the standards in ISO 9001:2008. The respondent explained that the firm was able to survive because of the trust it has already gained from its clients.

(d) Other certification obtained

25 (80%) respondents have acquired both ISO 14000 and OHSAS 18000 certification. 2 (6%) of the respondents have only ISO 14000 certification. 4 (13%) of the respondents have ISO 14000, OHSAS 18000 and OHSMS certification. This appears to suggest that ISO 14000 is compatible with ISO 9001:2000. Most of the companies with ISO 9001:2000 certification have ISO 14000 certification as well. This is to meet the requirements set by the BCA for registration in the specified categories of construction firms in Singapore.

2. Regulatory Aspects

(a) Rules are important

15 (48%) respondents felt that rules are important and the remaining 16 (52%) respondents felt that it is very important to have rules in their organization. Different people may have different perceptions about rules. Rules can be beneficial to an organization as these help to ensure law and order in the daily routine. Rules make it easier to for the management and control of both the organization and its employees. On the other hand, others may feel that rules are too regimental and do not encourage flexibility. Employees may feel that their actions and contributions will be restricted or curtailed

(b) Resistance towards rules

21 (68%) respondents were for the implementation of rules in their construction firms. 10 (32%) respondents were against that idea. It is difficult to draw an interpretation from these survey findings without first understanding the background and value systems of the respondents on both sides of the fence.

(c) Rewards and incentives

All the respondents stated that rewards and incentives were given to their employees to encourage good quality practices. This reinforces the traditionally held view that people are frequently motivated when there are benefits, rewards and recognition.

(d) Punishments

17 (55%) respondents felt that it is useful to implement punishments to manage employees within the organization. The remaining 14 (45%) respondents did not see the benefits of imposing punishments. Punishments must be handled appropriately. It may induce fear among the employees and hinder innovative suggestions and improvements for the organization.

In summary, employees are usually motivated when there are incentives or benefits. No one likes to be governed by rules but from the survey, it appears that most companies know that having rules can help keep things in order and to achieve better organizational results.

3. Normative Aspects

(a) Support from others

20 (65%) respondents reported that there were no other persons involved in quality besides the quality management team in the organization. Only 11 (35%) respondents reported that there were other people, in addition to the quality management team, who played a part in ensuring that quality is achieved in the organization.

(b) Standard operating procedures

26 (88%) respondents reported that there were standard procedures to handle quality related issues. Only 5 (12%) respondents stated otherwise. Standard routines and procedures help to promote productivity. Tasks can be undertaken faster and more systematically. However, the standard procedures may cause the organization to stagnate. This is because of the lack of a culture that constantly strives for improvements and innovations.

(c) Importance of ISO 9001 certification

28 out of the 31 respondents indicated that ISO certification is important for the company. A minority 3 out of the 31 respondents indicated that the ISO certification is not important. ISO 9001:2008 may not have been perceived as important to the construction firms at the time of the survey because they already had a quality management system within their organizations that is anchored on ISO 9001:2000. The eventual transition to ISO 9001:2008 was therefore not perceived to be urgent at that point in time. Nevertheless, more construction firms should transit to the current ISO 9001:2008 standard as soon as they are able to.

(d) Employee obligations

16 (52%) respondents reported that employees felt obligated to play their part in quality management in the company. The remaining 15 (48%) respondents stated that the employees did not feel obligated to share the company's vision in providing a good quality management system. An efficient quality management system requires the involvement and commitment of the entire organization. It is necessary to create a culture within the organization where the employees can feel that they are part of the organization and that they have responsibilities and contributions towards the quality management system.

(e) Top management support

29 respondents reported that top management was supportive of quality management. On the other hand, the remaining 2 respondents reflected that top management was not interested in quality management.

In summary, top management needs to be involved in managing quality in the organization. Top management must set an example for the employees to follow. This is to ensure that every employee will feel attached to the company and will realize that they have a part to play to achieve a good quality management system.

4. Cultural-cognitive Aspects

(a) Organization culture

25 (81%) respondents indicated that the organization's culture and practice do

play an important role in promoting quality management. However, 6 (19%) respondents felt otherwise. A conducive environment and positive organization culture can provide a platform for employees to learn and take up an active role towards contributing to the overall well-being and work procedures within the organization.

(b) Standard routines

27 respondents stated that routines would hinder improvements in the organization. 4 respondents stated that routines would not hinder improvements within the organization.

(c) Implementation of belief

14 (45%) respondents indicated that the organization does not implement a set of beliefs or culture for this employees. 17 (55%) respondents said that the organization had implemented a set of beliefs and culture within the organization.

In summary, the organization needs to have the right attitude and environment for improvement and advancement. The organization must also be able to introduce and implement beneficial changes.

5. Other Issues

(a) Resources for transition

All the respondents agreed that documentation, manpower, time and money would be needed in the company's efforts to transit to a new ISO platform. This happened during the transition from ISO 9000:1994 to ISO 9001:2000 as there were major changes in requirements and scope. However, the case of transiting from ISO 9001:2000 to ISO 9001:2008 may not be that exhaustive and taxing on the company's resources as there do not seem to be significant changes to the requirements in the transition.

(b) Staying ahead

A majority of the respondents (90%) felt that it is important to be constantly updated with the latest ISO standards. In this manner, they will stay ahead of their competitors and also portray a better image for the company.

Interview Findings

Two in-depth interviews were also conducted as part of the study. These were conducted with two experienced building professionals in August 2009. The first interview was conducted with Ms. A who is a Principal Quality Assurance Engineer for a major US multinational corporation operating in Singapore. Ms. A's scope of work includes the following:

1. Work with the project manager to establish and maintain the project quality management system.
2. Plan and conduct quality audits.
3. Work closely with management and the project team to resolve quality related issues.
4. Coordinate client's audits (quality, controls and compliance).

Ms. A mentioned that her company was already ISO 9001:2000 certified and that they were planning for the ISO 9001:2008 conversion by the year 2010. When asked if the ISO certification was beneficial to her company, she said that:

"With a well documented management system in place, process and role and responsibility are clearly spelled out and this enhances accountability."

It can be seen that ISO certification does help an organization to develop a more wholesome quality management system. As for ISO 9001:2008, there were no government incentives for companies to obtain the certification but transiting does help the organization improve its efficiency and productivity. Ms. A also gave a brief explanation on the main differences between ISO 9001:2000 and ISO 9001:2008:

"The new ISO 9001:2008 enhances clarity of ISO 9001:2000 without introducing new requirements. Some useful clarification to existing requirements and reinforcement of a risk based approach to quality management. The most substantial change is on the reviewing of the effectiveness of the corrective and preventive actions taken."

Resources such as manpower, training and money will be involved for transiting to a new ISO standard. However, it appears that the efforts to transit to ISO 9001:2008 were not as complex and tedious as previously thought. Ms. A commented that:

"No additional resources are needed. The owner defines the processes and writes the procedures. Everyone is the owner of the system. Therefore improvement of the system is everyone's business. Quality department is the custodian of the management system, including updating, promulgation and training to all employees."

It appears to be fairly flexible and easy to transit to the new ISO 9001:2008 according to Ms. A.

The second interview was conducted with Mr. T who is an Environmental and Safety Manager of a Japanese multinational corporation operating in Singapore. He had much experience with quality assurance positions in other companies before he joined his current company. His job scope included implementing and reviewing the company's quality management system.

Mr. T stated that transiting to ISO 9001:2008 was not as complex as one may think and most companies will obtain the ISO 9001:2008 certification eventually. He noted that:

Very minimal, it is very easy to upgrade to ISO 9001:2008. There aren't any major changes. Within a year, to see most of the construction companies to get ISO 9001:2008 certified, is possible."

However, Mr. T highlighted another important point:

"It doesn't make any difference if you tell people you are ISO 9001:2000 or ISO 9001: 2008 certified."

The reason may be due to the lack of government incentives and motivation to transit. Furthermore, ISO 9001:2008 does not involve any major changes in requirements. The management in the organization must also take ownership of the quality system and make wise decisions to invest in it. In addition, Mr. T commented that,

"Management has to judge for themselves if it is worth spending the kind of money. Some cost is a must spend because it is part of the requirements stated in the ISO. Cost is not the major factor when the system is running; maintenance and training is the more demanding part."

It can be seen that the areas which consume more resources are related to maintenance and training. It appears that the initial stage of implementing a quality system requires more resources. After it has been set up, it should run systematically and more attention should be placed on training personnel and managing the system. Mr. T added that:

"ISO is not a one man thing. Have to make sure everybody understands and have the right mindset."

Conclusion

After analyzing the survey questionnaires and interviews, it seems that most of the construction firms in Singapore are ready to transit to ISO 9001:2008. The process of converting appears to be fairly easy to bring about better clarification for the organization. However, at the time of the study, it was not the top priority for some of the construction firms.

Organizational behavior does not seem to play an important impact on the process of transiting to the ISO 9001:2008 certification. Firstly, the system for quality management and organizational environment is already in place. No drastic measures or changes need to be implemented for the organization to adopt the new ISO standards. Secondly, there appears to be no need to utilize large amount of resources such as manpower and money to transit to ISO 9001:2008.

The fieldwork highlighted the following important points:

1. Construction companies in Singapore appear to be aware of the ISO 9001:2008 standards and they know that the transition does not include major changes to the existing requirements. Most of the companies are planning for certification while a minority of them appears to be taking their time.

2. Organizational behavior may appear to play an important role when transiting from ISO 9000:1994 to ISO 9001:2000. However, this does not seem to be the case for the transition from ISO 9001:2000 to ISO 9001:2008. The reason appears to be due to the lack of an emphasis on ISO 9001:2008 from the government and the organization. The process of transiting to ISO 9001:2008 appears simple and flexible such that it does not affect the organization's daily functions, resources or environment.

3. To accomplish successful implementation of a good quality management system, top management and the employees must play their part. ISO certification is not only about documenting manuals but it is also about putting the standards into daily practice within the organization.

   The study recommends that construction firms in Singapore should treat ISO certification seriously. There is no doubt that the documentation and manuals have to be properly managed and maintained. It will also be best to implement good quality practices in the daily routine of the organization.

   Construction firms should be more active in adopting the latest ISO certification to improve on their quality management systems. In addition, the organization should ensure that all employees have a part to play in managing and supporting quality management.

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Table 1 The three pillar framework

	Structure and activities		
	Cognitive	Normative	Regulative
Characteristics			
Basis of compliance	Taken for granted	Social Obligation	Expedience
Mechanisms	Imitation	Normative	Coercive
Logic	Orthodoxy	Appropriateness	Instrumentality
Indicators	Prevalence	Accreditation	Rules
	Isomorphism		Laws
			Sanctions
Basis of legitimacy	Culturally supported	Morally governed	Legally sanctioned
	Conceptually correct		
Carriers			
Cultures	Categories	Values	Rules
	Typifications	Expectations	Laws
Social Structures	Isomorphism	Regimes	Government systems
	Identities	Authority systems	Power systems
Routines	Performance programs	Conformity	Protocols
	Scripts	Performance of duty	Standard procedures

(Source: adapted from Scott, 2001, 2004)

ARTICLE

Financial Market Development and Capital Structure Pattern In Pakistan: An Aggregate Level Analysis

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ABSTRACT

This study empirically identifies the factors that explain the capital structure choice pattern of listed companies during 1964–2000. Three measures of debt (total debt ratio, long term book debt ration, and long term market debt ratio) are explained by a set of independent fundamental variables such as growth of firm, size of firm, tangible asset, profitability, earning variability, market to book ratio, and reforms. The analysis is also done to identify any capital structure pattern prevail across various industries in Pakistan. Most of the results are consistent with theory and similar to other empirical studies. The growth and profitability of the firm have negative impact on leverage whereas, size of the firm, tangible asset, earning variability and market to book ratio have positive impact on leverage. The extent of leverage has declined during reform period. However, the coefficient of reform dummy is statistically insignificant. The pattern of leverage is significantly different across most industries due to variation in industry specific policies in Pakistan.

Financial Market Development and Capital Structure Pattern in Pakistan: An Aggregate Level Analysis[1]

1. Introduction

In Pakistan like many developing countries the importance of corporate financial structure choices heavily depend firstly on the existence of functioning markets in which investors can diversify risks and secondly the existence of legal system in which a broad range of property rights can be enforced. Before 1990s the financial sector mainly accommodated the financial needs of the government, public enterprises and private sectors (Khan, 1995; Khan and Khan, 2007). As a result economic efficiency remained low and growth suffered from poor mobilization of resources. The financial markets in Pakistan are going through early stage of development where only small proportion of risk is traded. The markets historically have been relatively illiquid and regulated. However, since 1985 financial structure in Pakistan has been under reforms process and

[1]*I am grateful for useful comments made by the participants and anonymous referees of the Pan-Pacific Business Association Conference XXV held in Costa Rica, 2008.*

later we observe institutional development in financial market particularly in banking sector, equity market as well as in bond market. The objectives of these reforms have been towards improving the financial intermediations and maintaining stability and boosting sustainable growth (Faruqi, 2007; Qayyum, 2007). In addition, the reforms and institutional developments were initiated to remove the inefficiencies and market distortions to support the economic growth in the country (Eatwell, 1996; Nishat, 1999; Khan and Khan, 2007). Moreover, in order to improve the efficiency of financial sector to pace with the global development, the macroeconomic and financial sector restructuring program are undertaken. These restructuring reforms included privatization of nationalized banks, corporate governance, capital market strengthening, improving asset quality, consumer financing, legal reforms, prudential regulations, credit rating and reduction in corporate taxation etc.. Moreover, these reforms were aimed at reducing segmentation of financial markets, introducing competition in financial sector, strengthening capital base of financial institutions and switching over to indirect, market-based and relatively more efficient monetary and credit policy (Husain, 2003).

The existing literature describes and empirically determines the capital structure choices in both developed and developing markets (Harris and Raviv, 1990). In developed countries normally we observe the existence of well functioning liquid financial markets in which investors can diversify risks and the same is supported by efficient legal system in which a broad range of property rights can be enforced (see Bradly, Jarrell and Kim, 1984; Titman and Wessels, 1988; Ragan and Zingales, 1994). In advanced economies these assumptions are appropriate but for the developing countries like Pakistan these are far from reality. In developing countries most financial markets are continuously going through development process and are only a small proportion of risks is traded, and the markets are relatively illiquid and heavily regulated (Booth, Aivazian, Demirguc-Kunt and Maksimovic, 1995). However, due to pressure of attracting investments through FDI or privatization and capital inflows through capital markets institutional development and financial reforms are undertaken for global competition (Nishat, 2004).

In Pakistan earlier in capital market, certain pricing decisions are much frequently more heavily regulated, whereas there are often fewer protections for investors. There had been restrictions on the pricing or issue of bonds or stocks. There have been restrictions for companies who could not offer shares at above the book value (Mirza, 1993). Earlier the accounting standards were not adequate or of internationally acceptable quality and had no rating agencies for funds and bonds etc.. In Pakistan the financial intermediations are required to provide directed long-term credit to selected firm/ sectors like observed in many developing countries identified in Baer et. al. (1994)

The first notable step towards financial system reforms was to phase out interest rate controls during the 1980's. Since January 1985 all new banks providing financing to government, public sector corporations and joint stock companies moved to Islamic modes of financing. This was implemented gradually and included profit and loss sharing

(PLS) banking, PTC, and several ordinances for permission to register Modarabahs and leasing companies. During May 1985 a national deregulation commission was also set up to look into the possibility of deregulation of the economy.[2]

To facilitate the working of stock markets an amendment was made to in annual listing fees and the dispatch of a dividend warranty was made obligatory for listed companies.

To strengthen the domestic investment environment and encourage the participation of private investors including overseas Pakistanis, the task of the National Deregulation Commission was further defined. This included divestments of the public sector to the general public and restriction of investment allowances to the individual only if he invested in stock and shares of listed companies or companies owned by government. Incentives and concessions were given to foreign private investors under the Foreign Private Investment Act 1976. In addition, provision of an adequate legal framework and security against expropriation was also provided to foreign investors. They were allowed to remit profits and capital appreciation and capital investment. They were given relief from double taxation in the case of specific countries, and were permitted monthly remittances and transfer of savings on return. The investment policies observed during the last regime continued with more incentives and more liberal policies during this third phase. We observed lots of reforms between July 1988 to June 1991 and then follow-up policies during July 1991 to December 1994, which was termed the extended reform period (World Bank, 1995).

During 1988-89 listed companies were allowed to mobilize long-term funds by issuing term certificates. An investment incentive scheme was announced to tap undeclared wealth in 1988-89 budget. Other policies included permission for DFI's to float part of their capital in the stock market, formulation of a National Disinvestments Authority, the decision to denationalize NCB's and permission for six new investment banks in the private sector. Later some restrictive provisions were also relaxed to attract repatriable investment against shares in the stock market. A competitive environment was encouraged through the curtailing of the reserve quota of institutional investors to purchase the initial share at par value, and allowing the firms to issue the new shares at a par value determined by the market. Under the financial reforms of 1991, the government decided to hand over some nationalized banks to the private sector. At this stage Foreign Exchange and Payments Reforms also facilitated the inflow of capital into the stock market through non-residents and overseas Pakistanis accounts. During this period the government also started its borrowing of funds from the open market under an auctioning system; treasury bills and Federal Investment Bonds of different maturity period During August 1991, the government announced the establishment of 10 commercial banks in the private sector. The investors were also allowed to bring capital, issue shares, remit dividends or interest and transfer capital out of Pakistan without any restrictions. The foreign investor could retain funds in foreign currency

[2]*However, in most cases all steps in this period seemed to be at very initial stage where the setting of policy guidelines and its implementation was far from the facts. Moreover, for Islamic modes of financing people and institutions required a lot of clarification.*

accounts in Pakistan and if required could use them as collateral for local currency loans. They were also allowed 100 per cent foreign currency equity in a project, and there was no compulsion for the foreign investors to go public even if the paid-up capital exceeded Rs. 100 million, provided his equity in projects was 51 per cent or more. To further facilitate foreign investors the KSE was also linked with an international network through Reuters during mid 1992.

To deregulate the direct control of the government on the financial system, amendments in the Prudential Regulations were implemented during July 1992. Foreign exchange control was abolished, financing against shares was allowed and the corporate financing strategy was modified. Moreover, for competition mutual funds in the private sector were allowed, and the institutional quota was further curtailed. The same allowed market forces to determine the issue prices for all shareholders. The securities department was also established under this regulation to implement debt management policies and to develop a secondary market in the economy. Later during August 1992, a credit-deposit ratio was introduced for commercial banks as an instrument of private sector credit control, replacing a credit ceiling system. The liquidity ratio was raised from 35 to 40 per cent and this ratio was again raised to 45 per cent at the end of 1992. Later the SBP lowered the liquidity ratio to 35 per cent, and the credit-deposit ratio was increased from 30 per cent to 32 per cent. The SBP issued Prudential Regulation regarding defaults of loans, recovery, and rescheduling or restructuring of outstanding liabilities. During 1994 this liberalization policy extended further to boost investment in the equity market, which allowed the investment of provident and gratuity funds in the equity market. Further facilities were given for non-residents including overseas Pakistanis to attract investment in corporate debt instruments against payment in foreign exchange. In addition, the Pakistani rupee became convertible on current international transactions. Moreover, foreign investors were allowed to negotiate loans in foreign currency without government approval. Similarly, the regulatory changes in the stock market continued during this phase to support and match the required role of the stock market to facilitate capital inflow in Pakistan.

On the capital financing side, one of the major changes in Pakistan was observed on the part of declining financing through debt and equity. During early 80s the ratio of debt to equity was 80:20 when bridge financing was available through institutional investors and equity financing was done through issuance of IPO at book value rather than market value. Later this ratio gradually declined to 70:30, 60:40 and now it is 50:50. It resulted in growing importance of equity and reflected and approximated by stock market capitalization to GDP ratio which substantially increased overtime and has negative impact on debt to equity ratio. However, for effective role of equity market in corporate financing is very much supported by the active trading of number of equities.

Very little is known about the impact of these reforms and financial market development on financing pattern or capital structure of the corporate sector in Pakistan.

Therefore, there is a need to empirically identify the determinants of capital structure choice in Pakistan. Since we observe varying sectoral financing policy for priority sector, manufacturing and agricultural sector and sectors in which external financing is significant. The study also distinguishes the pattern of capital structure across industries during 1964 to 2000. The study considers only financial variables as the analysis is done at aggregate level pooling the sectoral data published by State Bank of Pakistan in their Balance Sheet Analysis document.

The rest of the paper is organized as section 2 describes the methodology and econometric model followed by data in section3. The interpretation of results is presented in section 4. The summary and concluding remark is given in section 5.

2. Theoretical Framework and Econometric Methodology

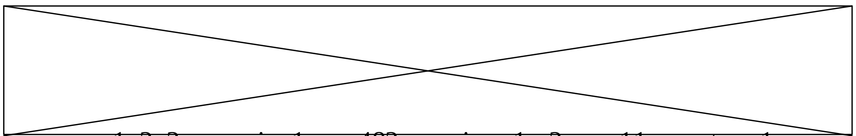
The capital structure choice deals with effects of various policy instruments. Since various capital structure theories have not explicitly mentioned in leverage measurement literature for consistency purposes, we consider the leverage variable measured and used in most empirical studies in literature. In this study three measures of capital structure choice namely; total debt ratio as total liabilities divided by total liabilities plus net worth are used. The second measure defined as long-term book-debt ratio as total liabilities minus current liabilities plus net worth. The third measure of debt equity ratio is taken as the long-term market debt ratio substitute's equity market value for net worth in the long-term book-debt ratio definition. Our empirical determinants of capital structure behavior investigate the relevance of different capital structure theories in Pakistan. In this context, five theoretical approaches distinguished namely models based on tax considerations, agency costs, asymmetric information, product/input market interactions, and corporate control issues (Harris and Raviv, 1991). For empirical estimation we focus on following six attributes namely: asset tangibility, growth, size, earnings volatility, profitability and market to book ratio.

The first explanatory variable is asset tangibility represents the asset structure of the firms and it has a direct impact on its capital structure choice. The tangible asset is most widely accepted parameter for banks borrowing and raising debt financing. The firms with little tangible assets have difficulty in raising funds from market via debt financing. We expect a positive relationship between asset tangibility and leverage implies the existence of imperfect information for explaining capital structure choice of Pakistani firms. Another variable growth is related to leverage of firms. According to the agency theory, a negative relationship is expected between growth and long term debt. The reason that a firms' growth opportunity is intangible asset rather than a tangible asset; the liquidity effect of high leverage may reduce the firms' ability to finance its future growth. This suggests that firms with valuable growth opportunities should opt for low leverage (Mayers, 1977).

The firm size is positively related to leverage as the informational asymmetries are less severe for larger firms as compared to smaller firms. The common investors are more aware about larger firms compared to smaller firms; as a result, larger firms will find it easier to raise funds. The larger firms also can diversify their risks and for them the financial distress risk is lower for large firms. If the earning of the firm is volatile due to some seasonal or cyclical reasons, and or, due to mismanagement of resources, then these firms have to pay extra premium for debt financing. The firm prices are discounted for their variability of their earnings. Moreover, these firms face difficulty for raising external funds. In theory the earning volatility is negatively related to leverage. According to agency theory it suggests a positive relationship between earnings volatility and leverage.

The relationship between profit and leverage is mixed. According to the Pecking order theory it indicates a negative relationship between leverage and profitability. For example, if a firm has more retained earnings that can be used for future project financing rather than looking for external financing. There are other approaches regarding the choice of firms' capital structure giving signals to investors in the market. In this case larger debt level is taken as indication for good performance (Ross, 1977; Leland and Pyle, 1977). As a result one can expect that firms' profitability and leverage have positive relationship. The book to market ration variable is used to explain the leverage and treated as a proxy for Tobin' q ratio. This book to market ratio is indirectly supporting the growth of firm and leverage through the concept that growth companies have higher Tobin's q ratio.

Based on above discussion the following empirical model is used by using panel data for 12 industries for the period from 1964 to 2000.



$n = 1, 2, 3;$ $i = 1, \ldots., 482;$ $j = 1, 2\ldots\ldots 11;$ $t = 1, \ldots\ldots.37$

Where

LEV = leverage measured as debt equity ratio (three different definition of leverage is considered: total debt equity ratio; long term debt equity ratio; and short term debt-equity ratio)

GRW = growth of the firm measured as percentage change of sales

FS = firm size measured as logarithm of sales

TAN = asset tangibility measured as ratio of tangible asset to total asset. The sum of fixed asset and inventories are used as tangible asset.

EV = earning variability measured as the first difference of operating income

PRF = profitability measured as the ratio of operating income to total assets

MTB = market to book ratio

LEVt-1= lag of leverage

DR = Dummy for financial reforms; *DR* =1 for period 1985 to 2000; otherwise = 0

Dj = Dummy for industries, j = 1,……..,11

= error term

The above model is estimated under assumption for consistency and efficiency of OLS estimation. These assumptions are as follows: (i) *E*(for all i; (ii) for all i; (iii) . are all BLUE under above assumptions.

3. Data

The data used in this study are published by State Bank of Pakistan in their publication " Balance Sheet Analysis of Joint Stock Companies listed on the Karachi Stock Exchange" various issues during 1964 to 2000.

4. Discussion of Results

The empirical results of the model in equation 1 are presented in table 1. As presented the first model which takes total debt to equity ratio as dependent variable (LEV) is explained 30 percent variation in leverage by the explanatory variable. The first explanatory variable that is growth (GRW) has a negative impact on total debt equity ratio as the coefficient is negative and statistically significant at 95 percent confidence interval. This indicates that in Pakistan the agency theory predicts a negative relationship between growth and the leverage. This finding suggests that managers of firms with growth potentials should opt for low level of long term debt to equity ratio.

The sign of the coefficient of size (FS) is positive and statistically significant at 95 percent confidence interval. The result is consistent with theory and it indicates that for larger firm the total debt equity ratio is higher. This suggests that in Pakistan it is easier for larger firm to raise debt financing. Moreover, it is understood that larger firms can diversify their risks easily and financial distress risks is lower for larger firms. The tangible asset variable (TAN) indicates a positive relationship with total debt to equity ratio which implies that imperfect information for explaining capital structure choice in Pakistan. However, the coefficient of tangible asset is statistically insignificant that infers that in Pakistan information problems do not play important role in capital structure option decisions.

Te empirical results indicate a positive relationship between total debt equity ratio and earning variability (EV) as suggested in agency theory. The reason could be that the underinvestment problem decreases when the volatility of firms' earnings increases. However, for this sample the coefficient of earning variability is statistically insignificant. According to our results, in case of Pakistan the relationship between total debt equity ratio and profitability (PRF) is consistent with the pecking order theory. The coefficient of profitability is statistically significant at 95 percent confidence level. This supports that if those Pakistani firms which have more retained earnings are in a better position to finance their projects through retained earnings rather than external financing.

The market to book ratio (MTB) variable indicated a positive relationship with total debt equity ratio but the coefficient is statistically insignificant. The financial reforms dummy variable indicated no impact on capital structure as the coefficient is statistically insignificant. On industry differential, most of the dummies indicated a negative but statistically significant shift on capital structure defined by total debt equity ratio. The reason that on annual basis there is industry-specific policies announced by the government which motivates the corporate manager to exploit these industry-specific subsidy and tax exemptions or favorable credit policy etc.

Variables	**Total Debt-Equity Ratio**	**Long-run Debt Equity Ratio**	**Short-run Debt Equity Ratio**
C	-1.0986	(0.3881)*	-1.9696
	(0.5993)*	-1.8803	(0.4423)*
GRW	-0.3785	(0.1649)*	-0.6141
	(0.2594)*	-0.6203	(0.1872)*
FS	1.4776	(0.5960)*	2.7242
	(0.9305)*	2.4978	(0.6787)*
TAN	0.0598	(0.2192)	0.3465
	(0.3412)	-0.2894	(0.0251)
EV	0.0007	(0.7238)	0.0008
	(0.0015)	0.0007	(0.0011)
PRF	-0.3938	(0.1283)*	-0.5397
	(0.2093)*	-0.3458	(0.1436)*
MTB	0.6532	(0.2081)	0.2595
	(0.3263)*	-0.3865	(0.2371)**
LEVt-1	0.3652	(0.0428)*	0.7020
	(0.0328)*	0.2794	(0.0442)*
DR	-0.0260	0.0485	0.1029
	(0.0781)***	0.0128	(0.0548)
D1 (Textile)	-0.1631	(0.0997)**	-0.2258
	(0.1546)***	-01714	(0.1123)**
D2 (Chemical)	-0.1488	(0.0858)**	-0.3059
	(0.1335)*	-0.1832	(0.0970)*
D3 (Engineering)	-0.1296	(0.0945)***	-0.4682
	(0.1491)*	0.0202	(0.1066)
D4 (Sugar and allied)	-0.2408	(0.0841)*	-0.2665
	(0.1307)*	-0.3983	(0.0959)*
D5 (Paper)	-0.2799	(0.1021)*	-0.2289
	(0.1608)***	-0.3068	0.1186)*
D6 (Cement)	-0.2495	(0.0962)*	-0.2210
	(0.1489)*	-0.3773	(0.1095)*
D7 (Fuel & Energy)	-0.0973	(0.0986)	-0.0248
	(0.1534)	-0.2902	(0.1127)*
D8 (Transport)	-0.3070	(0.1089)*	-0.3098
	(0.1677)**	-0.5119	(0.1247)*
D9 (Tobacco)	-0.3108	(0.1097)*	-0.8636
	(0.1797)*	-0.1021	0.1226
D10 (Jute)	-0.1235	(0.0811)***	0.2263
	(0.1269)**	-0.1624	(0.0914)**
D11 (Vanaspati)	0.0070	(0.0891)	-0.5198
	(1441)*	0.2022	(0.1017)*
R^2	0.301	0.747	0.455
Adj-R^2	0.271	0.735	0.431
D.W	2.09	1.93	2.057
F-Statistics	9.8781	66.1721	18.996

Figures in parentheses are standard errors
* significant at 0.05 level
** significant at 0.10 level
*** significant at 0.15 level

5. Summary and Concluding Remarks

This study empirically assesses whether capital market structure theory is persistent in Pakistan with changing institutional structures observed overtime during last three decades during which the debt equity ratio changed from 80:20 to 50:50. The study identifies the factors that explain the financing pattern of listed companies during 1964–2000. Three measures of capital structure choice (total debt ratio, long term debt ratio, and short term market debt ratio) are explained by a set of independent fundamental variables such as growth of firm, size of firm, tangible asset, profitability, earning variability, market to book ratio, and reforms. The analysis is also done to identify any capital structure pattern prevail across various industries in Pakistan. The study also distinguishes the capital structure pattern during non-reform (1964-85) and reform period (1986-2000). Most of the results are consistent with theory and similar to other empirical studies. The growth and profitability of the firm have negative impact on leverage whereas, size of the firm, tangible asset, earning variability and market to book ratio have positive impact on leverage. The extent of leverage has declined during reform period. However, the coefficient of reform dummy is statistically insignificant. The pattern of capital structure choice is significantly different across most industries due to variation in industry specific policies in Pakistan.

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First and last, Peter Drucker is a moralist of our business civilization. And just as we don't read George Orwell for his answers to the social and political problems he explores but for his moral clarity and depth, so we don't come to Drucker looking for three-point plans to fix creation. He offers suggestions, he affirms the values at stake, some times he points in the right direction; but he offers few solutions and Montaigne offered no solutions, either. It is enough for the moralist to make the distance between what is and what could be.

Jack Beatty
The World According to Drucker

ARTICLE

The Impact of Women Leaders Upon Organizational Performance

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ABSTRACT

The aim of this research was to target television professionals in the state, and the private sector to develop their professional capabilities to address gender issues, and to portray women in an affirmative manner in the media. Research literature of the past indicated that women were paid 30% less than men: That they experienced an invisible barrier, the “glass ceiling effect": That organizations headed by women were less corrupt and more efficient. The present research focused on these issues in Pakistani organizations.

Imperial College of Business Studies Lahore was assigned the research by United Nation Development Programme, to see if those variables were operative in Pakistani organizations. The specific research objectives were:

1. Identification and quantification of leadership qualities in a given leader in a Pakistani organization.

2. Operationalization and measurement of "glass ceiling effect" as it operates in the selected Pakistani organizations.

3. Operationalization of "honesty", "transparency" and "diligence", and the quantification of these attributes, as they operate in a given organization.

4. Identification and evaluation of relevant organizational records to corroborate the research results.

Three organizations were selected for the purpose of the present research. They included “A”, “B” and “C”. A set of six measuring instruments were developed, the instruments included (i) a measure of glass ceiling effect (ii) a rating scale to assess leadership qualities (iii) a measure to assess the achievement of organizational and departmental goals, (iv) a measure each of (a) transparency (b) diligence, and (c) honesty. All the instruments pertaining to transparency, honesty and diligence were meant to measure those attributes which were within the rules and parameters of a given organization, such that the respondents were to judge the incidence of those variables within the framework and definition of the organizations’ standard, and not in view of some external benchmark.

The research results indicated that women leaders in Pakistani organizations were preferred over men leaders.The research also indicated that women employees felt the glass ceiling effect in their respective organizations. The result indicated that all three explored organizations were perceived by their employees to be honest, transparent and having diligence. The rating given to "C" for those variables by its workers was the highest, followed by the ratings given to "B" by its workers and that followed by ratings given to "A" by its workers. Those results of the probes were double-checked with relevant organizational records and it showed that the reported opinions of workers corresponded with records maintained by those organizations.

The research also explored whether the stated organizational and departmental goals were met or not. It was found that they were met in all organizations.

In view of the obtained results it was suggested that glass ceiling effect was a major hindrance in the upward mobility of females in Pakistani organizations. Steps for removal of the effect were required. It was recommended that discriminatory policies and practices must be changed. It was also recommended that the media must sensitize people about the real impact of glass ceiling effect, and invite experts to suggest remedies to counteract it. It was recommended that steps be taken to remove barriers for the emergence of more women leaders in Pakistani organizations.

Introduction

United Nation Development Programme launched a project in Pakistan in the recent past which aimed to target media professionals, particularly those in Pakistan Television (PTV) and the private sector media organizations so that they could address gender issues and portray women in an affirmative and balanced manner. The objective of the project was to improve the production skills of professionals, and conduct research on existing gender perceptions, potential trends of female employment, and identify barriers if any, in the advancement of females in employments; and in the light of such feedback, made available by research, recommend policy decisions. The present research was meant to focus on issues such as: How does presence of women at the leadership level, influence an organization as a whole? Are female – headed organizations less corrupt, and therefore, more efficient as compared to organizations headed by males? Do women in organizations experience the so – called "glass-ceiling effect"? Specifically, the objectives of the research included:

- To investigate whether women experience "glass ceiling effect" in Pakistani organizations.
- To see if the presence of female leadership promotes efficiency in terms of honesty, transparency and diligence.

- To highlight leadership qualities of Pakistani women.
- To do a comparative analysis of the data from three different organizations.
- In the light of the intensive and extensive research activities to be undertaken, to make recommendations for future policy guidelines for organizations in general and PTV in particular with specific regard to placement of women in policy – making positions.

Review of literature

Even today working women world wide do not enjoy equal privileges to men and they lack opportunities for attaining success. It is a fact that on the average women earn lower incomes, accumulate less wealth, enjoy lower occupational prestige, and rank lower than men in the workplace. Even in the so – called developed countries, a considerable majority of working females remains limited to administrative support work or service work. As compared to men, very few women are found working in the top management positions even in those countries. Most of those who succeed in entering the managerial channel, find themselves stuck in the middle level of such hierarchies.

One of the commonly held gender – stereotypes in this regard is the perception that women can be good subordinates, and men good bosses. Women are thought to be lacking cool headedness, and maturity of thought, action and above all, emotion, considered to be imperative for a good team leader. People tend to associate leadership characteristics with only men. But this state of affairs should not be mistaken to indicate that women are less capable than men in any sense. There is no denying the fact that women also tend to perform up to their optimal potential, and can prove to be successful group leaders in organizations. However a recent study in the US, of Fortune 500 companies revealed that only 12.5 percent of corporate officers were females. An even smaller percentage i.e. 6.2 percent held highest ranking corporate leadership positions, bearing titles such as chairman, vice chairman, chief executive officer (CEO), or chief operating officer (COO). Only two women were of the rank of CEO in the 500 largest corporations in the US (Catalyst Census, 2000). In companies of the new economy the representation of women in top leadership positions is even more sparse (Stuart, 2001). This phenomenon is best explained by the concept of glass ceiling effect; that subtle and informal barrier that does not allow females to go beyond a certain level of management hierarchy in an organization. The glass ceiling effect may stem from a number of causes. The first category of barriers emanate from the objective, and therefore easier to change, causes of gender imbalance. The second category of causes are rooted in explanations that revolve around behavioral and cultural issues like stereotyping, tokenism, power, preferred leadership styles, and the psychodynamics of male/female relations (Oakley, 2000). A major cause of scarcity of women CEOs in organizations world wide is that very few women in upper management have line experience in marketing, operation, or other relevant areas, which is a prerequisite for the top position. A recent survey revealed that although 44 percent of women senior executives reported to the CEO, more than 60 percent of these women were in staff support areas like human resources or public relations (Lublin, 1996). This practice is the root-cause of the lack of relevant experience, which is a pre requisite for the post of the CEO. As for promotion polices, they do not include affirmative action programmes to promote women to senior management positions, and thus have remained unchanged since the 1960s, (Morrison, 1992).

The objective barriers are however easily detectable, and therefore easier to control if only the organization is willing to do so. The behavioral and cultural barriers, on the contrary, are latent, subtle, and deep rooted. First of all leadership is a concept that remains to be a masculine notion. Good leaders are culturally assumed to be 'heroic'. They are expected to exhibit autonomy, discipline, emotional restrain, and be command – and – control figures (Sinclair, 1998). All these qualities are culturally supposed to be masculine in nature. This stereotyping negatively effects the probability of the selection of a woman for a senior, leadership position. The second type of behavioral explanation for the scarcity of women CEOs is the behavioral double binds i.e. a situation is created where a person cannot win no matter what she does. In order to be considered fit for the top position, a woman is expected to be as tough and authoritative as a man. But when she acts like that, this behavior is considered undesirable. Therefore, she is in a no-win situation. One such double bind has been called the femininity/competency bind by Jamieson (1995).

A third subtle hurdle is the communication style of women. Men often devalue or misinterpret the linguistic styles of females. The less aggressive and assertive forms of communication associated with females may be considered particularly an unacceptable way to communicate in the upper levels of most corporations (Oakley, 2000). Then again gender norms tend to underplay the leadership potentials of females. These norms shape which leadership skills are going to be most valued and recognized in organizations.

However it has been observed that females are better than men, in terms of strong relational and interpersonal leadership skills. These skills are required for leaders in modern-day organizations facing concerns such as flatter structures, self-managed teams, greater workforce diversity, and strategic partnership alliances. When women excel in leadership skills they are often perceived as doing something desirable, but not essential for achieving positive business results. Besides, these skills are often construed as something women naturally do and are, thus, not seen as skills at all (Fletcher, 1999). Again the standards for an effective manager have been perceived to be more associated with descriptions of men than women, including characteristics like task orientation, assertiveness, and risk taking. These are some of the barriers in the rise of women as organizational leaders.

Tokenism in top management circles poses another cause of the fact that much of the best female talent is driven away from ascending the corporate ladder to the top. Sex ratio of people working in an organization may exert marked influence on group behavior. Those in majority are the 'dominants' and those in minority are the 'tokens'. Women in upper management are almost always in the token positions. Since the tokens are more visible to the rest of the group, they are subject to more pressure and scrutiny in the workplace than dominants. Their visibility increases performance pressures (Kanter, 1978). Dominants exaggerate aspects of their culture that they believe distinguishes them from the tokens; thus tending to affirm the group's identity in solidarity. They indulge in boundary heightening behaviour, and by doing so seek to exclude the tokens. This behaviour may be a result of the fear, on men's part, that they may face a loss in pay if women start penetrating into the organization, since females are paid substantially less than male managers at every level (Kanter, 1978; Karsten, 1994). The negative effect of the psychological pressure caused by tokenism is long-term. The minority status of female tokens often blocks their access to the information needed from informal sources and networks, thus keeping them away from the appropriate line of action.

The root-cause of a very limited number of females functioning at the top levels of management, is not their incompetence or incapability, but the various objective and/or subjective barriers deterring their pathway up to the top. These barriers are informal, latent, unintentional, and taken for granted. There is a host of empirical evidence suggesting that women do as ably as their male counterparts. Literature also suggests that female bosses and heads of organizations prove to be better leaders in many respects. The generally held belief that women are not interested in taking on leadership roles has also been challenged by factual data. Data have shown that women are just as likely as men to accept a leadership role when offered (Merrill-Sands, and Kolb, 2001). There is no dearth of research evidence challenging the misconception that women do not reach the highest professional ranks because they have not yet acquired the skills, attitudes, and abilities required for touching the ceiling. When women were assessed on specific skills considered important for effective leadership, by organizations as well as consultants, they were either perceived to do as well as men, or even outperform them (Merrill-Sands, and Kolb, 2001).

Another misconception challenged by empirical investigation is the notion that women excel only in "people" and interpersonal skills. Research evidence suggests that women also excel in skills that traditionally have been perceived as directly linked to getting "bottom line" results, and associated with masculine norms of leadership (Galeman, 1997).

Women's perceptions of their self-efficacy, personal competence, and leadership capabilities have been found to be not much different from those held by men. The findings of an in-depth leadership survey, carried out at Center for Gender in Organization, in a global financial services firm, yielded the fact that high potential men and women assessed themselves equally on the majority of leadership competencies defined by the organization. 51 percent women, whereas only 36 percent men, reported that they did not identify with current leaders or with the image of leaders in the firm. Women also significantly out numbered men in questioning whether the firm was able to accurately judge their capabilities to perform in a leadership role (Merrill - Sands, and Kolb, 2001).

Evidence shows that women, if allowed an opportunity to enter the leadership ranks, do prove to be successful leaders, effective managers, and bosses. Women leaders have been found to positively effect, the overall output and performance of the organization. Female heads of organizations tend to introduce more of human, psycho-social, and moral elements for enhancing the productivity of an organization.

Women have been found to be more likely, than men, to display "visionary, initiating, charismatic, innovative, and strategic", leadership qualities (Russell, and Associates, 1990). Women naturally create "webs of inclusion" rather than hierarchical structures (Hegelson, 1990). They are said to be more nurturing, accommodating, and interested in sharing power and information (Edlund, 1993; Rosener, 1990; Rosen, and Jerdee, 1995). Women were found to be more 'democratic' in organizational settings, in a meta analysis of laboratory, assessment, and organizational studies of differences in men's and women's leadership styles (Eagly and Johnson, 1990). Research suggests that women tend to be more ethical, or more rule oriented, than men (Brady, 1987). They have been found to be more concerned about ethical issues in business than men, regardless of the issue (Beltramini, Peterson, and Kozmetsky, 1984). Investigators, in one study found that in general women and men do not show much difference in their ethical attitudes. However, the findings indicated three areas where women showed a stronger ethical response than men: product information for consumers, minority hiring, and comparable worth (Jones, and Gautschi, 1988). Some other investigations trying to explore the ethicality of males and females have found no significant differences between the two (Stanga, and Turpen, 1991, Sikula and Costa, 1994). One plausible explanation for these mixed results is that ethical responses of men and women are contingent on the type of ethical situations with which they are presented (Hoffman, 1998). However when the effects of situational dynamics on the ethical response of men and women were studied, the results showed that women had a significantly higher level of ethical responses than men (Hoffman, 1998).

Research evidence has brought forth a number of other avenues also where women leaders have had a more positive impact than men. It has been suggested that in order to improve the bottom line in a company that is about to go public, women should be appointed at the top. A study (Gutner, 2001) showed that higher numbers of top women managers at such companies improve stock prices and earnings per share after the lPO (initial public offering). Similar results were yielded by data collected from IPOs taking place. When the magnitude of improvement in company's financial performance was studied it was noted that in case of executive teams that were at least

10 percent female, a considerable rise in stock prices was recorded. This rise was 4.5 percent more that at companies with no top managers. A 56 percent increase in earnings per share in those companies was also noted. In case of companies where women comprised half of the management team, the stock prices rose 23 percent more than at companies with no top-brass women. These companies also enjoyed a huge, 281 percent, rise in earnings per share.

Affective and continuance organizational commitment is another area wherein gender seems to have effect. The concept of organizational commitment encompasses various aspects of the psychological attachment of a member to her organization: An organizationally committed employee strongly believes in the organization's goals and values; she is willing to exert considerable effort on behalf of the organization; she has a strong desire to maintain membership in the organization (Mowday, Porter, and Steers, 1982). Organizational commitment can be both affective, as well as continuance (Allen, and Meyer, 1990; Meyer, and Allen, 1984). Affective commitment is based upon one's emotional attachment to the organization, whereas continuance commitment stems from the costs that employees will be associated with when leaving the organization. Research data suggest that women are more affectively committed to the organizations than men are. It has been proposed that gender may affect employees' perceptions of the workplace, and their attitudinal reactions to the organizations. Gender may influence whether individuals become more committed to organizations that offer various kinds of opportunities (Mowday, Porter, and Steers, 1982; Mathieu, and Zajac, 1990; Scandura, and Lankan, 1997). Gender roles as a key constraint for women in employment have often been highlighted; for example working wives are more likely to suffer from work family conflicts due to their heavy job and domestic obligations (Gutek, Searle, and Kelpa, 1991.: Women have retained primary responsibility for domestic duties even though they hold a full-time job (Bielby and Bielby; 1998); women's family-roles and work demands are higher than men's (Higgins, Duxbury, and Lee, 1994), all factors related to gender and relevant roles.

A host of research, on the other hand, has failed to identify any significant sex differences in organizational commitment, particularly when the samples were drawn from professionals and managers. The level of organizational commitment among women managers was not found to be much affected by their marital status and the presence of children. Male and female managers have similar attitudinal reaction to their jobs, such as career satisfaction, job involvement, job satisfaction, and organizational commitment (Lorence, 1987; Powell, 1990; Parasuraman, and Greenhaus, 1993). In one study the investigator evaluated the effects of two employment practices namely work flexibility and firm labour markets on organizational commitment. The study showed that although the two employment practices had significant and positive effects on both affective and continuance organizational commitment, they were not affected by gender (Ngo, 1998).

A number of studies have illustrated that men and women are almost the same in their attachment to, and affiliation with the organization, unlike some other studies that found otherwise. The latter include investigations showing that females were better than men, in many respects in their management style, commitment, or ethicality. However an interesting aspect of these mixed findings is that one has yet to come across any study in which females were found to have scored lower than men on any of the indices of organizational commitment, ethicality, appropriate styles of leadership, or/and communication. These mixed findings in a way, favor the females. Men have always been preferred over women for leadership positions, since women are thought to be lacking in the capabilities required for effective leaders. However these findings suggest that a woman can be at least as good a leader as a man can be: although there is no dearth of empirical data suggesting that women can prove to be even better command -and-control persons when compared with men, in many respects.

Methodology

A core group of experts was formed which met repeatedly to prepare the instruments for intervention in chosen organizations to gather the data pertaining to the objectives of the research. These instruments were prepared with due discussion and deliberations amongst the core group members. The instruments were then pre-tested. Only when the instruments were approved by the core group of experts, were they used to collect data. The instruments pertained to:

1. Identification and quantification of leadership qualities in a given leader.

2. Operationalization of "honesty", "transparency" and "diligence", such that quantification of these positive attributes, as they operated in a given organization, could be done.

3. Operationalization and measurement of glass ceiling effect.

4. Identification and evaluation of organizational records to corroborate the research findings.

The organizations selected to be explored for the purpose of research included "A", "B" and "C". The fieldwork for exploring these organizations took three weeks to complete.

"A" was selected for the purpose of this research because it had been headed both, by a male general manager, and by a female general manager. In addition, UNDP had specially identified "A" as one of the organizations that was required to be explored for the present purposes.

"B" was selected because this organization had always been headed by a female,which is a rare phenomenon in Pakistan. The exploration of this organization could provide new and divergent insights into the operations of an organization, as compared to the organizations headed by men, such that organizational behavior of "B" would perhaps be intrinsically different from other organizations.

"C" was chosen because the organization had always been headed by a male; is one of the leading organization in the field of advertising, production, and media consultation; and because its inclusion in the research provided the research team with opportunities for direct comparisons with a female headed organization.

The research analysts, thus had data available to them from one organization always headed by a male that is, "C"; one organization always headed by a female that is "B"; and one organization headed both by a male and by a female respectively that is, "A". Across organizational comparisons, in the light of the data available, proved to be illuminating.

After the instruments for investigation had been prepared, and the organizations for probe had been selected, a team of four investigators per organization were selected, who were sent to the relevant organizations. The investigators, through the different heads of departments probed the departments earmarked for research. The data from each department was pooled with other departments and thus a picture of the organization as a whole emerged. All the sampled organizations were probed in the similar manner. The results of these investigations are presented below.

RESULTS

Organization B.

The organization was headed by a female and had a majority of female workers, therefore, it was expected that women working for it would not have experienced any glass-ceiling effect, the stated objective number one of the research. The expectation was found to be correct. These results are summarized in the following table:

Table 1
Measurement of Glass Ceiling Effect

Expected score showing lack glass ceiling effect.	Observed scores showing lack glass ceiling effect.
Affirmative: 24 Affirmative: 29	Negative: 56 Negative: 51

(x2 = 4;72; insignificant).

Table 1 shows that the expected scores indicating the absence of glass ceiling effect in the organization were similar to, or near the observed scores, showing the absence of the effect. It was obvious from these data, therefore, that overall, employees in "B" did not feel that they were discriminated on the basis of their gender in their jobs in the organization. (The insignificant chi square is a statistical confirmation of the stated conclusion).

A for the second objective of the research relating to better work environment in terms of transparency, honesty and diligence in the organization, the people in the organization were interviewed, and were also asked to fill in a graphic scale. In addition, the relevant company records were also examined by the investigators to supplement the data collected. The following table shows the results:

Table 2

Transparency in the Organization

Expected value for presence of Transparency.	Observed value for presence of Transparency.
32	21

(x2 = 3.78 insignificant).

Since the observed value of presence of transparency in the organization had proximity to the expected value, the conclusion could be drawn that there was a high degree of transparency in the organization as measured by the scale. The verbal reports collected through personal interviews of the people in the organization also confirmed the finding. Thus it was concluded that there was a high degree of transparency in organization "B".

Regarding honesty as an element of better working environment, three variables expressing honesty were probed, namely:

a. Misuse of funds.
b. Giving in to external influences, (pressure, bribe), and
c. Violation of rules and regulations.

The following table shows the results of this probe:

Table 3

Honesty in the Organization

Misuse of funds.	None
Giving in to external influence.	None
Violation of rules.	One

(The above data refer to record of the past five years)

The table shows the organization to be a highly honest organization. An additional probe also confirmed the information gathered by the research. The records showed that only one case of violation of rules had been reported to the police as being of serious nature. This showed an impeccable record of honesty of an organization, particularly viewed in the backdrop of tremendous increase in the white collar crime in the country in the past few years.

Diligence in the organization was measured in three dimensions, namely employees putting in extra working hours, punctuality observed by the employees, and the rate of turnover. The following table shows these results:

Table 4

Diligence in the Organization.

Extra working hours.	High
Punctuality observed.	High
Turn over.	High

Table 4 shows that employees put in extra working hours with no demand for extra pay, an expression of high degree of diligence; that the employees maintained a high standard of punctuality, but there was also a high turn over rate in the organization as employees did not stay in the organization for a longer period of time. When the relevant records of the organization were checked the above observations were confirmed. Overall it could be said that the organization showed a high degree of transparency, honesty and diligence prevailing in it.

Regarding the third stated objective of the research, namely the performance of the organization in terms of achievement of organizational goals, the measurement involved probing at two levels, i.e. departmental level and organizational level. Regarding departmental goals, the employees of a department were asked to do two exercises.

i. They were asked to state the departmental goals for the past one year, and
ii. They were asked to state whether those goals were achieved or not.

The results are given in table 5 below:

Table 5

Achievement of Departmental Goals

Departmental Goals	Achieved	Not achieved
To impart computer literacy among women through our training center.	Yes	
Efficient handling of data.	Yes	
Control of 11 regional branches.	Yes	
Efficient handling of proposals.	Yes	

The table shows that all the stated four departmental goals were achieved by the organization.

The overall organizational goals were also explored. The following table shows the picture of that probe:

Table 6

Achievement of Departmental Goals

Departmental Goals	Achieved	Not achieved
To uplift the economic status of women in Pakistan.	Yes	
To establish women's economic independence.	Yes	
To help women develop their own enterprises.	Yes	
Economic empowerment of women.	Yes	

The employees of the organization, stated that the goals were partially achieved but since it was an ongoing phenomenon, they were constantly working on achieving them.

The fourth objective of the research was to identify some of the qualities of a leader. The literature review and discussions with the experts led to identify the following fifteen qualities of a successful organizational leader in Pakistan:

Organizational Leader

1. Setting personal example.
2. Initiative.
3. Foresight and planning.
4. Motivation.
5. Sensitivity to subordinates needs.
6. Facility at interpersonal relations.
7. Democratic attitude.
8. Ability to earn respect from others.
9. Communication skills.
10. Competitive spirit.
11. Willingness to take responsibility.
12. Persistence.
13. Ability to cope with stress.
14. Creativity.
15. Clarity about objectives.

The above list expressed leadership phenomenon quite comprehensively. If an organizational leader had more of those qualities and to a higher degree, she would prove to be an effective leader than the one who had less of these and to a lesser extent.

After identification of these qualities, a six-point scale was made, such that zero represented absence of a given quality, one showed the presence of the relevant quality to a very small degree; two, three, four and five, showed higher levels of presence of the quality in the leader. The following table shows the assessment of the organization's employees about the leadership qualities of their leader.

Table 7

Presence of Leadership Qualities

Quality	Average score
1	4.50
2	4.75
3	4.50
4	4.63
5	4.25
6	3.63
7	325
8	4.63
9	4.75
10	4.75
11	4.88
12	4.50
13	4.75
14	4.00
15	5.00

(Average score 4.45, of a possible highest 5)

Table 8 a

Glass Ceiling Effect in Organization

Expected scores showing no glass ceiling effect.	Observed scores showing no glass ceiling effect.
Affirmative: 12	Negative: 28
Affirmative: 26	Negative: 14

(x^2 = 5.158; p= .005)

As is indicated by the table, employees of organization “C” feel that the glass ceiling effect was operative in the organization, such that female employees were discriminated against: The computed chi square and the alpha level indicate the result to be highly dependable. There is therefore a very high probability that female employees in organization “C” feel discriminated against.

As regards the second objective of the research relating to better working environment in terms of transparency, honesty and diligence prevailing in the organization, the results indicate the following.

Table 8 b

Transparency in the organization

Expected value for presence of transparency.	18
Observed value of presence of transparency.	14

(x^2 insignificant)

The table indicates that there was a high degree of transparency as seen by the employees of the organization. The statistical analysis of the data revealed the same conclusion as expressed in an insignificant chi square.

Regarding honesty prevailing in the organization the following table revealed the true picture of the company for the last five years:

Table 9

Honesty in the organization.

Misuse of funds.	None
Giving in to external influence.	None
Violation of rules.	None

Since the data refer to the last five years of the working of the organization and since no misuse of funds, bribery or major violations of rules had been reported, it could be said that the organization maintained a high honesty record. This evidence was corroborated by checking the company records. The reported parameters of honesty were borne out by the records maintained by the organization.

The third element of diligence relating to the overall second objective of the research was measured as in the case of "B"; that is measuring it in terms of extra working hours, observed punctuality and turnover rate in the company. The collected data are presented in the following table:

Table 10

Diligence in the organization

Extra working hours.	High
Punctuality observed.	High
Turn over.	low

The above table shows that there was generally a high level of diligence enjoyed by the company, as employees put in extra hours whenever the company required; they observed punctuality in attending the office; and since the turn over rate was low, it showed a high level of diligence. When the investigators checked other sources, such as the attendance registers and other records facts were corroborated by those relevant records. Overall, therefore, it could be said that "C" enjoyed a high level of organizational functioning as expressed in a high degree of honesty, diligence and transparency operating in the company.

Regarding the third objective of research related to the achievement of goals of the company, two levels of goals were probed i.e. departmental goals and organizational goals. The results of the probe are given below in table 11:

Table 11

Achievement of departmental goals.

Departmental goals.	Achieved	Not achieved
To maintain present clients.	Yes	
Get additional clients.	Yes	
Increase growth rate.	Yes	
Maintain financial discipline.	Yes	

As the table indicates, the departmental goals stated in the table were very clearly set, and were pursued, to be achieved. The probes showed that the above stated four goals were set and were achieved, (in case of increase of growth rate, the target achieved was more than the stipulated limit).

The presence or absence of a clearly stated organizational goal was also probed, which is the hallmark of any successful organization. In that regard it was found that the organizational goals were not only clearly stated in various publications of the company but were also pursued. The following table shows the results of this investigation:

Table 12

Achievement of organizational goals.

Organizational goals.	Achieved	Not Achieved
To be the best communication partner of the client.	Yes	
To be the number one advertising agency of Pakistan.	Yes	

As a result of the probe, the employees were found to be aware of the stated goals, and the goals were partially achieved. No one stated that the goals had not been achieved or that the effort in that direction had not been made.

The fourth objective of the research relating to the presence of leadership qualities in the leader was also checked in “C”. The list of leader's qualities has already been described in the previous section, so here the perceived presence and the perceived magnitude of the presence, are presented:

Table 13

Leadership Qualities

Quality	Average score
1	3.7
2	3.7
3	4.0
4	4.0
5	3.7
6	4
7	3.7
8	5
9	4.2
10	4.7
11	4.2
12	3.5
13	4.2
14	4.0
15	4.2

(Average score for all qualities of leadership combined, for this leader was 4.05 out of a maximum possible 5). The table shows that the employees of "C" view their leader in a positive light).

Organization "A"

In the manner described above, "A" was also thoroughly probed. A big difference between the two earlier described organizations, and "A" was that the later was a huge organization compared to the other two. It therefore took much longer to gather data from "A".

Regarding the first objective relating to the presence or absence of the operation of glass-ceiling effect in "A", more than two hundred readings were taken. Based upon those data the following table was prepared:

Table 14
Measurement of Glass Ceiling Effect

Expected score showing lack glass ceiling effect.	Observed scores showing lack glass ceiling effect.
Affirmative 87.	Affirmative 147.
Negative 203.	Negative 143.

(x^2 = 15.38; p: = .005)

As indicated by the table, the respondents felt that the glass ceiling effect was operative in the organization. Statistical analysis also confirmed the conclusion. The result therefore, that glass ceiling effect was felt by "A" s employees was highly dependable.

Table 15

Transparency in the Organization

Expected value for presence of transparency.	Observed value for presence of transparency
112	74

(x^2 insignificant)

As table 15 indicates the difference between expected value of transparency and observed value was not significant. It warranted the conclusion that the employees of "A" saw their organization as one not having transparency. In addition to those data, the personal interviews conducted by the researchers confirmed the findings. The two main reasons why people did not consider "A" to be a transparent organization were that: (i) They found that everyone did not have easy access to relevant records. (ii) Information regarding all businesses was not readily available to them. They however felt that records were properly maintained and there was due accountability in the organization. The verbal reports collected by personal interviews supplemented the conclusion. It was concluded therefore, that transparency in "A" was not like it should have been in an ideally transparent organization.

Regarding honesty prevailing in the organization, the following table shows the picture:

Table 16
Honesty in the Organization

Misuse of funds.	4
Giving in to external pressure.	None
Violation of rules.	1

(The above data refer only to the tenure of one GM and only to the lower staff: No breach of honesty as described above, was observed/detected in the higher staff in the tenure of the incumbent).

Keeping the size of the organization in view, and the fact that "A" was a state-owned organization, the honesty record of the past over three years appeared commendable. The record, it must be pointed out, was gathered from the relevant departmental records of the organization.

Regarding the third variable related to better working environment, in the organization and diligence being one of its elements the probes showed as follows:

Table 17

Diligence in the Organization.

Extra working hours.	High
Punctuality observed.	High
Turn over.	Low

(The above table pertained only to white color workers. It does not include the data related to custodian/menial staff).

The table shows that the organization as a whole maintained a high level of diligence; that punctuality was maintained, and that extra working hours were observed; additionally there appeared a low turnover rate.

In order to check the performance of the organization regarding achievement of goals, organization “A” was probed at two levels, that is departmental level and the organizational level.

The following tables 18 and 19 show the results of these probes:

Four departments were probed for the present purpose, the finance department, marketing department; production department, and administration departments. Our probe showed that the three departments, namely, finance, administration and production achieved their targets, whereas the marketing department did not. This was an overall good record, particularly in view of the fact that the revenues generated by the marketing department exceeded revenues generated in the previous years. However these revenues fall below the expected levels. In understanding this finding, it must be kept in mind that “A” was not only competing for revenues with others in Pakistan, but was also pitched against foreign competition. So the market revenue shares were being split three ways, between “A”, other locals, and foreign firms. Hence less than ideal expansion in revenue generation by “A” in the marketing department.

Table 18

Achievement of Departmental Goals.

Departmental goals.	Achieved.	Not achieved.
Financial discipline.	Yes	
Expansion in revenues from the market.	Yes	
Better quality programmes.	Yes	
Administrative discipline.	Yes	

Table 19

Achievement of Organizational Goals.

Organizational Goals.	Achieved	Not achieved
To inform.	Yes	
To educate.	Yes	
To entertain.	Yes	

The various heads of the departments of “A” provided their in-put about the over all goals of “A”. All concerned seemed to agree that the above stated three goals adequately expressed their own views and the views of the concerned authorities. Interviews with significant ones in “A” revealed that, although these were on-going targets, yet they had more than adequately been achieved in the past and at present the organization was geared towards achieving them.

The fourth objective of the research namely the identification of leadership qualities, and quantification of the present leader in the light of those qualities, the following steps were taken: After having identified the qualities of a leader, (previously stated) a total of thirty people were selected randomly from four departments, namely, finance, administration, production, and marketing. Those randomly selected people were asked to rate the general manager on the provided scale. The results of that exercise are given in table 20 below:

Table 20

Presence of Leadership Qualities.

Quality	Average score
1	4.6
2	4.27
3	4.58
4	4.31
5	4.28
6	4.21
7	4.21
8	4.44
9	4.6
10	4.75
11	4.75
12	4.25
13	4.50
14	4.50
15	4.75

(Average score 4.46 of a possible 5)

A glance at the table reveals that the employees of "A" rated their present general manager very highly in terms of the identified leadership qualities.

Comparative Analysis

The research results indicate that of the three organizations explored, in only one did employees not experience the glass-ceiling effect, namely "B". In contrast, in "C" and in "A", the presence of the effect was felt. Statistical analysis of data revealed that it was a fact that the organizations had to deal with, and that the effect was not a fancy term that may be explained away semantically.

The explorations of three organizations also revealed that they had a work-efficient environment as was obvious from their transparency, honesty, and diligence-related operational records. A special mention might be made for "A" in this regard. "A" was the only organization that was a public sector organization with a relatively large staff (the number of employees exceeded 800). "B" and "C" were relatively small organizations (having about 110 and 50 employees respectively), thus efficient controls were easy, feedback was rapid and corrective measures could be quickly adopted. All of these factors were added advantages that were not available to "A". So for "A" to be at par in performance with small and/or private sector organizations was not a mean achievement. "A" therefore rightly deserved kudos on that account.

All the three organizations that were explored had met the departmental as well as the organizational goals. Again "A" needed to be singled out and praised for the reasons quoted above: It is much more cumbersome to achieve goals in a relatively a large and public sector organization. "A" had done it and it deserved praise on that score.

A comparison of leadership ratings revealed that the employees of organization "C" gave an average overall rating of 4.05 to their male leader; that the employees of "B" gave an average overall rating of 4.45 to their female leader: and the employees of "A" gave an average overall rating of 4.46 to their female leader. Two things are note worthy in this analysis:

(i). Female leaders were rated higher than their male counterpart.

(ii). "A" leader was rated highest in comparison to other two leaders.

RECOMMENDATIONS

The results of the present research are consistent with research done in other countries of the world in the past ten/fifteen years.

Glass ceiling effect appeared to be a major hindrance in the career path of a female leader in Pakistan as in other countries. The time therefore might have come when this menace has to be removed from Pakistani organizations, as it operates at the organizational and the extra-organizational level, i.e. in our cultural practices.

A two pronged strategy might be adopted to counteract the effect: one at the organizational level and the other at a larger cultural level. Pakistani media is in an ideal position to adopt both of these strategies. The media must high light the fact that we must away with all discriminatory practices, rules and regulations on the one hand and on the other facilitate and aid the emergence of female leaders. If, for example, such practices exist such as the spouse/mother/father/children of a male worker being considered his dependants, but the spouse/mother/father/children of a female worker are not considered dependants, this rule/practice must stop forthwith. All dependants of workers, regardless of the gender of the worker, must enjoy equal privileges. All other such discriminatory practices must be abandoned.

At the extra-organizational-cultural level, the media must propagate correct and relevant information about gender issues, particularly with reference to leadership phenomenon, its relation with gender, and its impact on an organization. Specific material must be prepared for this purpose, and feedback of the impact of such programmes must be sought on a constant basis, so that corrective measures could be adopted. Media in general, and television in particular have a significant role in formulating, perpetuating or annihilating mind-sets. Media must, correct the negative mind-set prevailing in our culture regarding the "inferiority" and "unsuitability" of female leadership. Research all over the world, including the present one in Pakistan, bears testimony to the fact that it is not so. Media must play its role to disseminate this information.

Organizational-related and extra-organizational or culture-related strategies may be formulated in a formal, task-specific exercise to be undertaken by the concerned in the future. Research in the past had shown that effective and dependable leadership was related to a number of factors in an organization. These factors include for example, group cohesion, job satisfaction, high productivity, low turnover rate, less job-related accidents, less job stress, better mental and physical health etc. In view of these facts, it is imperative that barriers in the path of emergence of female leaders are removed in order for a more productive, safer, healthier and less stressful organizations to emerge.

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I know of no more encouraging fact than the unquestionable ability of man to elevate his life by conscious endeavor.

HENRY DAVID THOREAU

ARTICLE

The Glass Ceiling Effect: A Pakistani Perspective

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ABSTRACT

The Glass Ceiling commonly refers to impediments to career growth and upward mobility in organizations owing to racial and gender biases. The study undertaken on this phenomenon has reflected different behavior patterns for different factors leading to the glass ceiling effect. This paper focuses specifically on gender and analyzes the behavior pattern of women in Pakistani society. We have also analyzed the impediments and pressures that have resulted in creating a Glass Ceiling for women in higher management.

Common Factors for Glass Ceiling Effect

"According to the Federal Glass Ceiling Commission, Asian Americans were found to encounter an 'impenetrable glass' ceiling. Little is known about the determinants of their economic status and patterns of career mobility once they have entered the professional world''[1]

The factors given by different research papers include stereotype, perceived minority status, psychological constraints of females, the employer's attitude, occupational choices, and family constraints.[2]

1. Stereotype

Stereotyping is a creating a set of beliefs about the characteristics or attributes of a specific character or role. The common stereotype about women is that their decision-making ability is weak. In contrast to this notion, their male counterparts in management are considered to have strong decision-making ability required at different levels within the organization. Therefore, this factor becomes a handicap for female employees to move up the higher managerial cadre. Women are hard workers, docile, and technically sound, therefore, they can be considered good workers but not good managers. This type of stereotyping has deprived women from climbing up the organization's hierarchy. The same holds true for Pakistani society. Male domination in Pakistani society has aggravated the situation for women thereby restricting their entry to higher levels of the organization.

2. Perceived Minority Status

The application of the rule of “safety in numbers” is another factor responsible for creating a glass ceiling. Our findings indicate that females are perceived to be a minority in management, therefore, they are discriminated against. This strengthens the glass ceiling. This also has a psychological effect on career self-efficacy and development. Women start thinking that no matter how hard they work or no matter how proficient they are, they will hardly be considered for any top managerial post in the organization, leaving them constantly at the receiving end.

“In addition to those factors proposed by career development researchers, two psychological constructs are relevant to predicting how Asian Americans may be affected by and react to stereotyped situations. The first psychological concept is stigma consciousness, which refers to individual differences in the extent to which a target of a stereotype expects to be stereotyped by others, and this has consequences on the subsequent behavior of the target and also on interpersonal interactions. Individuals differ as to their perceptions of the probability of being stereotyped, which could have important implications for how targets experience and behave in stereotype-relevant situations. Stigma consciousness is relevant to the target’s expectation of being stereotyped, regardless of the target’s actual behavior. Individuals belonging to the same stereotyped group do not all experience their stereotyped status in the same way, and this is related to their individual level of stigma consciousness.” [3]

The first psychological concept is stigma consciousness. According to this concept the deviation of the individuals from their stereotyped role results in unacceptability of that new role to other individuals. Under the circumstances that individual is looked down upon by others creating a painful psychological effect for the target individual. Women are usually more prone to social pressures and any such painful experience drastically affects their performance.

Stigma consciousness thus deals with the target’s expectation of being stereotyped, ignoring the aptitude and attitude of the target individual. In Pakistani society, certain occupations in which there is frequent interaction with the opposite sex is usually regarded in a negative light and women in such positions are stigmatized. This attitude could be detrimental to women’s career, as they would forego opportunities that will provide the necessary impetus for obtaining managerial posts.[4]

Such females are happy with the status quo, irrespective of their high level of competence. “Individuals high in stigma consciousness will avoid stereotype relevant domains: that is, forgo opportunities to invalidate stereotypes about their groups.”[5]

Different female groups experience varying types and degrees of stereotype threat (victimization) because the stereotype about them differs in content, scope, and in the situation to which they are applicable. Stereotype threat is the greatest to women in managerial positions in Pakistan. Any failure or wrong decision is immediately associated with the gender factor, i.e. female, without probing into the root cause or giving her any chance of defense that may go in her favor. This curtails the chances of consideration of female staff for promotion into higher management.[6]

Statistics show that the employers, both in the public and private sector, are hesitant to promote women employees to the top most positions in their organizations. Several reasons have been put forward but the main reason is that women lack the requisite knowledge, skills and experience for such type of posts. In many cases the reason may be that they are reluctant to get significant exposure, which could result in enriching their knowledge, skills and experience. Thus women lag behind in the race for top slot.[7]

A similar study in America's largest companies has revealed that women have been pushed to the wall as almost 95 percent of the top posts are held by male managers. These are the figures in one of the world's most advanced nation where the struggle for equal opportunities has strong advocates of the premise of Equal Employment Opportunities (EEO). In Pakistan, women hardly make up a fraction of the workforce who have succeeded to or believed to have crossed the line and entered into the top levels of the organization.[8]

3. Occupational Choice

Researchers have found that due to negative stereotyping women are left with no choice but to go for technical jobs and hard sciences, i.e., physics, chemistry, and computer science. They try to shun fields that involve more social interaction and are hesitant to join such fields and pursue a career in the same. The result is obvious i.e., under-representation of female in the social sciences and the other related disciplines.

"There is a pattern of education facilitating entry into professional fields, over-representation in the technical fields, and under-representation in managerial and executive positions in the high technology and corporate worlds." [9,10]

In Pakistan, despite the fact that women are educated in social or management sciences, their occupational choice is academia or office desk jobs. The fear of resistance in the management field, specially associated with gender, is so high that they are compelled to make a choice, which they hardly relish.

4. Work Environment

Women, when placed in the management sector of an organization are kept suppressed by offering fewer incentives as compared to the male staff of the same status, causing a feeling of alienation among them right from the beginning. This takes a great deal of effort on their part in maintaining their existing position rather than attaining a higher position in the organization.

One of the organization's strategies to grow and develop is to design a viable system of human resource management in order to attend to the problems of its employees. Women benefit from this strategy only if the organization is willing to accept the glass ceiling as a "problem"—which is rare. At the end of the day, women are compelled to live with the status quo rather than seek a solution. This not only lowers their output but also results in negatively affecting their reputation in their professional field and tends to become an impediment to their promotion. Furthermore, their male counterparts hold most of the top management positions therefore, they either do not understand female problems regarding this issue or act indifferently towards them or don't give it the serious consideration it deserves.

5. Family Commitment

Women are hard pressed on time. In order to become a CEO or find a place in the top management slot requires at least seventy to eighty work hours per week or twelve to thirteen hours of work daily. For most women family takes priority over all matters. Thus, the job takes a secondary place in her life. On the contrary, it is commonly seen that her male counterpart is supported in every aspect so that he can work well. This fortifies the glass ceiling.

6. Diversity in Staff and Diversity of Style

Subjectivity in the hiring process manifests itself in the search for candidates with "leadership" and "communication" skills. The evaluator's own role models help construct the mental image of leadership. Moreover, these qualities cannot be quantified, thereby, women easily fall prey to biases at the hands of the managers.

One of the most important factors considered in the hiring process is whether or not a candidate would comfortably in the organization culture. At this point male candidates are considered a natural fit in any organization. Such an evaluation is usually made by the authority that will in future be working closely with the female if she is selected. The evaluators are usually men from the highest echelon of the organization. Therefore, they are prone to keep the management team free from gender diversity. Some female candidates have smashed through the glass ceiling and have crossed this barrier but such cases are very atypical and are very few in number. [11]

"While some of this imbalance has likely improved in the years since, it remains today almost always big news when a woman or a racial minority becomes CEO of a large corporation. Conditions in the government sector are not so different. Although more women and members of at least some minority groups hold leadership roles in government, there are far fewer than would be available in the labor force, and the under-representation remains pretty pronounced.*"*[12]

Even in the developed countries partial success has been evidenced after years of fight against this imaginary barrier—the glass ceiling. Although, women have been recruited in many organizations both in the private and public sector, yet their careers have stagnated at the lower and middle levels of management. They have actually encountered the glass ceiling in the later stages of their career. In Pakistan, very few women have overcome the glass ceiling but the barrier remains intact for others. Those few who have somehow reached to the top positions can be counted on fingers.

In addition to the glass ceiling, women have also encountered similar other problems. These problems have been an extension of the glass-ceiling concept, which include "Glass Walls", "Sticky Floors" and "Trap Doors".

"Glass walls" propel women into those career paths that lack the potential of advancement to upper slots. As the woman is seen only as a player of a specific role, therefore, her entrance into higher career role is restricted within "glass walls".

"Trap Doors" refers to the problems of women in their workplace, e.g., sexual harassment, about which they would rather keep quiet than speak out due to fear of defamation. If a female employee files a case against such an act it would mean letting more people know about that embarrassing and disturbing incident thus aggravating the problem rather than solving it. Such a situation encourages men to continue to exploit women.

"Sticky Floors" refers to transitional positions such as "administrative assistant", where employees are kept and prepared for vertical movement in the organizational hierarchy. Females, while working in such transitional positions are denied the access to necessary professional training and development that will help them excel in their profession and advance into managerial positions. While analyzing the gender disadvantaged group in the senior management ranks, we found that some of the factors responsible for the glass ceiling effect could be traced to the lower priority given to the professional development of the female at the early stages of her career.

The report prepared by the International Labor Office (ILO) for the International Women's Day depicts the bleak picture of the status of women. The facts and figures given in this report are shocking. If the figures continue to remain the same it will become almost impossible to achieve the Millennium Development Goals of reducing poverty by almost 50 percent in the year 2015. As reduction of poverty does not mean that such a relief takes place in only male working class, therefore, the targets of poverty alleviation will not be achievable unless a holistic approach is considered.

The report also reveals that females are paid less even in those jobs that are usually regarded as typical female occupations, such as nursing and teaching. The employer is aware that opportunities for women are very few therefore, they compel women to work for less compensation.[15]

"Lower returns on education, as evidenced by lower salaries, lower likelihood of promotions into managerial positions, and lower power and authority in managerial positions, especially in the higher end professional and technical fields, seem to support the existence of a glass ceiling for Asian Americans." [13]

According to a survey, "The (females) represent 60 percent of the world's 55 million working poor. At the same time the rate of success in crashing through the invisible, symbolic barrier to top managerial jobs remains 'slow', uneven and sometimes discouraging". [14]

The overall picture has been grim. Women are struggling to shatter the glass ceiling and enter the managerial level posts in organizations but all this is happening at a snail's pace. In Pakistan too, women have been entering the top levels of the organization, but at a very slow pace. Moreover, the percentage of such women is negligible.

The Seven Basic Moral Principles for Management

Dignity of human life

The lives of people are to be respected. Human beings by the fact of their existence, have value and dignity. We may not act in ways that directly intend to harm or kill an innocent person. Human beings have a right to live; we have an obligation to respect the right to life. Human life is to be preserved and treated as sacred.[16]

Drawing upon this principle, female section of the population is an integral part of the Human life and therefore, should be respected just as the male section of the population. According to this principle the society is obligated to honor the rights of women as imperative for their existence.

Autonomy

All persons are intrinsically valuable and have the right to self-determination. We should act in ways that demonstrate each person's worth, dignity, and the right to free choice. We have a right to act in ways that assert our own worth and legitimate needs. We should not use others as mere things or only as a means to an end. Each person has an equal right to basic human liberty, compatible to a similar liberty for others. [17]

Again applying the rule of autonomy, it is strongly advocated that the realization of the right to freedom of choice is as important for females as for males. This right should not only be agreed in principle, as it exists today, but should also be integrated as a crosscutting theme.

Honesty

The truth should be told to those who have a right to know it. Honesty is also known as integrity, truth telling and honor. One should speak and act so as to reflect the reality of the situation. Speaking and action should mirror the way things really are. There are times when others have the right to hear the truth from us; there are times when they do not. [18]

Honesty so proposed in this principle should be reflected in our actions as well and, therefore, implementation of the rules promoting equality irrespective of the gender biases should be sought.

Loyalty

Promises, contracts, and commitments should be honored. Loyalty includes fidelity, promise keeping, keeping the public trust, good citizenship, and excellence in quality of work, reliability, commitment, and honoring just laws, rules, and policies.[19]

Similarly, the principle of loyalty should be applied with a strong commitment to promote the right to equal opportunity in true spirit. This supports the fact that if females are eligible to excel in life, they should not be denied this right and should be trusted just like their male counterpart.

Fairness

People should be treated justly. They have the right to be treated fairly, impartially and equitably. We have an obligation to treat others fairly and justly. All have the rights to the necessities of life—especially those in deep need and dire helplessness. Justice includes equal, impartial, and unbiased treatment. Fairness tolerates diversity and accepts differences in people and their ideas. [20]

It applies as well to the female section of the workforce. This principle supports that female should be given fair chance to excel in their career and should be considered as equal candidates for promotions to higher slots as their counterparts.

Humanity

It comprises of two parts: (1) Our actions ought to accomplish good, and (2) avoiding evil. We should do good to others and to ourselves. We should have concern for the well being of others and show this concern in the form of compassion, kindness, and caring. [21]

Denying such a treatment to women results in the creation of an incomplete human society. Taking this a bit further, an organization should be as sensitive to female problems as they are to the problems of their male staff so as to increase their output. They should support females to further their career as they do for the male staff.

The common good

Actions and decisions should accomplish the "greatest good for the greatest number of people. One should act in ways that benefit and ensure the welfare the largest number of people, while trying to protect the rights of the people." [22]

This principle not only implies that large number of the same group should be taken into account, but in fact, it favors diversity. Therefore, it takes into consideration all the associated groups. This means that the female interests and rights should also be safeguarded though they exist in minority at the workplace. The organization's policies should be so designed that they do not make them feel stranded at the workplace.

Some Suggestions to Shatter the Glass Ceiling

In order to shatter the glass ceiling the first thing to be done is to bring a positive change in the Pakistani society. Positive change means a shift from our orthodox values which place women in the passenger seat of the of the society vehicle. They should be given responsible positions in the top-level management and allowed freedom to make decisions that can best serve their organization. This will bring confidence in their abilities. It will also eliminate the negative stereotyping that women are incapable of decision making.

"A seventy- or eighty-hour work week is commonplace for CEOs, and many in this field believe that women are not willing to make that time commitment because their role in the family is to provide a second income and be the primary caretaker of the couple's children. In addition, many women choose not to build the foundation that would qualify them for upper management. For instance, women need an advanced education and need to willingly accept work duties that include making difficult choices, taking risks or performing unpleasant tasks. Oftentimes men adopt an attitude that women deserve lower pay because they simply don't perform as well as their male counterparts. Moreover, men attribute women's failure to a lack of understanding of the corporate structure and cite this as their biggest stumbling block." [23]

"Authors like Dr. Edward H. Clarke avidly argued against women working in America. He claimed that women who exerted energy away from their reproductive organs and into their brain would threaten their health and their ability to create children (Drachman 38)."[24]

Moreover, women also need trust and support from their families, especially from their spouses so that she can work whole heartedly and climb the rungs of the organizational hierarchy.

"Under-representation" of women at the most rarified heights of business is a result of conscious decisions and overt anti-women prejudice on the part of company's CEO and board of directors. Other, somewhat more generous critics see the dearth of female business leaders as an inexorable result of subconscious prejudice: the psychological and cultural fallout of years of male domination in our society. In either case, once again the Siren call for Federal intervention to "correct" such "inequities" echoes across the political landscape.[25]

Female employees should be treated at par with their male colleagues not only in provision of opportunities but also in being rewarded for their performance. Employees should be rewarded on the basis of their contribution to the organization in terms of achieving its goals and not on the basis of gender. If a female employee is contributing more than the male employee, she should not be deprived of the opportunity to earn more. [26]

More specific to the Pakistani society is the stigma attached to certain occupations where a great deal of interaction takes place with men. The Pakistani society needs to change this mind-set. This will allow women to join any occupation and any organization of their choice if they are capable enough. It will also pave the way for entry into high-level positions.

Women should also fight for their rights rather than beg for them. They should have well defined goals for themselves. They should be committed towards their career and be ready to put in all that it takes to excel in their careers and thus shatter this barrier.

This is just the tip of the iceberg. There are several other issues that have to be addressed before the glass ceiling can actually be shattered. If women can be responsible for bringing new life in this world, they can be expected to hold any sort of responsibility. It is only the wrong perception of men that females are weak and cannot take the responsibility of decision making at higher levels within the organization.

Conclusion

In the present study we found little evidence of advancement of women in higher management. None of the organizations presently operating in North West Frontier

Province (NWFP) has a majority of women on their board of directors and at the executive level. Gender, race and minority discrimination prevails in our society in different forms, e.g., denial of career opportunity, job segregation, and lack of promotion opportunities. According to 1998 census survey of Islamic Republic of Pakistan the literacy rate of Pakistan is 43.92% of which 54.81 % are males while 32.02% are females. This indicates that gender discrimination prevails in provision of education which lays the foundation for the prosperity and development of country.[27]

In other words, there is a very small percentage of women working in high ranking positions in the company while a majority of the companies prefer to have men in top positions.

This study shows that the glass ceiling is firmly in place. It is even more disturbing that studies of other companies show that most CEOs believe that the glass ceiling is no longer a problem.[28] At least partially as a result of this perception, most companies do not make an effort to recruit women to top positions and tend not to rate their top officers on their ability to create equal employment opportunities.[29]

As long as the existing practices and misconceptions do not change, the rate at which women advance into top positions is not likely to change either.

In order to break the glass ceiling, Rene Redwood, assistant to former Labor Secretary Robert Reich, recommended that CEOs set recruitment goals and then measure, monitor and tie evaluation and rewards to employees' ability to meet these goals.[30]

These objectives, she argued, should include recruitment outside typical networks and thinking about alternative experience and non-customary backgrounds for employment. She also recommended establishing networking and mentoring opportunities for women already in corporations and creating a work environment welcoming women by adopting policies that are conducive to balancing work and family responsibilities such as flexible hours and telecommuting opportunities. [31]

Studies also show that companies with women in top management positions also tend to do better. A 1993 study of Standard and Poor 500 companies showed that firms that succeed in shattering their own glass ceilings racked up stock market records that were nearly two and half times better than otherwise-comparable companies.[32]

Therefore, for development and economic stability of the country it is important that the glass ceiling is removed and women are given optimum opportunities to advance in the organizational hierarchy.

Foot Notes

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ARTICLE

Comparative Analysis of Islamic and Conventional Banking Performance

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ABSTRACT

This paper analyzes the performance of Islamic banks compared to that of conventional banks in Pakistan. This comparison is based on the financial performance, product services and customer perception. We have selected two Islamic banks, namely Meezan Bank limited &Albaraka Bank, and two conventional Banks, Soneri and My Bank. This selection was made because of the similar size of these banks in terms of their deposits. The paper shows that Islamic Banking is falling behind the conventional one both in terms of its business as well as customer perspective.

The research is divided into three parts. First part covers the comparison of financial analysis between Islamic and conventional banks in Pakistan over last five years. For financial analysis, sixteen ratios are selected and are grouped in five major groups namely: profitability; liquidity; business development; efficiency and solvency ratios. The hypothesis is generated to rank the financial health of each bank. The second part compares the products services of Islamic and Conventional banks. This product service comparison is done on the basis of deposits, financing and services. For this deposits and certificates accounts are compared in terms of return or profit they are offering to their customers. Financing part measures the differences of car and home financing between Islamic and conventional banks. Last section of this part measures the difference of services that are provided by the respective banks to their customers. The final part of this research identifies the customer perception about Islamic and conventional banks. For this, a survey analysis is conducted from different customers of both Islamic and conventional banks. In this survey analysis, the rationale is to identify which banking system is preferred by customers. It is concluded that customers prefer Islamic banks rather than conventional banks.

JEL Classification: G21

Key words: Islamic banking, financial ratios, bank services, conventional banking, comparison

1: INTRODUCTION

1.1:Background

Banks play a vital role in every day's business life. Bank as an institution, deals in money and its substitutes and provide other financial services. Banks accepts deposits and gives loans and derives a profit from the difference in the interest rates paid. Islamic banks will fit this description only just even if one replaces 'interest rates paid' with 'profit-shares and fees'. (Ariff, 2007) After almost four decades of establishment, Islamic banks have managed to place themselves as financial organizations not only playing vital role in resource mobilization, resource distribution and consumption but are aggressively involved in the process of executing government monetary policy. Apart from offering almost all conventional banking facilities, Islamic banks also make possible local and foreign trades. So evaluation of Islamic bank performance is important for all parties: depositors, bank managers and regulators as it is vital for other commercial banks. The combination of global financial markets has put Islamic banks in a severe competition with traditional banks. To battle in local and global deposit markets, Islamic banks have planed and innovate, Islamically acceptable instruments that have coped with the constant innovations in financial markets. (Mehmood, 2005). This study is divided in to seven chapters. First and Second Chapters describe the Introduction and Literature Review for this research. Third Chapter deals with methodology plan for conducting this research study. The findings and interpretation are divided in to three chapters which are Chapter 4 deals with financial analysis, Chapter 5 deals with Product Service comparison and Chapter 6 deals with Customer Perception. Last Chapter concludes this research study and gave some recommendations for both banks.

1.2 Objectives

The main objective of this research is to do a comparative analysis of Islamic banks with conventional banks and to identify which banking system is going well according to their performance. The performances of these two banking systems are identified according to financial analysis, product service comparison and customer view point about Islamic and conventional banking.

This research study will also determine some key questions which are:

- What are the financial performances of Islamic Banks with respect to Conventional banks over last five years?
- What are the differences between Islamic products and Conventional products?
- What are the customer viewpoints about Islamic and Conventional Banks?

1.3 Research Scope

The scope of this research is to compare the performance of Islamic and conventional banks in Pakistan on the basis of their financial performance, product service comparison and customer perception about Islamic banking. The basic proposal of this research is to evaluate the success of Islamic banking as compared to conventional banks. Islamic banking is quite an old concept but it has taken many observers by surprise. What is more, the pace with which Islamic banks have come up and the rate at which they have developed makes it valuable to study them analytically. Islamic banking with its initial boom is proposed to grow as Islamic banking is continuously growing and many conventional banks have also started operating their separate Islamic branches that are completely dedicated to Islamic finance.

2: LITERATURE REVIEW

This section deals with some basic review of literature. The major research studies that have been conducted in line with this research are a case study by Farrukh (2005) of PAF-KIET has been done on "Comparative performance of two Islamic and two Commercial Banks". The author compared financial banks of two banks. Mehmood (2005) from Bradford School of Management has also done a research study on "Islamic Banking: A performance comparison of Islamic bank versus conventional bank in Pakistan". In this research the author compares the financial performance of the two banking systems in Pakistan. Kader (2005) has done a research on "Financial Performance of Islamic Banks via Conventional Banks in the UAE". Kader compares the Islamic and conventional banks in UAE. Samad (2004) research study published in Malaysia with the title "Performance of Interest free Islamic Banks via Interest based Conventional Banks of Bahrain". Anwar (2000) conducted a research on "Islamicity of Banking and Modes of Islamic Banking" in Malaysia.

The research studies that are conducted in countries like UAE, Bahrain, Malaysia and Pakistan even are just focusing on financial performance. Therefore this research not only focuses on comparing financial performance of Islamic and conventional banking but also product and service comparison. In product and service analysis the focus is on comparing products and services of both Islamic and conventional bank and find which bank are providing better products and services to customers.

3: METHODOLOGY PLAN

The methodology plan for this research is divided into different sections, which are explained below:

3.1 Strategy

Financial Management theories provide various indexes for measuring a bank's performance. One of them is accounting ratios. The use of the financial ratios is quite common in literature, as these are valuable analytical tools used to measure the financial health of a bank. Financial ratios are also widely used to forecast the future success of companies and to develop models exploiting these ratios. The basic strategy is to measure the health of both Islamic and Conventional banks over five year period.

The strategy for conducting the product service comparison is to compare the products and services of Islamic and Conventional banks in term of deposits, financing and services. The rationale for doing this comparison is to identify which banking system is providing better rates, quality products and fast services.

The strategy for identifying customer perception on Islamic and Conventional banking is to conduct a survey through questionnaire. Both conventional and Islamic banks customers are used for this purpose. The rationale is to identify the customer's response about which banking system they prefer.

3.2 Sample Selection

For conducting financial and product service analysis between Islamic and conventional banks, two Islamic banks; Meezan Bank Limited & Bank Albaraka; and two conventional banks; Soneri Bank Limited & My Bank Limited are selected. The selected banks are broadly of similar size in terms of deposits. We have compare Meezan Bank Limited with Soneri Bank Limited and Bank Albaraka with My Bank Limited because of their similar size in terms of deposits.

To identify the customer perception about Islamic and conventional banks a survey is conducted in different banks of Karachi from people of different ages including both males and females. Altogether one hundred samples are selected. The sample includes for this survey are: Bank Alfalah Limited; Meezan Bank Limited; Soneri Bank Limited; Habib Bank Limited; Untied Bank Limited; Faysal Bank; Bank Al-Habib Limited; Mybank Limited; NIB Bank and Bank Albaraka.

3.3 Hypothesis

A hypothesis has been generated in financial analysis for this research. The statistical method of t-test has been used at 0.05 level of significance to identify the significant difference. The null hypothesis is "The performance of Islamic banks is equivalent to conventional banks". The hypothesis is rejected (if performance significantly differs) or rejected (if performance not significantly differs) for each ratio.

3.4 Statistical tools

The statistical tools that are used in this financial analysis are mean, t-test. Mean is used to calculate the average mean of last five years of both Islamic and Conventional banks. Meanwhile for survey analysis, the statistical tools used are mean, standard deviation, cross tabulation of different questions and descriptive statistics.

3.5 Data Collection

The data for conducting financial analysis are compiled from income statement and balance sheets of selected banks. The financial data of the four banks are collected from annual reports of last five years. Specific ratios are used for this research instrument. This study uses sixteen ratios for bank's performance. These ratios are grouped under five broad categories: (a) profitability; (b) liquidity; (c) business development; (d) efficiency; and (e) risk and solvency. Meanwhile product service analysis data are gathered from personal contacts, interviews and website.

4: FINANCIAL ANALYSIS

This section deals with financial analysis that is conducted between two Islamic banks that are Meezan Bank Limited & Bank Albaraka and two conventional banks that are Soneri Bank Limited & My Bank Limited. This study uses eighteen ratios for bank's performances which are grouped under five categories.

The findings of ratio analysis of Islamic and Conventional banks for the period of 2002-2006 have been calculated for evaluation. The statistical method of t-test has been used at 0.05 level of significance to identify the significant difference. The null hypothesis is "The performance of Islamic banks is equivalent to conventional banks". Following are the findings of ratio analysis:

Table 4.1: Financial Ratios comparison between Islamic and Conventional Banks

Performance Measures	Ratios with respect to Last Five Years										Statistic Test T-Value Accept or Reject
	Islamic Banks					Conventional Banks					
	2002	2003	2004	2005	2006	2002	2003	2004	2005	2006	
1. Profitability											
a. Return on Asset	2.5%	1.7%	1.3%	2.1%	1.2%	0.7%	0.7%	0.1%	0.5%	0.4%	1.67(2.31) Accept
b. Return on Equity	13.1%	10.2%	9.9%	16.3%	10.9%	7.8%	8.0%	14.6%	18.9%	16.3%	-0.41(2.45) Accept
c. Yield on Earning Asset	2.9%	2.3%	1.9%	3.8%	1.1%	1.9%	0.6%	0.3%	0.7%	1.2%	2.75(2.36) Reject
d. Cost of Funds	4.6%	2.5%	1.9%	3.7%	5.2%	4.9%	1.9%	1.6%	3.2%	5.6%	0.13(2.31) Accept
e. Net Profit Margin	49.7%	41.6%	39.1%	40.5%	17.6%	8.6%	10.8%	24.2%	25.9%	23.5%	2.94(2.36) Reject
f. Spread	-1.7%	-0.2%	0.0%	0.1%	-4.1%	-3.0%	-1.4%	-1.3%	-2.5%	-4.4%	1.37(2.36) Accept
2. Liquidity											
a. Cash to deposit	19.4%	17.9%	23.0%	23.8%	20.7%	13.8%	12.0%	12.6%	10.1%	10.4%	7.11(2.36) Reject
b. Advances to deposit	80.9%	92.8%	87.8%	78.3%	74.3%	48.9%	62.6%	65.7%	69.8%	68.6%	3.88(2.31) Reject
3. Business Development											
a. Total Asset growth	BY*	138%	214%	309%	448%	BY*	122%	152%	194%	252%	1.34(2.78) Accept
b. Deposit growth	BY*	138%	212%	321%	468%	BY*	126%	161%	199%	252%	1.31(2.78) Accept
c. Advances growth	BY*	165%	246%	353%	481%	BY*	165%	217%	282%	360%	0.69(2.57) Accept
d. Earning growth	BY*	80.0%	93.8%	212%	185%	BY*	-213%	1235%	3880%	6879%	-1.8(3.18) Accept
4. Efficiency											
a. Assets Utilization	5.4%	3.5%	2.8%	4.6%	5.9%	6.3%	4.5%	4.0%	5.9%	7.1%	-1.35(2.31) Accept
b. Operating Efficiency	71.1%	96.7%	315%	272%	494%	136%	174%	272%	207%	121%	0.82(2.57) Accept
5. Risk and Solvency											
a. Debt to total assets	81.3%	85.6%	86.8%	87.0%	89.1%	90.6%	91.9%	90.8%	89.1%	86.5%	-2.42(2.36) Reject
b. Equity Multiplier	563%	700%	787%	817%	918%	1084%	1259%	1226%	1059%	892%	-3.91(2.31) Reject

* BY = Base Year; Accept (Do not Significantly Differ); Reject (Significantly Differ)

4.1 Profitability Ratios

The return on assets ratio of Islamic banks is higher than conventional banks. For Islamic banks, ROA decreases in 2004, but rises in 2005 and again decreases in 2006. For conventional banks, it is exactly same as Islamic banks. So, at the 5% confidence level, we can say that ROA ratios of both Islamic and conventional banks don't significantly differ. The Return on Equity of Islamic banks is also higher than the conventional banks in 2002 and 2003, while in later years 2004-2006 the ROE is higher for conventional banks. However, from the Table 4.1, we can see that in the year 2005, the ROE for both, conventional banks has rise to 18.9% and for Islamic banks it rises to 16.3%. As a result, the hypothesis is accepted for ROW that the performance of Islamic banks is equivalent to conventional banks.

Yield on earning assets ratio of both Islamic banks and conventional banks are significantly different for last five years. Table 4.1 shows that Islamic banks yield on earning assets ratio reduced in 2006, although there is a improvement in 2005 as YOEA increases to 3.8%. Meanwhile for conventional banks, the ratio is also reduced in 2006. At the 5% confidence level, the hypothesis is rejected, therefore YOEA is significantly different.

In last five years, cost of Funds ratio of Islamic banks is almost identical to that of conventional banks. From Table 4.1 we can see that cost of funds of both Islamic and conventional banks is almost same, although in 2003 the cost of funds ratio of Islamic banks is higher with 2.5% to that of 1.9% for conventional banks. So, at the confidence level of 5%, we can say that cost of funds of both Islamic and conventional banks does not significantly differ. Net Profit Margin ratios of Islamic banks are higher than that of conventional banks in years from 2002 to 2005. (See Table 4.1). But in 2006, net profit margin ratio of Islamic banks drastically goes down; mainly due to the fact that capital gain on sale of investment of Albaraka banks goes down from 290,729 to 1,775 (See Annual Report 2006). So overall, at the confidence level of 5% the net profit margin ratio is rejected and thus we conclude that net profit margin ratio of two banks is significantly differ.

Spread is the difference between Yield on earning assets and Cost of funds. As we can see in Table 4.1, spread ratio of Islamic banks are higher than that of conventional banks. Therefore, the hypothesis is accepted that Islamic banks performance is equivalent to Conventional banks.

4.2 Liquidity Ratios

Comparing liquidity ratio of the Islamic banking and conventional banking reveals that Islamic banking Cash to Deposit ratio is very high which means that they have high deposits and they are not taking full advantage from that, are just holding funds and not advancing them as loan. This also shows that Islamic banking is lagging in the product sector as compared to conventional banking; it could be any reason from high interest rate to unsatisfactory services. Immediate recommendation for Islamic banks arises that they have to tailor and match their products with conventional banking in order to beat the conventional banks. Another factor could be management deficiency of managing funds that have to be solved in order to get the full fruits of the future prospects of Islamic banking (See Table 4.1).

Advances to deposits ratio of both Islamic banks and conventional banks are decreasing in 2006 with respect to 2005. There is a Statutory Reserve Requirement SRR for every bank to keep a reserve amount of deposits as per requirement of State Bank policy. Conventional and Islamic banks have a different SRR requirement that's why there is a great difference between both banks Advances to deposits ratio. Therefore the hypothesis is rejected for both banks and they significantly differ with each other.

4.3 Business Development Ratios

The growth ratios are calculated horizontally from year to year. In this we have taken 2002 as a base year to compare the growth of Islamic banks and conventional banks in terms of total assets, deposits, advances and earnings.

Total Assets growth ratios of both Islamic and conventional banks are increasing from 2002. Therefore at the 5% confidence level, the hypothesis is accepted \ and it is concluded that the total assets growth ratio of both banks do not significantly differs. Deposits growth ratio of both Islamic banks and conventional banks are increasing in last four years, which shows positive trend that more customers are depositing their money in their respective banks. As both Islamic and Conventional banking system ratios are increasing we can conclude that both are not statistically significant at the 5% interval. Advances growth ratio shows that increase of financing of both Islamic banks and Conventional banks are increasing in relative to base year 2002. So, the difference between the average means for Islamic and Conventional banks is statistically significant at the 5% confidence interval. Therefore, it is concluded that the hypothesis that the 'Islamic banks performance is identical with conventional banks' is accepted.

Earning or net profit of both Islamic and Conventional banks are increasing relative to the base year of 2002. Table 4.1 summarizes that for Islamic banks the earnings shows a improvement up to 2005 that is 212% from 80.0% in 2003, but in 2006 it slightly goes down to 185%. Meanwhile the earnings of conventional banks shows a negative sign in 2003, which is because Mybank net profit is negative in the year 2003 that is 20,139. The reasons for such a high growth in respective years of 2004-2006 are because My Bank net profits show a great increase from 3,657 in 2002 to 492,888 in 2006 (See Annual Reports). As both banks earnings are increasing, we can conclude that at the significant level of 5% both Islamic and Conventional banks not significantly differ and therefore we accept the hypothesis.

4.4 Efficiency Ratios

Assets utilization ratios indicate those both Islamic and Conventional banks ratios are increasing, which shows that both banks are effectively and efficiently using their assets to generate sales more productively. Therefore both Islamic banks and conventional banks curve are parallel to each other, so at the confidence level of 5% the asset utilization ratio does not significantly differ with each other. Operating Efficiency ratio of Islamic banks as shown in Table 4.1 indicates that there is an increase in the ratio from 71.1% in 2002 to 494% in 2006. This trend shows that Islamic banks expenses are high and earnings are low, especially in 2006. This happens because in 2006 Meezan Bank pays 1,027,767 total operating expenses which are more than 718,866 in 2005. Moreover, in conventional the trend is also similar that there is an increase in operating efficiency ratio, but in the year 2006 the operating efficiency ratio decreases to 121% from 207% in 2005. There fore, overall at the significance level of 5%, both banks ratio doesn't significantly differ with each other.

4.5 Risk and Solvency Ratios

Debt to total assets ratio of Islamic banks as shown in Table 4.1 is increasing from 81.3% in 2002 to 89.1% in 2006. While for conventional banks the debts to total assets ratios are decreasing from 90.6% in 2002 to 86.5% in 2006. Therefore we can conclude at confidence level of 5% that the hypothesis is rejected and thus the debts to total assets ratio significantly differ.

Equity Multiplier ratio of cumulative average of Islamic banks shows that is increasing every year that is from 563% in 2002 to 918% in 2006. For conventional banks cumulative average, we can see that the equity multiplier ratio is decreasing from 1084% in 2002 to 892% in 2006, see Table 4.1. After analyzing last five years Islamic banks average mean is 757% while it was 1104% for conventional banks. Therefore, it is concluded that Islamic banks need to increase their solvency by increasing debt compared to equity. The two means statistically differ.

Final Remarks

The analysts use different approaches in analyzing the bank. However, the analytical tools used in this project to assess the financial condition and profitability of conventional and Islamic banks are the FINANCIAL RATIOS. After calculating financial ratios separately for all banks, the results are aggregated for conventional and Islamic groups respectively. Finally, a rigorous t-test is conducted to check if aggregate results of both groups complement each other or not. Islamic banks now have developed enough since they have been in the context for so many years. Thus, not to much surprise that 10 out of 16 ratio indicators of performance of both types of banks lead to accept the hypothesis that Islamic banks have performed almost to the level that of Conventional Banks.

But, it must be clearly noted that remaining 6 ratio indicators which reject the null hypothesis need to be studied in depth with respect to their importance before reaching any ultimate conclusion. Thus, there is a need to determine the most important indicators which really are very crucial in determining ultimate performance of banks and their peer groups. In this regard, it must be noted that the ratio indicators which lead to reject the null hypothesis are the most important or crucial in determining the bank's performance. Many ratios which accepted the null hypothesis belongs to the growth ratios which just enlighten the growth in certain items over period of time. These types of ratios do not separately determine actual performance or efficiency of a bank. Rather, these are only supplemental information to main stream ratios like Net Profit Margin, Risk & Solvency Ratios, and Yield on Earning Assets, etc.

It is obvious that most important ratios lead to reject our basic hypothesis and thus we cannot justify completely that the Performance of Islamic banks is equal to Performance of Conventional Banks. Rather, there are some items which are hiding the actual performance of Islamic banks. Thus, the results should be extracted after adjusting these indicators and emphasizing main and crucial ones.

Researchers see that both groups generate different yield on their earning assets which is a thing for concern. This ratio also indicates very insight view of bank's revenue (interest) generating capability or by average earning assets. Thus, it reflects to Islamic banks don't earn enough income on main earning assets compared to conventional banks. As, we see ROA & ROE are almost similar for both groups. Thus, we can conclude from this that returns earned on overall assets may be similar for both but if we only consider earning assets then it is different and yet Islamic banks have not been able to generate that to the level of other banks. Moreover, we see that Asset Utilization and Operating Efficiency ratios indicate that Islamic banks also utilize its assets as efficiently as other banks do. But, yield on earning assets has shown both types of banks have not been at equal level if only earning assets are considered which a concern for Islamic banks is even after such a long time.

Further, it is seen that growth in total assets, deposits, advances and earnings for both Islamic and conventional banks has been almost equal. But, again to our surprise we observe that important indicators of liquidity of any bank don't confirm to this trend. The ratios i.e. Cash-to-Deposits, Net Profit Margin and very important Advances-to-Deposits lead to reject the null hypothesis that the performance of both types of banks is equal. Advances to Deposits ratio indicates that Islamic banks have not been able to generate as much advances compared to deposits available to them. This reflects conventional banks have been more efficiently generating more and more advances out of same number of deposits. This can confirm our earlier prediction that Islamic banks on aggregate have not been able to focus on main earning assets rather on non-operating or non-earning assets. That is why yield on earning assets is also on average low for Islamic banks.

Similarly, Cash-to-Deposits is also not maintained to the level of conventional banks which indicates Islamic banks don't maintain enough cash related to the level of their deposits. They have not been able to maintain it considering that they have also not been able to give away advances out of that. Thus, it may reflect to that Islamic banks on average may be spending more on non-operating expenses or may be they have not been able to control all types of expenses given that cash and advances are not maintained to their deposits as compared to conventional banks.

Net Profit Margin for Islamic banks has also been low as compared to conventional banks given that ROE & ROA for both types of banks are almost same. It reflects that Islamic banks have not been able to generate enough profit compared to other banks given the same revenues for both groups. It may refer to that Islamic banks have not been able to control and minimize their expenses or may be their non-operating expenses are making the impact.

Finally, the solvency position and riskiness of Islamic banks has appeared to be issue as compared to conventional banks. Their Debt-to-Asset ratio and Equity Multiplier indicates that Islamic banks have less proportion to debt related to assets as compared to conventional banks. This makes Islamic banks more risky compared to conventional banks because a bank needs to have more and more debt and less equity to earn enough on earning assets and to increase total earning assets. This also saves owners to put les and less money on risk.

5: PRODUCT SERVICE ANALYSIS

This section deals with product and service analysis between Islamic and Conventional banks in Pakistan. The section basically compares the products and servicesof Islamic and Conventional banks in terms of deposit, financing and service.

Banks perform two major functions which are borrowing and lending of money. Bank borrows by taking deposits from its customer and lends to those who are in need of money. Banks offer different types of products and services for the benefit of its customer. Different types of deposits accounts are offered to provide higher return with the best possible service. Bank uses this deposit to lend money to its customer. It offers different financing schemes, such as personal finance, car finance and home finance. In recent years, banks make their services convenient through electronic banking. Recent growth of e-banking includes ATM Cards, 8 to 8 banking service, Internet banking, Credit cards (for conventional) and so on. Product and service analysis of both Islamic and Conventional banks are divided into three parts, as explained below:

5.1 Deposits

One of the major functions of banking is to borrow money. Both Islamic and Conventional banks use different types of deposit accounts to facilitate their customers. There are number of deposit accounts, the most prominent ones are current account and saving account. In current account, there is no interest or profit for the customer, while for saving there is a fixed amount of interest for conventional customer and profit loss sharing for Islamic customer. Moreover, Banks also offer different term deposit certificate accounts to benefit the customer in terms of different maturity period. These term deposit are offered to those customers who have the intention of retaining their savings for a fixed period and therefore to earn a higher return. In the next section we will analyze different deposits and certificate accounts of Meezan Bank, Albaraka Bank, Soneri Bank and My Bank.

5.1.1 Deposit Accounts

Banks use different types of saving deposit accounts to cater the need of their customers. Table 5.1 shows the deposits account use by Meezan Bank, Albaraka Bank, Soneri Bank and Mybank.

Table 5.1

Deposits Account

Meezan Bank	Soneri Bank
• Current Account	• Current Account
• Rupee Savings Account	• Profit & Loss Savings Account
• Karobari Munafa Account	• PLS Soneri Savings Account
• Meezan Bachat Account	
Albaraka Bank	**Mybank Limited**
• Current Account	• Current Account
• Rupee Savings Account	• PLS Saving Deposit Account
• Khazana Account	• Business Premium Account
• Inventive Account	• Basic Banking Account

The following Tables (Table 5.2 and 5.3) compare the rate or profit between Meezan Bank's Savings Account with Soneri Bank's Savings Account. Soneri Bank gave fixed amount of return, while Meezan Bank works on the basis of profit loss sharing. Therefore, we have taken averages of last one-year profit rates of Meezan Bank. After analyzing the below table, it is concluded that for small amount of Investors, Soneri Bank would be an ideal choice because the return that Soneri Saving Account offers much higher than that of Meezan Bank.

Table 5.2

Meezan Saving Account

Amount	Average
10K-99.9K	1.9%
100K-999.9k	2.2%
1M-4.99M	2.5%
5M-9.99M	2.8%
10M-49.99M	2.9%
50M-99.99M	3.0%
100Mm +	3.3%

Table 5.3

Soneri Saving Account

Amount	Fixed Rate
Upto Rs. 25K	1.0%
25K-1M	4.0%
1M-10M	5.0%
10M +	6.0%

Meezan Bank also offers a Meezan Bachat Account (MBA), see Table 5.4. It is a unique rupee savings account specifically tailored for Business Corporations, Entrepreneurs and Individuals. MBA combines a high rate of monthly profit, flexibility of withdrawal and convenience, all in one. The special tiering structure ensures a higher profit on higher deposits. Therefore, it is concluded that for large amount of investor, it is beneficial to invest in Meezan Bachat account to earn higher profit.

Table 5.4

Meezan Bachat Account

Amount	Average
1-24.99K	0.2%
25K-199.99K	5.6%
200K-499.99K	6.1%
500K-1M	7.0%

Now we look at the rate of return between Albaraka Khazana Accounts and Mybank PLS Saving Deposit Account. Table 5.5 and 5.6 shows that My Bank is giving better rates for small investors, while Albaraka Bank giving up to 9% profit return, if the amount is above 500 Million. Investors with large amount of money can invest in Albaraka bank, in order to earn good rate of return.

Table 5.5

Albaraka Khazana Account

Amount	Average
250K-4,999K	4.6%
5,000K-9,999K	4.7%
10,000K-24,999K	5.0%
25,000K-49,999K	5.1%
50,000K-99,999K	5.8%
100,000K-499,999K	6.4%
500M +	9.0%

Table 5.6

My Bank PLS Saving Account

Amount	Fixed Rate
Up to Rs.5000	2.0%
5001-50,000	4.0%
50,001-100,000	4.5%
100,001 +	5.0%

From the above tables it is concluded that both Conventional banks are providing better rate of returns for small investors. Meanwhile, Islamic banks are providing higher profit return for large deposits.

5.1.2 Term Deposit Accounts

Banks use different types of term deposit account or deposits certificates to cater the need of their customers. Certificate are offered by banks to individuals (in single or joint names), minors (to be operated by the guardian), Charitable Institutions, Provident Fund and other funds of benevolent nature local bodies, Autonomous Corporations, Limited Companies, Firms, Associations, Educational Institutions etc who have the intention of retaining their savings for a fixed period thereby earning a higher rate of profit than the normal deposit account. Profit or returns of certificate account are offered at the time of maturity and Pre-matured encashment is allowed without any penalty however profit will be less than originally contracted. For Islamic banks Meezan Bank certificates account include; certificate of Islamic Investment, Monthly Mudarbah Certificate, Meezan Amadan Certificate and Meezan Providence Certificate, meanwhile for Albaraka bank it includes Term Deposits, AMI Account. For conventional, Soneri bank includes PLS Term Deposits, Soneri Sarmaya Certificates and Soneri Savings Certificate, meanwhile for Mybank it includes Fixed Term Deposits Scheme and Term Deposit Regular.

From Table 5.7 and 5.8, we can see that Meezan Bank's Certificate of Islamic Investment is providing better return as compared to Soneri Bank's Soneri Sarmaya Certificate in terms of amount invested for 1 year to 4 year but for 5-year investment Soneri Sarmaya Certificate return is much better.

Table 5.7

Meezan Bank

Certificate of Islamic Investment

Term or Tenures	Average
3 Months	5.20%
6 Months	5.70%
1 Year	6.80%
2 Years	7.30%
3 Years	8.20%
5 Years	8.90%

* Minimum Amount 50,000

Table 5.8

Soneri Bank

Soneri Sarmaya Certificate

Term or Tenures	Rate
1 Year	6.00%
2 Years	6.50%
3 Years	7.00%
4 Years	8.00%
5 Years	9.50%
6 Years	11.50%

* Minimum Amount 50,000

Meanwhile, Mybank's Term Deposit Regular is providing better return than Albaraka's Term Deposit Certificates (See Table 5.9 and 5.10). Therefore, we conclude that both Islamic and conventional banks are providing good return in terms of deposit certificates.

Table 5.9

Albaraka Bank

Term Deposit

Term or Tenures	Average
1 Month	3.54%
3 Months	6.05%
6 Months	6.19%
1 Year	6.34%
2 Years	7.00%
3 Years	8.38%
5 Years	9.25%

* Minimum Amount 50,000

Table 5.10

MyBank

Term Deposit Regular

Term or Tenures	Rate
1 Month	6.00%
3 Months	7.00%
6 Months	8.00%
1 Year	10.50%
2 Years	10.75%
3 Years	11.00%

* Minimum Amount 50,000

5.2 Financing

Banks offer different financing products for their customers. Some of them are personal finance, Home Finance and Car Finance. Islamic banks provide Home and Car Financing with totally RIBA-FREE and according to the Shariah rule. However, Islamic banks still do not provide RIBA-FREE Personal loan. In the next two sections we will look at the Home and Car Financing schemes of Islamic and Conventional banks.

5.2.1 Home Financing

Conventional and Islamic banks both offers home financing to cater the needs of their customers. In the next section Meezan Bank home financing is compare with Soneri Bank while Albaraka Bank is compared with Mybank limited.

Meezan Easy Home

Meezan Bank is the first Islamic bank to provide the first complete Islamic home finance facility in Pakistan. With Easy Home the customer participates with Meezan Bank in a joint ownership of the property, where the Bank will provide a certain amount of financing (usually up to 85%). Customer agrees to pay a monthly amount, and the monthly payment reduces regularly as your share in the property grows. Meezan Easy Home deals with buying a home, building a home and replacing or renovating a home. Table 5.11 shows the finances and the tenure of Meezan Easy Home.

Table 5.11
Meezan Easy Home Financing

Building a Home	• Financing up to 85% of the appraised value of the home or up to a value of 40 Million • Financing Tenure up to 20 Years
Building a Home	• Financing up to 70% of the appraised value of the home or up to a value of 40 Million
Renovating a Home	• Financing Tenure up to 20 Years • Financing up to 30% of the appraised value • Financing Tenure up to 15 Years

Soneri Ghar Finance

Soneri Ghar Finance offers a maximum finance of Rs. 5 million and a convenient repayment period of up to 10 years. See Table 5.12 for the details of Soneri Ghar Finance.

Table 5.12
Soneri Ghar Finance

Financing Amount and Payment Period	• Purchase/Construction of residential property up to Rs. 5 Million with tenure up to 10 years • Extension/Renovation on own property up to Rs. 2 Million with tenure up to 7 years
Mark up rates and Fee, Legal Charges, Valuations	• Floating Mark up rate @ 4.5% above prevailing SBP Discount Rate (Minimum 14%) • Processing fee: Rs. 2500/- or 0.50% of the finance amount which ever is higher. • Legal/valuation charges Rs.3000/-.

Albaraka Home Finance

Albaraka's 'Maskan' home finance scheme deals with purchase of house/flat, construction of house, purchase of plot & construction, renovation of house/flat and asset transfer facilities. Some features of Albaraka home finance scheme are: Strictly Shariah Compliant; Minimum Processing charges; Up to 80% of Bank's participation; Low rental rates; Fixed and floating rate options; Repayment tenure from 3-20 years; Financing up to Rs. 20 Million; Bank Shares in Insurance and property tax; and Co-applicant option.

Mybank Home Finance

Mybank Home Finance scheme 'my Sahoolat' offers financial assistance in building a home/apartment/land, renovating a business, and redecorating a home. Some Features of 'My Sahoolat' home finance scheme are: Annualized Mark-up rate 15.5%; Maximum Limit of Rs. 10 Million; Life Insurance coverage; Quickest Processing time.

After comparing both Meezan bank with Soneri bank and Albaraka bank with Mybank, it is quiet obvious that Islamic banks are providing much better home financial assistance than conventional banks. Meezan bank offers 40 Million financing up to 20 years, meanwhile Soneri bank provide financing up to 5 Million up to 10 years. Albaraka bank is also providing financing up to Rs 20 Million with tenure up to 20 years, meanwhile Mybank 'my Sahoolat' scheme offers maximum limit of 10 Million financing. Therefore, we conclude that both Islamic banks are better providers of financing assistance for home than conventional banks.

5.2.2 Car Financing

To compare the Conventional and Islamic banks car financing, we will here focus on Meezan Car Ijarah, Soneri Car Finance, Albaraka Car Ijarah and Mybank Auto Financing.

Meezan Car Ijarah

Meezan Bank's Car Ijarah is a car rental agreement, under which the Bank purchases the car and rents it out to the customer for a period of 3 to 5 years, agreed at the time of the contract. Upon completion of the lease period the customer gets the ownership of the car against his initial security deposit. Just like a normal rent agreement Meezan Bank takes a security Deposit ranging from a minimum of 15% to a maximum of 50%. The actual requirement of Security deposit varies for different type of vehicle (that is new, old or imported etc). Meezan Car Ijarah is available for locally assembled as well as imported cars; moreover used cars are also financed.

Meezan Bank being the owner of the Car is responsible for Insurance of the car and for payment of insurance premium. In this regard, Meezan Bank insures Car from Pak Kuwait Takaful Co (PKTC) the Islamic mode of Insurance (Takaful) and pays Takaful premium as part of its ownership expense.

Soneri Car Finance

Soneri Car Financing scheme gives a loan to the customer for purchase of car and charges interest on it. See Table 5.13 for features of Soneri Car Finance.

Table 5.13
Soneri Car Finance Features

Financing Amount and Payment Period	• Rs. 1 Million (Cars up to 2300 C.C) • Rs. 2 Million (Above 2300 C.C) • Maximum period of financing are 5 Years
Down Payment	• On Finance of up to Rs. 1 Million (Minimum 15% of Car Price) • One Finance exceeding Rs 1 Million but not more than 2 Million (Minimum 20% of Car Price)
Mark Up	• 14% for up to 3 years tenure • 15% over 3 year's tenure, (Maximum up to 5 years)

Albaraka Car Ijarah

Albaraka's car Ijarah offers financing up to the maximum limit of 1 Million. Albaraka's car Ijarah is strictly compliant to Islamic Shariah. The facility has an early adjustment option in which asset can be purchased by making payments at the pre determined amount given in the undertaking to purchase the leased asset. Provisional rental schedule are provided to the customer at the time of booking of the asset and the payment will be made on the basis of the schedule. Features of Albaraka's car Ijarah are: Maximum amount Rs. 1 Million; Tenure of financing 3 and 5 years; Brand new unregistered car available; Strictly compliant to Islamic Shariah; 10% of the value of the car to be provided as security deposit; One time processing and documentation charges Rs. 3,000.

My-bank Auto Financing

Mybank Auto financing offers a wide range of vehicle with an affordable price. Luxurious car, motorbike or buses for crew are available. Features of Mybank auto financing are: Lowest Insurance premium; Tracker device is also financed; Tenure 1-3 years with annualized mark up rate 15%; Tenure 4-5 years with annualized mark up rate 15.5%.

After comparing both Meezan bank with Soneri bank and Albaraka bank with Mybank, we conclude that both conventional banks and Islamic banks are providing similar types of car or auto financing to their customers. Albaraka is providing 10% security deposits of the value of the car, which is better than Meezan, Soneri and Mybank. Therefore, it is concluded that both conventional and Islamic banks are providing better car financing services for its customer.

5.3 Services

Banks offer wide range of service to its customers. In this section, we will look different services that are provided by Meezan Bank, Soneri Bank, Albaraka Bank and Mybank.

Table 5.14
Banking Services

Services	Meezan	Soneri	Albaraka	MyBank
Online Banking	✓	✓	✓	✓
ATM Card	✓	✓	✓	✓
Debit Card	✓	✓	✓	✓
8 to 8 Banking Service	✓			
Ladies Banking	✓			
Telephone Banking		✓	✓	✓
Internet Banking	✓	✓		✓
Mobile Banking	✓			
SMS Alert	✓			
Utility Bills	✓	✓	✓	✓
Lockers	✓	✓	✓	✓
Agricultural Scheme				✓

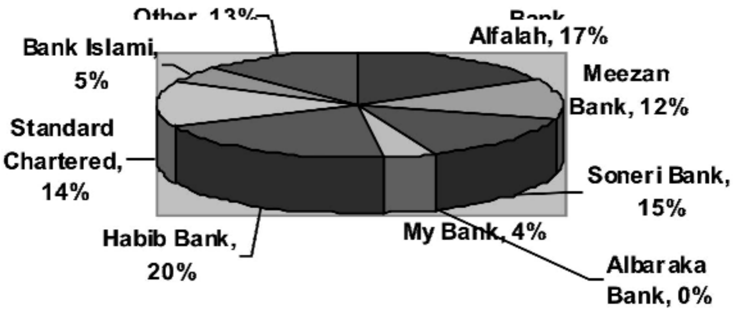
6: CUSTOMER PERSPECTIVE

This chapter deals with the customer’s perspective about Islamic banking and Conventional banking. This chapter consists of findings and interpretations of survey analysis which are conducted between different banks in Karachi.

In this survey different age group are selected with majority lying between 20 to 35 age brackets. This survey is conduced mainly by students, businessmen and bankers. The findings and interpretation of survey analysis that are conducted between different customers of both Islamic and Conventional banks are explained below with different factors and variables.

The survey is conducted among various customers of both Islamic and conventional banks are done on the basis of customers having more than 2 accounts in a bank. The survey identifies that majority of customers having a bank account in Habib Bank, Bank Alfalah, Soneri Bank and Standard Chartered Bank. Figure 6.1 describes that 20% of the customers have a bank account in Habib Bank, 17% having account in Bank Alfalah, 15% and 14% having account in Soneri and Standard Chartered Bank respectively. Customers also have a bank account in Union Bank Limited, Allied Bank Limited and Habib Metropolitan which lies in ‘Other’ category. Figure 6.1 also clarifies that majority of the customers having bank account in conventional banks rather than Islamic banks. 12% of the customers having bank account in Meezan banks which is the highest ratio among the Islamic banks.

Figure 6.1: Bank Accounts



In the sample of hundred customers, 64% prefer conventional banking over Islamic banking that is 36% (See Table 6.1). The reasons for the preference of conventional banking over Islamic banks are because they offer better service and variety of products than Islamic banks. As figure out in the below cross tabulation chart, it is concluded that according to the 100 sample response, both banks customers prefer the services as their best priority among all others. As far as Islamic banks are concerned majority of the customers prefer Islamic banking because it is Islamically legal. Twenty nine responses that are 51% of the total response prefer Islamic banking because it is Islamically legal and out of which 34% have studied the literature on Islamic banking while 17% haven't studied literature on Islamic banking. This clarifies that customers prefer Islamic banking because it is Islamically legal not because of Islamic banks performance.

TABLE 6.1: CROSS TABULATION

	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Q1 * Products	29	29.0%	71	71.0%	100	100.0%
Q1 * Services	62	62.0%	38	38.0%	100	100.0%
Q1 * Islamically	29	29.0%	71	71.0%	100	100.0%
Q1 * Return	20	20.0%	80	80.0%	100	100.0%
Q1 * Other reasons	2	2.0%	98	98.0%	100	100.0%

Table 6.2 below clarifies that both Islamic banks and conventional banks customers are satisfied by the number of branches of their banks. 86% of Islamic and 80% of conventional customers is satisfied by the number of branches of their banks. Although both banks customers are satisfied by the number of branches but still various customers gave their remarks to operate the branches in the interior city.

TABLE 6.2

Q1 * Q6 Cross tabulation

		Q6 (No. of Branches)		
		Satisfied	Not Satisfied	Total
Q1	Islamic	31	5	36
	Conven.	51	13	64
Total		82	18	100

Descriptive statistics are also applied in both Islamic and Conventional Banks. Descriptive statistics of Islamic banks shows that in Islamic banks majority of the customers prefer Meezan Bank as their best choice for banking. The next best priorities are Dubai Islamic, Bank Islamic, Emirates Islamic bank and Bank Albaraka. Meezan Bank as the largest Islamic bank in Pakistan covering more than 100 branches in the span of only 5 years is preferred by majority of the Islamic customers.

Meanwhile for conventional banks, majority of customers prefer Habib bank as their best choice to conduct banking. The next best priorities are Bank Alfalah, Standard Chartered, Soneri Bank and Mybank Limited. Habib bank is the first bank in Pakistan that established operations in 1947. The major reason for the preference of Habib bank is its large branch network.

The conclusion that we get from this survey is that after such an enormous growth in Islamic banking still customers prefer conventional banks to perform their banking and majority of customers still thinks that Islamic banking has some flaws over their Islamic in nature and gave their remarks against the Islamic banking and supposed that there is no such difference in nature of the transaction. Although both banks customers are satisfied with the service, number of branches and the profits rates. Therefore, it is concluded that conventional banks are preferred over Islamic banks.

7: CONCLUSION

The comparison between Islamic banks and conventional banks are done to identify which banking system is superior according to their performance. The financial analysis comparison shows that the financial performance of Islamic bank is not exactly superiors to that of conventional banks. Although 10 ratios out of 16 are accepting the hypothesis that both banks performances are identical but still the 6 ratios that are rejected are the most important one in comparing financial health of any bank. The six ratios that are rejected are yield on earning assets, net profit margin, cash to deposit, advances to deposit, debt to total assets and equity multiplier. The major drawback of Islamic banks that is their deposits is increasing but they are not taking full advantage of it and just holding their funds. In addition Islamic banks are not using its assets more effectively and efficiently as conventional banks. Therefore it is concluded that Islamic banks has to take the advantage of these drawbacks in order to capture the market.

The comparison of product and services between Islamic and conventional banks are divided into deposits account, financing and services that both banks offered to their customers. Deposits and certificates accounts of both Islamic and conventional banks shows that both banks are offering good return in terms of the amount that the customer are investing. For deposits account, it indicates that for small amount of investors conventional banks are better and for large amount of investors Islamic banks return are much better. For certificates account, it indicates that conventional banks are providing better return than Islamic banks. Islamic banks are providing much better home financial assistance then conventional banks whereas Islamic banks are offering higher amount then conventional banks. They are also financing up to 20 years. Therefore, we conclude that both Islamic banks are much better to provide financing assistance for home then conventional banks. Meanwhile for car financing, it is concluded that both Islamic and conventional banks are providing similar types of car financing to its customers. Services of Islamic banks are up to the level of conventional banks. Meezan bank is the largest Islamic bank in Pakistan covering more than 100 branches offers 8 to 8 banking service that is first in Pakistan. Like Meezan bank other Islamic banks should grow further in terms of services and branch network to compete with conventional banks and other Islamic banks.

For identifying the customer perspective about Islamic and conventional banking, a survey was conducted among customers of both banks. After conducting analyses of the survey, majority of the customers still prefer conventional banks for banking. Islamic banks are preferred among those who think that it is Islamically legal and not because of their performance via products and services. Meezan bank being the largest Islamic bank in Pakistan is preferred by majority of the customers. Meanwhile, for conventional banks Habib banks is preferred among others.

This research study is conducted to identify which banking system is going superior with each other. After analyzing the research study with respect to financial analysis, product service comparison and customer perspective. It is concluded that Islamic banks although are growing compare to last few years but still they have to do a lot in order to capture the market in Pakistan. Meanwhile for other Islamic countries like Malaysia, UAE and Bahrain, lot of research study are done and there Islamic banks are growing at much faster rate than Pakistan. (Anwar, 2000) conducted a research in Malaysia, and (Kader, 2005) conducted research in UAE conclude that Islamic banks are growing much rapidly then conventional banks. They said that the rapid growth in Islamic banking is likely to be associated with the attributed of the Islamic profit and loss sharing banking paradigm. Therefore Islamic banking in Pakistan has to do a lot in order to compete with conventional banks. This research study also identifies several recommendations for Conventional banks and Islamic banks, which are given below.

8. Recommendations

Following are some recommendations of banking in general and Islamic banking in specific:

- Islamic banks must focus more on their main earning assets to utilize them more efficiently along with any non-operating income they have been generating. It is because non-operating income inflates total profitability of Islamic banks. Thus, Islamic banks in aggregate need to improve their yield on the earning assets to reach to the level of conventional banks.
- Islamic banks need to pay special concern to the level of their liquidity because it is very important as far as banks are considered. They must minimize their all type of expenditures especially reduction in all non-operating expenses is much more needed. This would help Islamic banks to improve their net profit margin and to some extent their cash-to-deposits would also be improved ultimately improving the liquidity position. Finally, the banks must focus to generate more and more advances out of given deposits so that their earning on advances would also improve yield on earning assets.
- Islamic banks need to penetrate more and capture more market than they have done so far. This would help them increase deposits and other liabilities. They should continually create more and more innovative products to attract more prospective customers and investors. This way Islamic bank would increase their solvency by increasing debt compared to equity.
- Islamic banks have to increase its profit rates in deposits and certificate accounts therefore to attract smaller amount of investors.
- Islamic banks have to introduce personal loans as did by conventional banks. (The Issue is being resolving by the Scholars)
- Islamic banks have to promote their banking as many customers still don’t know about the Islamic banking system and its reward. Also they have to educate the true concept of Islamic banking so as to attract customers on the basis of its Islamicity.

- Meezan bank Limited is growing at a faster rate as it has now more than hundred branches in a span of five years. So, others banks also have to take initiatives by promoting their banks.
- Conventional banks have to increase their tenure for giving home loans to their customers. As both Soneri and Mybank are lacking behind the tenure that they are giving for home loans.
- Moreover, both banks have to improve their ATM services, as majority of the ATM machines are not working well, operate their branches in interior cities, provide educational loans to students and improve their customer services.

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ARTICLE

Chocolate Brand Familiarity and Product-Country Evaluation Among Young Consumers In Malaysia

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ABSTRACT

Consumers' product evaluation and brand familiarity are important in the marketing arena, considering the significant growth of the international trade and globalization. This study tries to identify young Malaysian's chocolate brand familiarity and product-country evaluation. The results found that stereotyping and halo effects do influence young Malaysian chocolate evaluation. The discussion of this study also includes recommendation to marketing managers and research limitations.

Keywords : Country-of-origin, Stereotyping, Young Consumer; Malaysia

Introduction

Brand image research has long been recognized as one of the central areas of the marketing research field (Keller, 1993). A good brand image can act as a facilitator that provides added value to the customer by giving supplementary information and meaning. Brand names are gaining importance as a valuable asset for many companies in international marketing. The country origin of brand also has become much more important from time to time. Country-of-origin (hereinafter called as COO) has become one of the most widely researched areas in international marketing discipline (Papadopoulos & Heslop, 2002), as the growth volume and diversity of international trade has led to an increasing number of consumer decisions which involve product COO (Nayir & Durmusoglu, 2008).

Most of the COO researches have been conducted in Western and developed countries. The meta-analysis of Usunier (2006) showed that most of the COO surveys were administered in USA, followed by France, UK, Canada, Japan and Germany. Hence, it has become important to conduct the research in the Southeast-Asian countries, because Southeast-Asian economies have seen strong growth in terms of the capacity of both consumption and production (O'Cass and Lim, 2002). In addition, future researchers are encouraged to examine the effects of COO based on segmentation (Kwok, Uncles & Huang, 2006), as different customer segments in different countries respond differently and the effects of COO cannot be fully understood without considering them (Bhaskaran & Sukumaran, 2007). O'Cass and Lim (2002) pointed out the importance of conducting with COO research on young consumers, as they are the prime target of most of the commercial marketing activity.

Furthermore, Ahmed, Johnson, Xia, Chen, Han and Lim. (2004) claimed that it is not clear what role COO plays in shaping consumers' buying behavior to such goods or whether the effect of COO is the same for low-involvement products as for high-involvement products since there have been few studies on the impact of consumers' COO perceptions of low-involvement products. Moreover, world chocolate confectionery grew by 4% in current value terms to reach RM361 million in 2008 (Euromonitor International, 2008). But, multinationals continued to dominate chocolate confectionery in Malaysia (Euromonitor International, 2008). This emphasizes that chocolate confectionery is an important product to be investigated in Malaysia. The present empirical study is designed to examine the brand familiarity and product-country evaluation of the young consumers in Malaysia.

Literature review

Country-of-origin

COO is mainstream research in the field of marketing and consumer behavior (Usunier, 2006). It has been generally acknowledged that country of origin does influence consumers' product evaluations and purchase decisions (O'Cass & Lim, 2002; Sohail, 2005; Chryssochoidis, Krystallis & Perreas, 2007; Karunaratna & Quester, 2007; Ahmed & d'Atous, 2008). COO is defined as "the overall perception consumers form of products from a particular country, based on their prior perceptions of the country's production and marketing strengths and weaknesses" (Roth & Romeo, 1992). Country-of-origin is regarded as an extrinsic cue, cognitively (Velegh & Steenkamp, 1999), where the effect of COO is stronger when consumers are not familiar with the product category (Usunier, 2006). This is because, in the absence of information about tangible traits of products, consumers tend to rely on extrinsic cues as indirect indicators of quality and risk (Han, 1988; Papadopoulos & Heslop, 1993).

Consumer familiarity towards brand and product influence the effects of COO. Some researchers argue that consumer knowledge of a brand's country is crucial for the transfer of the COO image to the brand image; however, they are hardly likely to be able to transfer any perceived COO image to the brand when they do not know about a brand's COO (Paswan & Sharma, 2004). It is believed that consumer knowledge and expertise play a central role as to which type of generalization may be formed on the basis of this information. Less knowledgeable consumers are considered to use brand name and COO in a more general manner while more knowledgeable or expert consumers may use this information in a conditional fashion (Han, 1989; Hong, Pecotich & Schultz, 2002). As consumers become more familiar with the product, their ability to assess product quality based on their knowledge of intrinsic attributes, that are informative about quality, improves.

Moreover, empirical evidence has shown that there is a positive relationship between product evaluations and degree of economic development, with products made in less-developed countries usually rated by consumers as inferior to those manufactured in more-developed countries (Schooler, 1971; Wang & Lamb, 1983). The higher the level of industrialization of a country, the more favorable is the perception of the quality of its workers which in turn is reflected in the perceived quality of its products (Ahmed & d'Atous, 2008). Furthermore, there are indications that products made in more-developed countries are considered more favorable, compared to their counterparts manufactured in less-developed countries (Ahmed & d'Atous, 2008). Products made in countries, developing and less developed, characterized by high-risk cause consumers to spend more time and effort in evaluating its attributes and performance before taking a final decision (Alden, 1993). Consumes tend to hold this stereotypic evaluation when they have a lower level of product familiarity. However, this stereotyping a lower decreases with the increase in consumer's level of involvement in the purchase decision. For instance, high-involved consumers in the purchase of a complex product are more informed about the technologically advanced manufacturing capacity of some Latin American countries and East Asian countries (Ahmed & d'Atous, 2008). Thus they can appreciate the favorable price-quality relationship provided by the product from these countries.

Stereotyping

Model of Tricomponent Attitude reveals that attitudes consist of three major components, which are cognitive, affective and conative (Schiffman & Kanuk, 2007). Country-of-origin has normative connotations, in the sense that the consumer's decision to purchase or avoid buying a country's products can be regarded as a vote in favor or against the policies, practices, or actions of a country (Verlegh & Steenkamp, 1999). Furthermore, Erikson, Johansson and Chao (1984) based their observations of the formulation of stereotypical images on the "belief-attitude relationship", and suggested that there are three types of beliefs: informational, descriptive and inferential. These beliefs, it was supposed, are formed in different ways but all potentially contribute towards what a consumer believes about a product, i.e. there is a link between physical characteristics and product perceptions. They attribute the third (inferential) belief as contributing significantly to the formation of stereotypes.

Stereotyping is one psychological process that is commonly used to explain how consumers react to COO information (Maheswaran, 1994) and are used as standards to evaluate products from foreign countries affecting the cognitive processing of other product-related cues (Ahmed and d'Astous, 1996). Consumers tend to form their own evaluation of a product category based on their perception of the COO. For example, Malaysian consumers prefer products from a developed country, Japan, rather than a domestic brand (Yeong et al., 2007). In addition, consumers can reward "sympathetic" countries by purchasing their products (buycott), but punish "antipathetic" countries by refraining from buying their goods (boycott) (Smith, 1993). Since, country stereotypes may be negative or positive; the management of a product's national image is therefore an important element in the strategic marketing decision-making process of international firms (Al-Sulaiti & Baker, 1998). Furthermore, the effects of country-of-origin on consumer behavior tend to vary from country to country, due to differences in economic, socio-cultural, political-legal, historical events, industrialization, degree of technological advancement and geographical closeness (Ahmd & d'Atous, 2008; Nayir & Durmusuglo, 2008). Within a specific country, they also tend to vary by time, because of changes in marketing sophistication, degree of industrialization, and lifestyle patterns (Papadopoulos & Heslop, 1993). This has been proved by Nagashima who , in 1970 found that the US respondents perceived the Japanese products as cheap imitations of major US and Western Europe brands at 1970. However, latter research conducted in 1970 evaluation towards Japanese products has changed and improved.

Also , Erikson et al. (1984) found that COO influences belief formation rather than attitude in some studies although the effects of COO are not identical across all product attributes, and Johansson, Douglas and Nonaka. (1985) noted the existence of a persistent "halo" effect in ratings of specific product attributes. The information of origin plays a crucial role on consumer perception of brand by telling them the quality and value of a product. COO may influence consumers' attention and evaluation of other product dimensions, which may create a 'halo effect' (Erickson et al., 1984; Han, 1989). COO effects on product evaluations can occur in two different ways: "halo" and "summary" (Han, 1989).

COO plays as a role of "halo", when consumers are not familiar with the products of a country, that consumer used to infer beliefs about attributes that make up the attitudes towards a product or services (Han, 1989). On the other hand, a summary construct model served, when consumers are familiar with a country's products, in which consumers infer a country's image from its product information, which then indirectly influences brand attitudes (Han, 1989). In situations where consumers gain confidence in a country's products, it is possible that they may be predisposed to rely on COO as a halo construct to infer information about individual product attributes, thereby reducing the need for them to search for information relating to specific attributes of the product (Han, 1989).

This study tries to examine the brand familiarity and product-country evaluation of the young consumers in Malaysia. Foreign countries covered in this study are developed countries in order to examine the differences of the young consumers evaluation of various developed countries. Besides, this research also seeks to understand the influences of stereotypes and halo effects on brand familiarity and product-country evaluation, since brand name can function as a summary cue into which consumers consolidate past acquired information.

Hypothesis Development

This study is focused on young consumers in Malaysia, as Kwok et al (2006) has suggested that the future research could examine the impact of COO across different segments of consumers. The scholars argue that the different customer segments in different countries respond differently to such influences and COO effects cannot be fully understood without considering customer segments (Bhaskaran & Sukumaran, 2007). Country-of-origin evaluations seem to be affected by the similarity perceived by consumers with their home countries in terms of economic, socio-cultural, political-legal, and other environmental aspects (Papadopoulos, Heslop & Beracs, 1990).

Moreover, empirical evidence has shown that there is a positive relationship between product evaluations and degree of economic development, with products made in less-developed countries usually rated by consumers as inferior to those manufactured in more-developed countries (Schooler, 1971; Wang & Lamb, 1983). The higher the level of industrialization of a country, the more favorable is the perception of the quality of its workers (Li & Monroe, 1992), which in turn is reflected in the perceived quality of its products (Iyer & Kalita, 1997). Furthermore, there are indications that products made in more-developed countries are considered less risky, compared to their counterparts manufactured in less-developed countries (Hampton, 1977). Products made in countries characterized by high-risk cause consumers to spend more time and effort in evaluating its attributes and performance before taking a final decision (Alden et al., 1993). Moreover, in high-risk countries, it is more likely for the consumers to form a negative attitude about the product, which will subsequently reduce their willingness to buy it (Thorelli et al., 1989). This study tries to examine the differences of the young consumers' evaluation towards chocolate product from Malaysia and eight selected developed countries.

The consumer demographic characteristics such as gender (Johansson et al., 1985), age, and occupational groups (Shimp & Sharma, 1987) were differently receptive to foreign products (Zhang, 1997). In addition, according to Han (1990), the halo hypothesis suggested that consumers may consider not buying an unfamiliar foreign brand simply because they may make unfavorable inferences about the quality of the brand from their lack of familiarity with products from the country. The findings of his study proved that the image of COO was affected by the consumer's perception of similarity between his or her own country's and the origin country's political and cultural climate and beliefs systems. Reviewing the literature on previous research, the researchers propose the research hypotheses as follows.

H1: There is a significant difference in chocolate brand familiarity among young consumers in Malaysia

H2: There is a significant difference in chocolate country evaluation of young consumers of different gender .

H3: There is a significant difference among the young Malaysian's evaluation of chocolate of well known chocolate product from developed countries and other country

Methodology

In the current literature of marketing, many different methods for the measurement of COO have been described (Han, 1990). This empirical research is designed to examine and understand the young consumers' product-country evaluation in Malaysia. A self-completion questionnaire was administered to the students aged 18 to 30 in University Sains Malaysia. Students are selected to be the sample in this study because Verlegh and Steenkamp (1999), in their meta-analysis of COO literature, identified that there were no statistically different effects between the studies using student samples as compared to those studies using consumer samples. Convenience sampling was applied as sampling method in this study. 100 questionnaires were distributed randomly to the student, and the response rate was 100% as the questionnaires was passed to the subject by the researcher and completed with the presence of the researcher. All of the questionnaires were usable as the presence of researcher provided prompt feedback to the subject and the questionnaires were screened before the survey was completed.

The questionnaire consists of three parts. First part of the questionnaire aimed to collect respondent's demographic data likes age, gender, marital status and occupation. The second part was designed to measure respondent's evaluation towards product from Malaysia and eight such selected developed countries as:

? Japan,
? Germany,
? US,
? New Zealand,
? Switzerland,
? Belgium,
? Denmark, and
? Italy

Five-point Likert scales were chosen as measurement scales to collect data in this part of the questionnaire. Previous studies have indicated that Likert-scales are more reliable and appropriate for studies of this nature (Kaynak, Kucukemiroglu & Hyder., 2000). Numerical values were assigned from 1 (low quality) to 5 (high quality) to measure the quality evaluation of chocolate products from those selected developed countries and home country. Lastly, the third part was designed to measure respondent level of familiarity towards various chocolate brand names from different countries. 19 chocolate brands are covered in this study including, foreign and domestic brands like Meiji, Tango, Ferrero Rocher, Van Houtan, Beryl's, Extreme. The measurement of this part was adopted from Ahmed and d'Atous (2008), where the scales are ranged from 1 (not familiar at all) to 5 (very familiar).

Results and Discussions

100 respondents are included in his survey and all of them are single students from University Sains , Malaysia. Of these 100 respondents , 10 are aged 20 years and below (10%) , and 90 belong to the age range of 21 to 30 years (90%) . In addition, 37 out of 100 respondents are males (37%) and the rest of the (63%) are females (63%).

In order to understand the significant difference among chocolate brands by brand familiarities among young consumers in the Malaysia, Friedman Test on k-related sample was done on all the chocolate brands in Malaysian market. Results are shown below in Table 1.

Table 1

Difference Chocolate brand Familiarity

Chocolate Brand	Mean	Std. Deviation	Mean Rank	Chi-Square	df	Asymp. Sig.	Brand Familiarity
Smarties	3.93	1.191	13.10	784.326	18	.000	5
Kit Kat	4.53	.810	15.30				1
Dars	2.10	1.219	6.74				15
Toblerone	3.16	1.542	10.42				9
Stella	2.06	1.108	6.52				16
Bourbon	1.91	1.111	6.06				19
Cadbury	4.08	1.300	13.72				4
Lindt	2.22	1.411	7.35				13
Van Houton	2.81	1.587	9.22				10
Marxies	1.93	1.217	6.24				17
Tango	2.88	1.451	9.21				11
Kandos	1.97	1.159	6.17				18
Meiji	2.51	1.480	8.40				12
Chrispy	3.79	1.358	12.78				6
M & M	4.35	.968	14.78				3
Ferrero Rocher	4.50	.948	15.18				2
Beryls	3.33	1.531	11.20				7
Hersheys	3.16	1.594	10.64				8
Extreme	2.13	1.195	6.96				14

Note: *p=<0.05; **p=<0.01; ***p<0.001; n=100

The results in Table 1 shows a significant difference among chocolate brands the chi-square showed result of 94.717 ($p<0.001$). Table 1 shows that Kit Kat was ranked as the most familiar chocolate product among young consumers, while Bourbon was the least familiar brand. Therefore, Hypothesis 1 is accepted. Young consumers' evaluation of chocolates from foreign developed countries and home country is shown in Table 2. The findings are interesting as respondents of different gender showed significant difference in chocolate country evaluation based on COO.

Table 2
The different between genders on chocolate country evaluation

Country of Origin (COO)	M	Mean	F	Mean Difference	F value
USA	3.49		3.43	.058	4.791*
Switzerland	3.76		3.84	-.085	5.512*
Japan	3.35		3.35	.002	8.427**
Italy	3.57		3.63	-.067	8.688**
Germany	3.43		3.41	.020	3.098
UK	3.89		3.29	.606	.011
Malaysia	2.76		2.89	-.132	3.158
New Zealand	3.46		3.78	-.318	.018*
Denmark	3.27		3.30	-.031	2.618

Note: *p=<0.05; **p=<0.01; ***p<0.001; N = Male (37) & Female = (63)

Table 2 shows significant difference in male and female respondents' chocolate country evaluation based on country of origin. The male respondents showed favorable evaluation on chocolate from England (Mean=3.89) and Switzerland (Mean=3.86). At the same time, female respondents that were evaluated with chocolate from Switzerland (Mean=3.84) and New Zealand (Mean=3.89) have higher quality. The chocolate from Switzerland was evaluated favorably to have high quality by male and female respondents. However, the chocolate from USA, Switzerland, Japan, Italy and New Zealand were statistically different with gender of respondents. But chocolate product from Germany, England, Malaysia and Denmark were found not significantly different with gender preference in consumer behavior. However, the H2 is accepted. Based on the results shown in Table 2, the respondents demonstrated favorable evaluation towards well known chocolate product from developed country compared to other countries. Regarding to the results in Table 2, the youth evaluate chocolate from Switzerland, New Zealand, USA and Italy were more favorably than chocolate from Malaysia. Hence, H3 is supported.

Stereotyping influenced the evaluation of the subjects of chocolates from different countries. The subjects evaluated the chocolate from developed countries better than chocolates from developing countries. For instance, based on the results from

Table 2, both the male and female subjects evaluate chocolate from USA, Switzerland, Japan, Italy, Germany, UK, New Zealand, and Denmark to have higher quality than chocolate from Malaysia, which is home country. They have tendencies to evaluate chocolate product from home country as lower in quality. Those developed countries are economically more advanced than Malaysian, one of the developing countries in Southeast Asia. This preference is highly complex to be described as it involves a perceived disparity in the systems in terms of economics, cultural and political that are held by consumers in different markets (Wang & Lamb, 1983; O'Cass & Lim, 2002). In another setting, consumers from Sudan may evaluate product from Malaysia more favorable than consumers from the UK.

In addition, halo effects also play role in the subjects' brand and product COO evaluation. This study was set to seek out the effect of halo effect, by examining the respondents' evaluation of product COO, and their brand familiarity without providing the COO of the brands. The findings have shown that halo effects exist in chocolate product among the young consumers in Malaysia. Overall, the respondents evaluate chocolate products from developed countries favorably. But based on Table 1, their familiarity towards chocolate brands from those countries showed mismatching results. For example, they evaluated brand Bourbon from Japan the least familiar, but evaluate chocolate from Japan have higher quality than chocolate from Malaysia and Denmark. Although they evaluated chocolate from Malaysia to have lowest quality compared to developed countries, but their familiarity towards chocolate brands from Malaysia is higher than chocolate brands from developed countries. The subjects' familiarity towards Malaysian chocolate brands such as Beryl's, Extreme and Crispy is higher than chocolate brands from developed countries such as Bourbon, Lindt, Marxies and others chocolate brands. The respondents have low familiarity to Marxies, chocolate brand ranked 17 from New Zealand, whereas female respondents chocolate from New Zealand as the second highest in terms of quality. Female evaluated chocolate from New Zealand highest in quality. This result can be described by the image of New Zealand where New Zealand is known as a 'clean green' source of food products (Gnoth, 2002).

Conclusion and implications

The results of this study demonstrated that the young consumers in Malaysia hold COO stereotyping on chocolate product. They evaluated chocolate product from developed countries more favorably than chocolate product from developing country, which is home country. Lumpkin and Crawford (1985) suggest that in the case of developing countries, national products tend to be evaluated less favorably than imported goods from developed countries. Marketers should consider this result when forming their marketing strategy and practices. Marketer should emphasize on the information of COO of chocolate from developed countries when designing communication message. Whereas marketer for chocolate from developing countries should focus on attribute rather than origin information.

Interestingly, gender of the youth in Malaysia also play role in chocolate COO evaluation. Male and female respondents evaluate chocolate from various developed countries differently. Females evaluated chocolate from New Zealand the second highest in terms of quality, but the ranking is only fifth for males. This finding can be described by the country image and halo effects. New Zealand is known as a 'clean green' source of food products (Gnoth, 2002), and much effort has been made to promote this imagery, in the belief that the 'halo' associated with this image will enhance perceptions of New Zealand products (Knight, Holdsworth & Mather, 2007). In addition, they also have different evaluation of chocolate from developed countries and developing country. These findings are crucial on market segmentation, targeting and positioning. Marketers are encouraged to use customized marketing strategy when they target different market segments in terms of the gender of young Malaysians.

Limitations and recommendations

In this research, the limitations exist in the design of questionnaire because the information of ethnicity could not be gained from this questionnaire. This limit to investigate the COO effect based on ethnicity, where ethnicity is crucial in Malaysian context as Malaysia consists of three major racial groups. Also, the results of this study may not be generalized as the questionnaire was distributed only in the campus of University Sains Malaysia. This is because the students of University Sains Malaysia cannot represent all Malaysians. But the level of this limitation is reduced because the samples are coming from different states in Malaysia, although they are only a small portion of all Malaysian. In addition, the findings of this study are restricted to chocolate product, so the results cannot be generalized to other product categories. The recommendations for future researchers are to increase the sample size, test another product category and try to collect data from different parts of Malaysia.

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> Pleasure is a shadow, wealth is vanity, and power a pageant; but knowledge is ecstatic in enjoyment; perennial in fame, unlimited in space and infinite in duration. In the performance of its sacred offices, it fears no danger, spares no expense, looks in the volcano, dives into the ocean, perforates the earth, wings its flights into the skies, explores sea and land, contemplates the distant, examines the minute, comprehends the great, ascends to the sublime - no place too remote for its grasp, no height too exalted for its reach.
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ARTICLE

Bankers Perceptions of Electronic Banking in Pakistan

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ABSTRACT

Electronic distribution channels provide alternatives for faster delivery of banking services to a wider range of customers. E-channels have gained increasing popularity and have attracted the attention of both academics and practitioners. This paper aims to collect bank employees' perceptions of the potential benefits and risks associated with electronic banking in Pakistan. The outcomes may help the management of banks develop effective strategic planning for the future of electronic banking in developing countries like Pakistan.

Primary sources were used to collect the data and were analyzed via frequency analysis and mean score analysis. The results suggest that bankers in Pakistan perceive electronic banking as tool for minimizing inconvenience, reducing transaction costs and saving time. Similarly, they believe that electronic banking increases the chances of government access to public data, increases the chances of fraud and that there is a lack of information security. Bank personnel profiles were further analyzed in relation to their perceptions to identify different segments among the target respondents.

The results show that public bank employees who have professional degrees consider 'minimizing transaction costs' and 'reduction in HR requirements' as the most and the least important benefits of electronic banking respectively. Private bank employees who have masters or bachelor degrees, and less than 10 years experience, perceive 'time saving and minimizing inconvenience' as the major benefits of electronic banking. However they did not consider 'reducing the risk of carrying cash' as an important benefit.

Branch managers who are directly responsible for the operations viewed 'facilitates quick response' as the most important benefit of electronic banking. Lastly, private bank employees who hold masters degrees and have more than 10 years working experience did not perceive 'improvement in service quality' as an important benefit. Interestingly, bankers in all segments considered 'government access to data' as the biggest risk associated to electronic banking.

Keywords: Electronic Banking, Bankers, Pakistan, Benefits, Risks

Introduction

The rapid advancement in electronic distribution channels has produced tremendous changes in the financial industry in recent years, with an increasing rate of change in technology, competition among players and consumer needs (). Increasing competition among banks and from non-bank financial institutions also raises concerns as to why some people adopt one distributional channel and others do not, and identifying the factors that may influence this decision is vital for service providers. New services are difficult to evaluate where the quality of trustworthiness dominates (Patricio, 2003). It is also important to study the impact of technology based transactions on bankers' perceptions and behaviour (Lymperopoulos, and Chaniotakis, 2004). IT-based distribution channels reduce personal contact between the service providers and the customers, which inevitably leads to a complete transformation of traditional bank-customers relationships (Barnes and Howlett, 1998).

This paper first reviews the existing literature on electronic banking and then examines bankers' perceptions towards electronic banking in Pakistan. It also links personal characteristics of the respondents (work experience, position in the bank, qualification and the type of bank they are serving, i.e. private banks, privatized banks and public banks) with their perceptions of electronic banking. This analysis of data helps to identify the views of different segments of employee and to suggest effective strategic planning for the future of electronic banking in developing countries like Pakistan.

Objectives

- To find the critical benefits that bankers expect for their customers when using electronic banking.
- To examine bankers' perceptions of the risk associated to electronic banking.
- To explore whether bankers' perceptions are linked with their work experience, their position in the branch hierarchy, their educational qualifications or the type of bank they work for (private, privatized and public).
- To review the existing literature, discuss results and their implications that provide insights for researchers and banks interested in electronic distribution channels.

Commercial Banking in Pakistan

Before 1990 public banks dominated the Pakistani financial market. In 1991, two smaller banks, the Muslim Commercial Bank and the Allied Bank, were privatized as part of the government's general program of economic liberalization and the privatization of state enterprises. The government also instructed the State Bank of Pakistan (SBP) to approve proposals for the establishment of commercial banks in the private sector. Since then, the government has continuously advocated the privatization of the banking sector and the setting up of new private and foreign banks. The recent acquisitions of a local Union Bank by Standard Chartered Bank and Prime Bank by ABN Amro Bank indicate foreign interest in the domestic financial market. According to the SBP Annual Report (2006), there were thirty five commercial banks operating in the country, which included sixteen private banks (with 797 branches), eleven foreign banks (with 82 branches), four privatized banks (with 4,141 branches) and four public banks (with 1,543 branches).

Electronic Banking in Pakistan

Electronic banking is the latest in the series of technological wonders of the recent past. ATMs, TeleBanking, Internet Banking, Credit Cards and Debit Cards have emerged as effective delivery channels for traditional banking products. In Pakistan, foreign banks took the lead by introducing ATMs and credit cards in the mid 1990s, and domestic banks followed in the late 1990s. The SBP Annual Report (2003: p. 110) explained this delayed entry in electronic banking largely by regulatory hurdles, higher start up costs, on-going banking sector reforms and lack of technical skills.

The Government of Pakistan further promoted electronic banking with the promulgation of the Electronic Transaction Ordinance 2002. This landmark step provided legal recognition of digital signatures and documentation reducing the risks associated with the use of electronic media in business. At present, almost all commercial banks in Pakistan have setup their own ATM networks, issue debit and credit cards and have joined one of the two operating ATM Switch Networks.

According to Kolachi, (2006) Pakistani banks provides the following online banking services and products. (1) **Inquiry:** Account statement inquiry, Account balance inquiry, Check statement inquiry, Fixed deposit inquiry (2) **Payment:** Transfer of funds, Credit cards payments, Direct payments, Utility bills payments (3) **Request:** Chequebook requests, Stop payment requests, Demand draft requests, New fixed deposit requests (4) **Download:** Customer profile, Statement download, Other information and guidelines download. Table 1 provides an overview of the development of electronic banking in Pakistan. It shows that the number of online branches, ATM networks, and debit and credit card holders have increased sharply since the year 2000. The SBP Annual Report (2005, p. 111) shows that domestic banks are the major supplier of ATM facilities while foreign banks, mainly Citibank and Standard Chartered, dominate the credit card business in Pakistan and account for over 95 per cent of the total amount transactions.

Table 1
Electronic Banking Statistics in Pakistan

Item	2000	2001	2002	2003	2004	2005	June 2006
No of online branches	322	450	777	1,581	2,475	3,265	3,555
No of ATMs	206	259	399	552	786	1,217	1,612
No of Debit Cards Holders (000)	240	415	736	1,257	1,874	4,257	4,999
No of Credit Cards Holders (000)	217	292	369	397	808	1,257	1,512

(Source; SBP Annual Report, 2006, p. 65)

Literature Review

Bankers' and consumers' perceptions of the benefits of electronic banking have attracted the attention of many researchers, especially in recent years. Berry (1984) stressed that employees must be viewed by the management as 'internal customers'. Maintenance of high level of employee satisfaction and retention is important if banks are to achieve high levels of customer satisfaction and retention.

Bowen *et al.*, (1999) concluded that when front-line employees feel they have been treated fairly, they are more likely to treat the customers fairly. In a subsequent study of the relationship between bank employees and customers, Bowen *et al.*, (2000) found that employee morale is strongly related to customer satisfaction; that is, when bank customers perceive front-line employees are happy with their work, bank customers are more likely to be satisfied with the service they receive.

Banks normally assign their managers responsibility for the promotion of the use of electronic channels to customers (Lymperopoulos, and Chaniotakis, 2004). Their input as delivery staff is important. It is also the manager's responsibility to ensure that branch staff are professional, well-trained and knowledgeable about the range of services provided by the bank (Moutinho, 1997).

Moutinho and Phillips (2002) found that Scottish bank managers considered efficiency and enhancement of customer service to be two perceived advantages of Internet banking. Similarly,) highlighted faster, easier, and more reliable service for customers, and improvement of the bank's competitive position to be the most important drivers of online banking among bank and IT managers in Kuwait.

Benefits of Electronic Banking

Thornton and White (2001) compared several electronic distribution channels available for banks in US and concluded that customer orientation – towards convenience, service, technology, change, knowledge about computing and the Internet – affected the usage of different channels.

Howcroft *et al.,* (2002) found that the most important factors encouraging consumers to use online banking are lower fees followed by reducing paper work and human error, which subsequently minimize disputes (Kiang *et al.*, 2000).

Byers and Lederer, (2001) concluded that it was changing consumer attitudes rather than bank cost structures that determines the changes in distribution channels; they added that virtual banks can only be profitable when the segment that prefers electronic media is approximately twice the size of the segment preferring street banks.

Convenience of conducting banking outside the branch official opening hours has been found significant in cases of adoption. Banks provide customers convenient, inexpensive access to the bank 24 hours a day and seven days a week. Moutinho *et al*., (1997) pointed out that each ATM could carry out the same, essentially routine, transactions as do human tellers in branch offices, but at half the cost and with a four-to-one advantage in productivity.

Gerrard and Cunningham (2003) found a positive correlation between convenience and online banking and remarked that a primary benefit for the bank is cost saving and for the consumers a primary benefits is convenience. Multi-functionality of an IT based services may be another feature that satisfies customer needs (Gerson, 1998).

A reduction in the percentage of customers visiting banks with an increase in alternative channels of distribution will also minimize the queues in the branches (Thornton and White, 2001). Increased availability and accessibility of more self-service distribution channels helps bank administration in reducing the expensive branch network and its associate staff overheads. Bank employees and office space that are released in this way may be used for some other profitable ventures (Birch and Young, 1997). This ultimately leads towards improved customer satisfaction and the institution’s bottom line (Thornton and White, 2001).

Internet banking also increases competition within the banking system and also from non-bank financial institution (ECB, 1999). The Internet increases the power of the customer to make price comparisons across suppliers quickly and easily. As a consequence, this pushes prices and margins downward (Devlin, 1995).

Institutional encouragement of the use of IT-based services and IT service fees are another important dimension (Zhu *at al*., 2002). Cantrell (1997) conducted a banking survey in the US and found that increases in service fees were one of the main driving forces behind the move of some large bank customers to smaller community banks.

Yakhlef (2001) pointed out that banks are responding to the Internet differently, and that those which see the Internet as a complement and substitute to traditional channels achieved better communication and interactivity with customers. Robinson (2000) argued that the online banking extends the relationship with the customers through providing financial services right into the home or office of customers. The banks may also enjoy the benefits in terms of increased customers loyalty and satisfaction (Oumlil and Williams, 2000).

Nancy *et al.* (2001) viewed the same situation differently and argued that customers like to interact with humans rather than machines. They found more possibilities for asking questions and believe that bank clerks are less prone to errors. It is thus essential that any face-to-face transactions are carried out efficiently and courteously. This increases the possibility of selling the customer another service that they need and also promotes a good image and enhances customer loyalty (Moutinho *et al*., (1997).

Polatoglu and Ekin (2001) found that low levels of email usage and a preference for doing over-the-counter transactions at bank branches are the main reasons for not using e-banking in Turkey. The opportunity to conduct a trial may help to convince reluctant customers (Black *et al*., 2001).

Boon and Ming (2003) concluded that banks in Malaysia should concentrate on enhancing their operation and product management through a mixture of branch banking and e-channels, like ATMs, phone banking and PC banking.

Risks Associated with Electronic Banking

Although, electronic banking provides many opportunities for the banks, it is also the case that the current banking services provided through Internet are limited due to security concerns, complexity and technological problems (Sathye, 1999: Mols, 1999)

Hewer and Howcroft (1999) used the term trust to describe a measure of risk. Suganthi *et al.*, (2001) viewed risk in the context of security concerns and risk in the context of trust in one's bank. Finally, a number of studies found trust and perceived risks have a significant positive influence on commitment (Bhattacherjee, 2002; Mukherjee and Nath, 2003) and ultimately leads towards overall satisfaction (Rexha *et al.*, 2003).

Reputation of a service provider is another important factor affecting trust. Doney and Cannon (1997) defined reputation as the extent to which customers believe a supplier or service provider is honest and concerned about its customers. Tyler and Stanley (1999) argued that banks can build close and long lasting relationships with customers only if trust, commitment, honesty and cooperation is developed between them.

Nancy *et al.'s* (2001) study found that customers' complain about computer logon times which are usually longer than making a telephone call. In addition, respondents felt that they have to check and recheck the forms filled in online, as they are worried about making mistakes.

Frequent slow response time and delay of service delivery causes customers to be unsure that the transaction has been completed (Jun and Cai, 2001). Min and Galle (1999) found the disruption of information access to be a common factor related to unwillingness to use Internet channels for commerce.

Liao and Cheung (2002) found that individual expectations regarding accuracy, security, transaction speed, user friendliness, user involvement and convenience are the most important attributes in the perceived usefulness of Internet-based e-retail banking. Confidentiality of consumer data is another important concern in the adoption of online banking (Gerrard and Cunningham, 2003). Customers fear that someone will have unlimited access to their personal financial information.

White and Nteli (2004) conducted a study that focused on why the increase in Internet users in the UK had not been paralleled by increases in Internet usage for banking purposes. Their results showed that customers still have concerns with the security and the safety aspects of the Internet.

Lack of specific laws to govern Internet banking is another important concern for both the bankers and the customers. This relates to issues such as unfair and deceptive trade practice by the supplier and unauthorized access by hackers. Larpsiri *et al.*, (2002) argued that it is not clear whether electronic documents and records are acceptable as sufficient evidence of transactions. They also pointed out that the jurisdiction of the courts and dispute resolution procedures in the case of using the Internet for commercial purposes are important concerns. Disputes can arise from many sources. For instance, websites are not a branch of the bank. It is difficult for the court to define the location of the branch and decide whether they have jurisdiction (Rotchanakitumnuai and Speece, 2003).

Other risks associated to electronic banking are job losses, lack of opportunities to socialize and the development of a lazy society (Black *at al.*, 2001).

Methodology

The present study used a survey that was designed and conducted in Lahore, where almost twenty per cent of all bank branches in Pakistan are located. 15 major commercial banks were selected, representing more than 90 per cent of the whole banking system in terms of total assets. The selection criterion was that each bank must have a minimum of five branches in Lahore City. The survey selected every tenth branch at random and addresses of the branches were downloaded from the official websites of the respective banks.

A specifically designed questionnaire was used as a tool, and banks employees were requested to complete this during office hours. Trained students under the supervision of a lead researcher distributed and collected the questionnaires. In each branch at least three branch employees were requested to fill in the questionnaire, at least one at each of the levels of officer, manager and executive. Some of the employees refused to take part in the research, especially those from privatized banks. Similarly, some incomplete questionnaires were rejected and the branches were subsequently excluded from the list. Overall 207 questionnaires were selected for the purpose of analysis.

The questionnaire was in English. Participants were asked to express the level of their agreement with 18 attributes/factors identified earlier from the literature. 9 attributes covered the perceptions of bank employees towards the benefits/advantages of electronic banking, while the remaining attributes covered the risk associated with electronic banking. In answering the questions, respondents were assured of the confidentiality of their responses and their names were not included on the questionnaire.

A five point Likert scale was used to measure all the statements (1 = strongly disagree to 5 = strongly agree). Moreover, respondents' profiles (work experience, position, qualification and type of bank they are currently serving) were also quantified in order to study potential links between the bankers' perceptions towards electronic banking with their personal characteristics. Before the field work, a pilot study with ten branch employees was conducted in order to refine the questions. Finally, data was analyzed via frequency analysis and mean score analysis.

Results and Discussions

Table 2
Profile of Respondents

		N = 207	%
Working Experience	1-5 years	104	50.20%
	6-10 years	62	30.00%
	more than 10 years	41	19.80%
Position	Executives	70	33.80%
	Managers	44	21.40%
	Officers	93	44.90%
Qualification	M.A (16 years of education)	106	51.20%
	B.A (14 years of education)	34	16.40%
	Professional Degree (MBA, C.A etc.)	67	32.40%
Bank Type	Private Banks	151	72.90%
	Privatized Banks	31	15.10%
	Public Banks	25	12.10%

The personal characteristics of the sample (bankers) are outlined in Table 1. The data shows that 50.20% and 30.00% of the respondents hold work experiences between 1 to 5 years and between 6 to 10 years respectively. The position based classification of bankers includes Executive (33.80%), Manager (21.40%) and Officer (44.90%). 106 bankers held Master degrees; 34 bankers held Bachelor degrees while another 67 bankers held professional degrees. The data also shows that 72.90% of the respondents were currently attached to private banks while 15.10% and 12.10% were working with privatized (public banks which have been privatized along with management control) and public banks respectively.

Table 3
Bankers' Perceptions of the Benefits/Advantages of Electronic Banking

	Statements	Mean	Rank
1.	Electronic banking minimizes the cost of transactions	4.42	2
2.	Electronic banking saves time	4.41	3
3.	Electronic banking minimizes inconvenience	4.44	1
4.	Electronic banking provides up-to-date information	4.33	6
5.	Electronic banking increases operational efficiency	4.34	5
6.	Electronic banking reduces HR requirements	4.19	9
7.	Electronic banking facilitates quick responses	4.34	4
8.	Electronic banking improves service quality	4.23	8
9.	Electronic banking minimizes the risk of carrying cash	4.26	7

Table 3 shows the mean scores of bankers' perceptions of the benefits of electronic banking. Table 3 shows that the statements, "*Electronic banking minimizes inconvenience", "Electronic banking minimizes the cost of transactions"* and *"Electronic banking saves time"* appear with the highest mean scores of 4.44, 4.42 and 4.41. The outcomes are similar to those of earlier studies made by Moutinho et al., (1997), Thornton and White (2001), Howcroft et al., (2002) and Gerrard and Cunnigham (2003).

The bankers give average importance to the statements, *"Electronic banking facilitates quick responses"* (4.34), *"Electronic banking increases operational efficiency"* (4.34) and *"Electronic banking provides up-to-date information"* (4.33). These outcomes are contrary to the findings of Moutinho and Phillips (2002) in case of UK and Aladwani (2001) in case of Kuwait, where the managers gave the highest priority to faster, easier and reliable IT services for customers.

The statements *"Electronic banking reduces HR requirements"* (4.19) and *"Electronic banking improves service quality"* (4.23) had the lowest mean scores. These findings are the opposite of those found by Birch and Young (1997) who found reductions in branches and associated staff with the introduction of Internet banking. The low mean score for a reduction in HR requirements was associated with the low level and recent penetration of electronic banking in the country, as highlighted in Table 1. Boon and Ming (2003) suggested in case of Malaysia that the top management of the banks should enhance their operations through a mixture of branch banking and e-channels like ATMs, phone banking and PC banking.

Table 4
Bankers' Perceptions of the Risks Associated with Electronic Banking

	Statements	Mean	Rank
1.	Electronic banking has the **c**hance of data loss	1.94	7
2.	Electronic banking has the **c**hance of fraud	2.48	2
3.	Electronic banking has the **c**hance of government access	3.83	1
4.	Electronic banking lacks information security	2.17	3
5.	Electronic banking charge a high cost for services	1.79	9
6.	Electronic banking has many legal and security issues	1.93	8
7.	Electronic banking needs expertise and training	1.98	4
8.	Electronic banking has inadequate information on the website	1.95	5
9.	Electronic banking has less operational reliability	1.95	6

Table 4 shows the bankers' perceptions of the risks associated with electronic banking. The results show that bankers agreed with the statement "*Electronic banking has the chance of government access*" which appears with the highest mean score of 3.83, followed by the statements *"Electronic banking has the chance of fraud"* (2.48) and *"Electronic banking lacks information security"* (2.17).

These findings are similar to those of Gerrard and Cunningham (2003) who, in case of Singapore, emphasized that the confidentiality of consumer data is an important concern in the adoption of the online banking. Customers fear that someone will have unlimited access to their personal financial information. Further, steps should be taken to develop trust among banks employees, first towards the issues of information security and the chances of fraud. A number of studies found trust and perceived risk have a significant positive influence on commitment (Bhattacherjee, 2002; Mukherjee and Nath, 2003), White and Nteli (2004). A decrease in employee morale has a negative impact on customer satisfaction (Bowen *et al.*, 2000).

Table 4 shows that bankers do not agree with the statements *"Electronic banking charges a high cost for services"* (1.79) and *"Electronic banking has many legal and security issues"* (1.93). The statement *"Electronic banking charges a high cost for services"* needs further investigation. Contrell (1997) found, in the case of the United States, a movement of large bank customers towards the smaller community banks, motivated by high service fees. Lastly, bankers assigned less weight to 'legal and security issues', and this may be due to the legal recognition of digital signatures after the issuance of Electronic Transaction Ordinance (2002).

The analysis was developed further, where mean scores were analyzed by using various dimensions (e.g. experience, position held, qualification and type of bank). In order to accentuate the dimensions expressed by each factor, only the questions with the highest and lowest mean scores are discussed. Table 5 presents the bankers' perceptions of the benefits while Table 6 covers banker perceptions of the risks associated with electronic banking.

Table 5
Most and Least Desired Benefits of Electronic Banking in terms of Mean Scores

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
EXPERIENCE									
Between 1 and 5 years	4.44	4.43	**4.46****	4.35	4.31	***4.09****	4.30	4.19	4.26
Between 6 and 10 years	4.39	4.31	**4.45****	4.31	4.37	***4.24****	4.31	4.31	***4.24****
More than 10 years	4.39	4.46	4.39	4.34	4.37	4.37	**4.51****	***4.22****	4.27
POSITION HELD									
Executives	4.39	4.39	**4.40****	4.33	**4.40****	***4.11***	4.30	4.23	4.26
Managers	4.41	4.45	4.45	4.27	4.32	***4.18***	**4.50****	4.25	4.25
Officers	4.44	4.40	**4.47****	4.37	4.30	4.25	4.30	***4.23****	4.26
QUALIFICATION									
M.A (16 Years)	4.40	4.43	**4.44****	4.37	4.38	4.26	4.32	***4.22****	4.25
B.A (14 Years)	4.38	4.35	**4.53****	4.35	***4.24****	4.29	4.50	4.38	4.41
Professional Degree	**4.46****	4.39	4.40	4.27	4.33	***4.01****	4.30	4.18	4.19
BANK TYPE									
Private Banks	4.40	**4.44**	**4.44****	4.33	4.36	4.17	4.32	***4.19****	4.26
Privatized Banks	4.39	**4.45**	**4.45****	4.42	4.32	4.42	4.44	4.32	***4.26****
Public Banks	**4.56****	4.16	4.44	4.24	4.24	***4.00****	4.32	4.36	4.24

**** Most Expected Benefits, *** ***Least Expected Benefits***

Table 5 shows that bank employees who have between 1 and 5 years work experience and between 6 and 9 years believe 'minimizes inconvenience' is the most important benefit of electronic banking. The respondents are probably young and more familiar with the technological advantages. Young staff also perceives that electronic banking will not 'reduce human resource requirements'. Mature staff who more than 10 years of working experience can be assumed to be more aware of the bank distribution strategies. They, in contrast to young staff, believe that 'facilitates quick responses' is the main advantage of electronic banking. However, mature staff disagrees with the statement "*Electronic banking improves service quality*".

In terms of position held, Executives who sit at the top of the branch hierarchy and who have better access to corporate information believe that electronic banking 'minimizes inconvenience and increases the overall operational efficiency'. Branch Managers who are directly responsible for the branch operations believe that 'quick response' is the main advantage of electronic banking. Both Executives and Managers disagree that there will be a 'reduction of HR requirements' as the main advantage of electronic banking. Further, Officer Employees who are normally young and have limited exposure to bank customer relations believe that 'minimizes inconvenience' is the most important benefit. Officers also believe that electronic banking overall do not 'improve the service quality'. The findings are quite similar to those above mentioned.

Analysis by "qualification" shows that employees who have Masters and Bachelors degrees perceive 'minimizes inconvenience' as the main advantage of electronic banking as compared to professional degree holders (such as MBA's and Chartered Accountants) who give more importance to 'minimizes transaction costs'. Professional degree holders attach least importance 'reduces HR requirements' while Masters and Bachelor degree holders do not consider 'improves service quality and improves operational efficiency' to be important benefits of electronic banking.

Lastly, employees of private and privatized banks consider 'time saving and minimizes inconvenience' to be important benefits while employees of public banks give more weight to 'minimizes transaction costs'. The difference in attitude can be accounted for in terms of the different nature of businesses. Private Banks are normally considered to be more innovative and flexible as compared to public banks. Further, public banks normally serve government and semi-government employees/entities where cost is considered the most important element as compared to private banks which focus on efficient customer service for rich individuals and corporate clients.

Summarizing Table 5 it can be concluded that professional degree holders sitting in public banks consider 'minimizes transaction cost' to be an important benefit. Masters and Bachelor degree holders who have between 1 and 5 and between 6 and 10 years of work experience and are currently serving in private and privatized banks perceive 'time saving and minimizes inconvenience' to be the major benefits of electronic banking. Managers who are directly responsible for operations consider 'facilitates quick responses' to be the most important aspect. Further, Managers and Executives who have professional degrees and currently work with public banks do not consider electronic banking as threat to current HR requirements. Employees of privatized banks who have between 6 and 10 years work experience do not consider 'reduces risk of carrying cash' to be an important benefit of electronic banking.

Table 6
Most and Least Desired Risks Associated with Electronic Banking in terms of Mean Scores

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9
EXPERIENCE									
Between 1 and 5 years	1.99	2.41	**3.88****	2.19	***1.80****	1.88	1.94	1.92	1.91
Between 6 and 10 years	1.90	2.71	**3.85****	2.11	***1.87****	1.98	2.06	1.97	2.03
More than 10 years	1.85	2.32	**3.68****	2.20	***1.63****	1.98	1.95	1.98	1.90
POSITION HELD									
Executives	***1.77****	2.31	**3.89****	2.10	1.84	1.87	1.93	1.89	1.91
Managers	1.95	2.70	**3.75****	2.25	***1.66****	1.98	2.09	1.98	1.91
Officers	2.05	2.51	**3.83****	2.18	***1.81****	1.95	1.97	1.98	1.99
QUALIFICATION									
M.A (16 Years)	1.97	2.40	**3.71****	2.13	***1.83****	1.87	1.92	1.93	1.92
B.A (14 Years)	2.00	2.35	**3.76****	2.18	***1.94****	2.06	2.09	1.94	2.06
Professional Degree	1.85	2.69	**4.06****	2.22	***1.64****	1.96	2.01	1.97	1.94
BANK TYPE									
Private Banks	1.99	2.54	**3.85****	2.20	***1.79****	1.93	1.99	1.93	1.95
Privatized Banks	***1.84****	2.52	**3.71****	2.26	1.97	2.03	2.13	2.16	2.13
Public Banks	1.72	2.12	**3.84****	1.88	***1.56****	1.80	1.72	1.76	1.72

**** Most Expected Risk, * *Least Expected Risk***

Lastly, Officers from private banks who hold Master degrees and have more than 10 years working experience assign least importance to 'improves service quality' as an important benefit of electronic banking. Efforts should also be made to improve the perceptions of electronic banking. Otherwise, bank employees may not be persuasive and can transfer the negative perceptions to customers (Bowen *et al*., (1999). Senior bankers, especially branch managers, have the ability to influence their staff, and this should be exploited. Individual banks could conduct in-house research in order to develop more targeted strategies for action (Lymperopoulos and Chaniotakis, 2004).

Table 6 presents the bankers' perceptions of the risks associated with electronic banking. The results show some interesting insights. Bankers of all categories consider 'government access to data' as the biggest risk associated with electronic banking. Interestingly, bankers show clear disagreement with most of the statements as average mean value is less than 2.5. Overall bankers disagree in general that 'heavy service charges' are an important risk except for Executives and employees of Privatized banks, who give least weight to 'chance of data losses' as a risk associated with electronic banking.

Conclusion

This study was based upon 18 potential attributes identified in the literature review and covering the benefits and risks associated with electronic banking. Using these attributes, the study investigated banks employees' perceptions of electronic banking. The study also examines whether these attributes vary in relation to the personal characteristics of respondents.

In the first process of analysis, mean scores of benefits and risks associated with electronic banking were computed and ranked. Bankers consider 'minimizes inconvenience', 'minimizes cost of transactions' and 'time saving' to be important benefits and 'chances of government access', 'chances of fraud' and 'lack of information security' to be vital risks associated with electronic banking. The bankers do not consider 'reduction in HR requirements' and 'improves service quality' to be important benefits and 'legal and security issues' and 'charging high costs for services' to be important risks associated with electronic banking.

At a further level of analysis, personal characteristics of the respondents (such as experience, position hold, qualification and type of bank currently serve) were used as parameters to identify different segments of the employees according to their perceptions relating to the importance of each attribute. The findings conclude that 'minimizes inconvenience' and 'government access to data' appear as most important benefit and risk respectively, while 'reduces HR requirements' and 'charges high costs for services' are the least important benefits and risk associated with electronic banking.

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An organization without planning is like a sailboat minus its rudder. Without planning, organizations are subject to the winds of environment charge, yet have little means to take advantage of the prevailing currents in determining their own direction. Planning is the management function that involves setting goals and deciding how best to achieve them. The function also includes what must be done to encourage necessary levels of change and innovation. Planning provides a basis for the other major functions of management - organization, leading, and controlling - by charting the course and providing the steering mechanism.

Kathryn M Bartol & David C. Martin
Management

ARTICLE

Epistemic Context of Strategic Decisions: Interpreting the Grammar of Managerial Praxis

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ABSTRACT

This paper makes a theoretical assertion that strategic decisions are deterministic and apriori cognitive programs, internalized by human actors through an epistemic context, generated by culturally contingent conditions. It is argued that, a pervasive worldview reverberates underneath the seemingly calm strategic attitude of the managerial leadership and, consequently shapes the grammar of managerial praxis. The leaders during their strategic engagements choose to decide on the basis of this deeply ingrained language of their respective worldviews, which have grown out of the collective symbolic knowledge of their respective societies. By analyzing three examples one each from society, economy and politics, which have become profoundly interlocked spheres of human societies in the unfolding millennium, we intend to demonstrate the validity of the foregoing assertion.

Key words: epistemic context, strategic decisions, worldview, grammar of managerial praxis.

Prelude

A main source of our failure to understand is that we do not command a clear view of the use of our words---- Our grammar is lacking in this sort of perspicuity. A perspicuous representation produces just that understanding which consists in 'seeing connexion'.Hence the importance of finding and inventing immediate cases.

The concept of a perspicuous representation is of fundamental significance for us. It earmarks the form of account we give, the way we look at things. ***Ludwig Wittgenstein***

One step forward, two steps backward. ***Old Chinese saying on strategy***

Patience brings the object of desire, not haste. Have patience--- and God knoweth best what is right. ***Jalal-ud-Din Rumi***

What is the sound of water falling? ***Zen koan***

No one tests the depth of a river with both feet. ***Ashanti proverb***

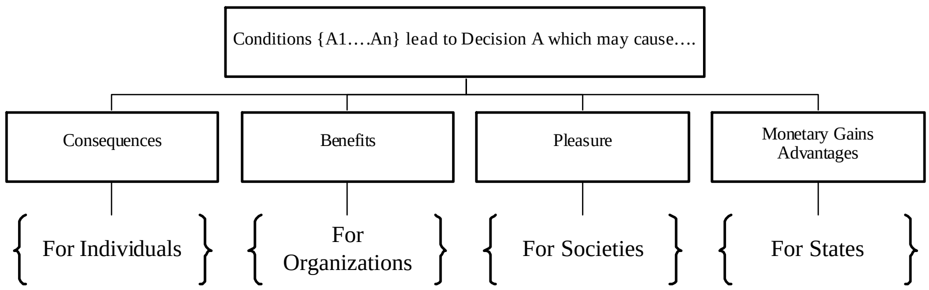
Pre (Text) and Fore (Word)

In the Philosophical Investigation, Ludwig Wittgenstein has placidly remarked that, "a picture has held us captive", thereby showing us the power of the words, we employ to communicate our understanding of the events occurring around us. We may never achieve a perspicuous representation in full of what we feel and experience around us, nonetheless, we learn to respond to words, concepts and situations the moment we learn the language in which everything is embedded. Language contains in its fold the follies and aspirations of the culture which shape and contextualize our view of the world, which we follow, observe and at times obey with incommunicable deep emotions. This deeper attachment to linguistic programmes; worldviews--- are held as a priori cognitive truths by a person which enable him to express himself and communicate with the rest of the world. These worldviews create a fundamental epistemic context for the persons trained and rooted in the cultures of which they are part and parcel. Cultures as manifested in these worldviews---or linguistic programmes--- outline the broader cultural paradigm by which habits, actions, behaviors and functions are made into meaningful social patterns. The notion of culture as shaper and programmer of human cognitive structures have been fairly established by the works of Hofstede (1993) and Berland (1986).The sway of culture over the thought patterns is so pervasive and well entrenched that individuals ordinarily are reluctant to use the words and concepts, employed and rooted in a different fundamental epistemic context than their own. Our ability to solve problem, take decisions, understand good and bad, establish interpersonal relationships, make friends and foes are all reflections of our a priori fundamental epistemic context duly conditioned by the language of the worldviews in which we are embedded by the command of nature.

What is so captivating about strategy and strategic decisions that demand our attention and how they are used in different epistemic (fundamental) contexts of West European worldview and its counterpart Islamic Eastern worldview? The dominant discourse on strategy and strategic decisions in the Western worldview is grounded in the Cartesian 'cogito', portraying the former as rational calculi, which can be mastered and applied by the persons to arrive at decisions or solve problems encountered by them. It is morally justified(and justifiable),so long as it can lead to measured and tangible consequences, in terms of profits,gains,pleasures and victories, both in personal and social context. The legitimacy of the actions taken in lieu of this portraiture largely resides in the 'cogito' without any manifest regard for any supra rational entity such as

God, outside the explainable domain of causality. The linguistic programme of Cartesian cogito, presents us with a picture of decisions as rationally determined course of action, justified by an a priori moral logic mutually agreed upon by all the human actors, involved in the social relationship. Decisions in different spheres of life such as politics, economics, society, and ethics are causally and rationally constructed, and humanly legitimized social nomenclatures. If we try to formulate the logical picture of the decisions in the West European epistemic context, it would appear something like this:

Figure1:



Decisions whether 'ordinary' or 'strategic', seen in the perspective of fundamental epistemic context of Cartesian linguistic programme--- worldview--- are causally and rationally determined individual and collective choices, courses of action, plans, agendas, programmes; all invoke the similar image. The general form of the decision is: it 'must' produce advantage. The human actors are morally justified to take decisions which give them advantage over other human actors. The justification of advantage, benefit, profit and pleasure comes from within the epistemic context itself and not from any outside authority. The outcome of the decisions (strategic or ordinary) ,success or failure, advantage or disadvantage, rising profits or declining market share, a battle victory or defeat; all are attributed to human actors, in short human actors take a certain decision and is eventually held responsible for its consequences, either bad or good.

Several researchers have shown that strategy formulation and strategic decisions-making are based on rational calculi of the 'conditions' which if causally understood can lead to effective and competitive decisions concerning different managerial states of affairs. They perceive strategic decisions as objective structures formed out of the independent, autonomous human cogitio.The plausible application of human cogitio as a ground of decisions- making process, based on objectivity and universality can lead to useful business profits and financial gains by the human actors. Those who cannot see the causal connexion of strategic decisions and their competitive advantages are left to wither away and consequently are not fit for the business, politics and economics games.Strageic decisions are, therefore, in the Cartesian worldview, appear to us as rational operators controlling, steering, maneuvering and predicting the human environments as observed in economic, social and political milieus for justified advantages for all human actors. A decision must lead to rationally calculable and predictable scenarios based on the causally observable facts, conditions or forces which should lead to effective and desirable consequences (Porter, 1979: Filbeck etal, 1996: Larson etal, 2004 and Baldridge etal, 2004).

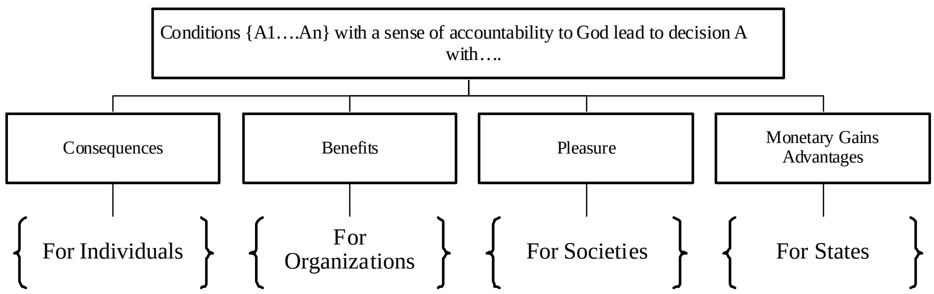
Sometime strategic decision does not lead to rationally calculated competitive advantages and useful monetary gains. We come to hear that thousands of businesses go bankrupt, only in U.S alone despite the best formulated business strategies (Hitt etal, 2003), politicians lose elections and social agendas fail. There may be something deeper and complex which may be influencing the success or failure of decisions. Those who criticize cogitio as an independent and objective tool of strategy formulation and strategic decision-making, therefore, invoke social,environmental,economic and cultural 'contexts', which may influence the former (Mintzberg,1994;Curcioetal, 1996; Hall, 1998; Liljenquist, 2004). Nonetheless, even in the contextual approach to strategic decisions we are not freed from the tight nose of cogitio. It simply undergoes an interpretative twist. Now strategic decisions are perceived in the rainbow of socio-culturally constructed rationalities. For them strategic decisions are not just manupilative, reversible, rational structures, which generate tangible and competitive advantages for the human actors; on the contrary these are socio-cultural legitimacies, relativistic and irreversible, given the context in which they become operational and effective. They contend that the cogitio of strategic decisions is context-bound and may make sense or relevance within that context. Strategic decisions are no more pictured as universally valid cogitio operators; rather these are culturally legitimized operators, which may hold different meanings for different human actors engaged in it. Some sort of humanness and responsibility can be noticed in such a grammar of strategic decisions. Failure or success of strategic decisions may be attributed to, in a contextually validated cogitio, to some sort of freakish behavior of the actors driven by cultural, social and environmental conditions. Cogitio as an instrument of ascertainable strategic decisions or strategy formulation remains in the backdrop with an interpretative twist of contextuality, relativity and locality.

We can also see another 'picture' of interpretative twist of cogitio in the writings of 'postmodern' writers (Ezzamel and Wilmot, 2004). Cogitio is present in the critique of strategy and strategic decisions; but in a different garb. Having criticized the 'strategic' and 'strategy' both in its rational and contextual paradigms, they contend that it (strategic decision) is located in the 'constitutive' structure of the relationships, in which these operate. Power, knowledge and society are interspersed in the textualities of human actors (Foucalt, 1967).These textualities demonstrate the labyrinth of complexities, insights, attitudes, emotions which might be at work. Cogitio of decisions is not free and independent, rather a plethora of texts and discourses make it both transparent and ambiguous simultanesoly. The significance of (un)strategic decisions is thinly disguised by the interplay of multiple layers of interactions of human actors as unfolded through the textual constitution. But can we make a sense of 'constitutive' nature of textuality of the strategic decisions without having recourse to the dominant linguistic programme of the West---the cogitio.We contend that even seen as constitutive textuality of relationships; the understanding of the strategic decisions do not liberate itself from the hold of the cogitio—as an effective instrument of valid and advantageous activity. Strategic decisions are just pictured differently with a new interpretative understanding. The fundamental epistemic contexts of decisions, however, remain firmly rooted in the linguistic programme of the Cartesian cogtio.

Now let us 'see' how decisions, 'ordinary'as well as 'strategic' are carried forward in a different yet fundamental epistemic context of the linguistic programme--- worldview of Islamic Eastern society. Here decisions are firmly rooted in the epistemic context of faith (Iman).The moral intentions and spiritual consequences of the strategy formulation and strategic decision are deeply considered by the society. Moral and spiritual consequences of strategic decisions and their human cost are considered foremost instead of some monetary or political gain are considered for most in the decisions strategies. Profit, benefit, gains, advantages in business, politics and economy are circumscribed by morally and spiritually predefined patterns of behavior prescribed by God himself through his revealed word in the Quran. You cannot sell a product just because it would give a competitive advantage over the rivals in the marketplace, and consider yourself as justified by the cogitio to do so; moral and spiritual considerations as commanded by the God must be pondered in length before you make a decision for selling or buying. Decisions both ordinary and strategic have profound and serious human consequences. Therefore they must conform to the Revealed limits, lest they incur any collective or personal damage to human stakeholders affected by them. Advantage lies not in the tangible gains but in the moral commitment and spiritual principles implicit in such an engagement. The epistemic context is provided by the, 'religious experience' (Iqbal, 1982) and not the scientific theories espoused by human actors. Words, in this perspectivem are not merely 'pictures' of relationships or potpourri of mutually consented games; they are, as a Muslim mystic of 13^{th} century Mevlena Rumi said 'bowls who carry the water of meaning in them. Every word and its usage have an emotional and moral consequence for its users, therefore should be used carefully and sensibly. They are enlivened by the spiritual and emotional experience of mankind. Consequently, they possess a substantive semantic life, which is to be respected own its on. Given this statement, we contend, therefore, that strategy formulation and strategic decision making is completely shaped by the wisdom of the strategist and decision-makers.

Strategic decisions and strategy formulation in the epistemic context of faith are the sole arbiter of human praxis and testing ground for moral efficacy of diverse activities, they are seen as spiritually and morally advantageous structures of choices. This is so, because God himself is the, 'Best of all strategists', and knows in his vastness the minutiae of stratgems, games, deceptions and speculations of the human actors about their materialistic competitiveness. The individuals as well as groups are therefore advised to make morally valid decisions in all walks of life as prescribed in the Revealed Word. They should aim at the humanistic interest foremost, while engaging in multiple strategic scenarios in social, political and economic fields. Strategic decisions are centered on the notion of distributive justice, instead of competitive justice; wherein cogitio is let loose on the basis of Benthamite utilitarian morality to advance its materialistic benefits, market shares and political power. God being the creator of men desires from them such formulation of strategy and make such decisions that promote the collective spiritual and moral growth of the entire mankind.

Figure2:



In the daily cultural life, strategic decisions are taken in, 'collective consultations'. Consensus, persuasion, participation and patience are some of the preferred ways of doing things; wherein due moral consideration is given to the human consequences of strategic decision making process. The cogitio of managerial praxis is tempered by a sense of spiritual and moral accountability of all actions taken and all decisions enacted in practice. Material, economic, political and business gains are to be balanced in relation to the emotional and spiritual needs of the human societies. Seldom are those decisions perceived as good by the Muslim society which are offensive, aggressive, individualistic and which overlook the humanistic costs of such actions and decisions. This is so, because all human beings are creatures of God, who have an equal and natural stake in the world resoures,which are to be shared, distributed and circulated, with a mutual trust and not to be possessed,owned,exploited and controlled selectively and competitively on any grounds space ,racial,ethnic,military,economic or political.

In the light of foregoing discussion, we now intend to demonstrate how strategy and strategic decisions are unfolding themselves in the ensuing millineum.Three issues have clearly emerged which would continue to attract the attention of diverse human societies. These are (1) the issue of human gene cloning, (2) the issue of globalization, and (3) the issue of terrorism. We shall discuss them one by one.

Human Cloning

The most crucial moral question faced by the western societies has been posed by the advance reproductive technologies (Scheffer, 2003). How far and how much human beings should intervene into the natural systems of family and kinship, have assumed a major moral and social debate in North America and Western Europe. How forces of genetic engineering are to be managed and where the final line is to be drawn? Abortion, IVF (Invitro fertilizations) and human gene cloning are shaking both the leaders and the laymen. The opinion is divided on the moral and social consequences of the genetic engineering. Noetheless, it remains within the fundamental epistemic context of cogitio.The strategic decision whether to continue or stop meddling into the natural basis of human culture and society are to be made by the human reason and not to be restrained by some uniform and universal spiritual morality. In Islamic East, everything related to 'genetic' is perceived with suspicion, reserve, and alarm. In principle no human agreement can rationally intervene into the moral and spiritual foundation of human identity with the only exception of medical acuteness and lifesaving reason. The institution of marriage and human reproductive methods are sacred and cannot be altered on any grounds. However, utilization of technological intervention into the institution of family, marriage and reproduction with an expressed aim to support the protection of such processes and activities which promote the collective spiritual health of the individuals, is considered valid and justified. The Quranic admonition that, if ye save the life of one man, that means ye have saved the whole mankind', provides solid moral basis for protecting and promoting the human life as it is. We can clearly see the underlying worldviews of both the Western and Eastern Muslim epistemic context so far as the management of genetic engineering is concerned and how the issue is perceived in both the cultural traditions.

Globalization

The MNCs' (Multinational Corporations) have become a major carrier of globalization of world economies (Deresky, 2003).The national economic systems are rapidly being swayed into a globalized economic order. Although there has been a steady demand for a transparent global economic system and increased emphasis on the ethical and social responsibility indicators of the global businesses, nonetheless the management literature is replete with the greed and excesses of the organized corporate crime (Deresky, 2003). It seems that under the flag of MNCs' and globalization, exploitation of the national and local economies have entered into the new era of worldwide economic colonization. We venture to add that if globalization has to survive as a viable business strategy in the coming months and days, it must take into serious consideration the human and spiritual dimension. The dominant global corporations emanate either from Europe or North America and they want a 'free' ground for business and trade. This has caused widespread concern in most parts of Asia, Middle East and Latin America.'

Globalize' or 'Spiritualize'; the answer depends largely on how we decide and from which epistemic context we approach the issue.

Terrorism

The post 9/11 world is a 'world of America', said President Bush following attacks on Twin Towers in New York. In this world major political issue is terrorism which threatens the security of the United States, therefore, she has every right to strike 'preemptively' anywhere in the world to root out this menace (Hermann and Keller, 2004). If your reason tells you that there is sufficient evidence that your neighbor is planning to murder you; forestall him and kill him instead. Kill the enemy in advance. This is simple mathematics. It has serious consequences both for the international system and the people all around the world. It has become an unpredictable and insecure world. Whatever American perceptions on terrorism and AlQeada are; its political strategy needs due consideration by all concerned. America has engaged whole Muslim populations into the war against terror. The whole political rhetoric smacks of the Medieval Crusades. The logic of cogitio is so vibrant and manifest that it has put the world peace and security in jeopardy. This needs to be seen in differently, if we want to make this world safer for people, for globalization and for sustainable development. Instead of a 'clash of civilizations' (Huntington, 1993), both Western societies and Islamic Eastern societies need to establish 'mutual harmonies' (Iqbal, 1982) and come out of the medieval fixity of crusades and prosper together for the common and collective responsibility of global peace and harmony.

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F.W. Taylor's Four Principles of Scientific Management

1. Scientifically study each part of a task and develop the best method for performing the task.
2. Carefully select workers and train them to perform the task by using the scientifically developed method.
3. Cooperate fully with the workers to ensure that they use the proper methods.
4. Divide work and responsibility so that management is responsible for planning work methods using scientific principles and workers are responsible for executing the work accordingly.

Kathryn M. Bartol & David C. Martin
Management

CASE STUDY

Uses Pattern of Cosmetics and Perception of Personality: A study of Students doing Professional Courses in Lucknow City

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ABSTRACT

The modern, urban Indian populations both male and female are becoming increasingly conscious about their style and looks, with great emphasis on lightening of skin tone. Skin care and color cosmetics have witnessed solid growth for the last few years Within a short span of the last five-six years, the use of cosmetics by Indian consumers has increased significantly with more and more women and men taking greater interest in personal grooming. Increasing disposable incomes, changing life styles, influence of satellite television and greater product choice and availability has also fueled the consumption pattern of cosmetics to build the perception of self image and personality. The ecological understanding of perception advanced from Gibson's early work is perception-in-action, the notion that perception is a requisite property of animate action, without perception action would not be guided and without action perception would be pointless. The purpose of this study was to investigate the effect of cosmetics use on attribution concerning the likelihood of provoking psychological benefit in improving the personality. The study reported here forms part of an investigation of what psychological benefits, if any, exist for the user of cosmetics. A central theme in the work on physical attractiveness is that if one is physically attractive one is assumed to have a more ideal personality than someone of lesser attractiveness. If cosmetics really do make people look more physically attractive, then with the use of cosmetics others should perceive people more favourably in terms of personality characteristics. This study, therefore, attempted to find out whether cosmetics really do improve appearance ratings (by males and females) and in result improve ratings of personality

Post liberalisation period in India is witnessing rapid socio- economic changes. The life style marketing has emerged as one of the important strategy for marketer to attract consumer to its offer. The study of lifestyle is interdisciplinary. It draws on a variety of disciplines such as anthropology, psychology, sociology and economics. Marketing uses this eclectic approach for segmenting, targeting and positioning which forms the core of marketing strategy. Cosmetics and toiletries are not just the domain of women any longer and Indian men too are increasingly taking to the use of more and more body sprays, perfumes and other cosmetics and toiletries. With rising demand from men, the Indian market is getting enlarged and many players are coming out with cosmetic products especially skin care products for men.

Review of Previous Literature

The concept of 'self' is important in forming an understanding of consumer behaviour (Schutte and Ciarlante, 1998). Self-concept in consumer behaviour is a psychological process. Self-concept consists of whatever individuals consider to be theirs, including their body, family, possessions, moods, emotions, conscience, attitudes, values, traits and social positioning (Rolando, 1998). Both Eastern and Western cultures perceive the 'self' concept from the point of inner private self and outer public self. According to Mooij (2004), the concept of self is 'independent' in individualistic cultures whereas in collectivistic cultures self is regarded as interdependence. Jean Ann Graham and A. J. Jouhar(1980)in his study on interpersonal attraction, others' perceptions of the physically attractive and self-perception shows that, although cosmetics have been used, inter alia, to manipulate physical attractiveness in some of these experiments, there are little data showing benefit of cosmetics per se to the individual. Few systematic studies have examined individual differences in women's use of facial make-up or the possible psychosocial effects of such use. In an study of the role of cosmetics in self-image enhancement and social impression management a survey was done on forty-two female college students, differential use was associated with a number of selected personality variables-public self-consciousness, public body-consciousness, social anxiety, and various body-image factors. Study revealed more self-confident and sociable when wearing as opposed to not wearing their customary cosmetics. Malhotra (2003) in his study describes the main reasons for boom in cosmetic industry as increasing fashion and beauty consciousness coupled with rising incomes and focus on health and fitness. To complement this, beauty - culture or cosmetology has emerged as a major occupational avenue with significant commercial potential. New scientific developments, techniques, products and media hype, has contributed the Indian fashion industry in generating mega revenues and this has in turn added to the growth of cosmetic industry. Rising hygiene and beauty consciousness due to changing demographics and lifestyles, deeper consumer pockets, rising media exposure, greater product choice, growth in retail segment and wider availability are the reasons reported by (Euromonitor International, 2006). Over recent years, India has seen increasing literacy levels, penetration of satellite television, growing urbanization and greater beauty awareness among women, which has resulted in rewarding growth opportunities to cosmetics and toiletries manufacturers. Rebecca Nash, George Fieldman, Trevor Hussey, Jean-Luc Lévêque, Patricia Pineau (2006) in his work Cosmetics: They Influence More Than Caucasian Female Facial Attractiveness explored whether 4 Caucasian women would be evaluated differently on 4 social measures depending on whether they were presented with or without makeup. Participants - 152 men and 171 women - were split into 2 groups and were presented with the women's facial photographs either with or without cosmetics. Women presented wearing cosmetics were perceived as healthier and more confident than when presented without. Participants also awarded women wearing makeup with a greater earning potential and with more prestigious jobs than the same women without cosmetics. Briney (2004a) describes an interesting trend among Indian cosmetic consumers, while other global countries are taking to the traditional Indian herbal and Ayurvedic applications for beauty solutions, Indian consumers are increasingly looking to international personal care brands as lifestyle enhancement products, in the belief that the association with and use of an international brand confers one with a sophisticated and upper class image. The urban population in the major cities with increasing purchasing power is the main force that drives demand for various cosmetic products in India. The advent of satellite television and awareness of the western beauty and fashion world, advertisements and promotions, increasing number of women joining the work force is changing preferences, customs and cultures in India. The success of contestants from India at various well known international beauty pageants in the last few years have also contributed towards making the Indian women more conscious about looks, beauty, grooming and aware of western cosmetic products/brands. All this changed the needs and consumption pattern of the Indian consumer , thus leading to increased growth in the cosmetic sector. More Indian consumers started using cosmetics and a small segment are also seen willing to pay a little more to look good. Increasing disposable income and purchasing power have led to a constant up-gradation from mass to premium products even though mass-market products still constitute the major portion of the India cosmetics and toiletries market. Since liberalization in 1991 along with the crowning of many Indian women at international beauty pageants, the cosmetic industry has come into the limelight. Consequently there has been a change in the cosmetic consumption and this trend is fueling growth in the cosmetic sector. Indians by and large are price-sensitive. Indian consumers want the best but many are not always willing to pay for it. Understanding the attitudes, preferences and aspirations of the different segments of India's consuming class is very crucial to achieving success in the Indian market.

Objective of Study: General Objective of the study The main objective of the study is to analyze the purchase pattern of cosmetic consumers in Lucknow.

Specific Objectives

1) To describe the demographic profile of cosmetic consumers.
2) To study the perception of student toward the uses pattern of cosmetics.
3) To assess the role of celebrities in influencing influencing the purchasing pattern of cosmetics among student of Lucknow city.
4) To analyze the different factors involved in purchase decision of cosmetics.
5) To study the spending pattern of cosmetic consumers and its influence on society.

Research Methodology

The present study is an exploratory research study. In order to study the consumer perception towards uses of cosmetics both primary and secondary data were collected. Secondary data was collected from different magazines, newspapers and

Internet. The primary data is collected through questionnaire using survey method. For this purpose 50 male students and 50 female students (Total 100students) were randomly selected. An attempt was made to check their attitude towards uses pattern of cosmetics and their perception of personality. Certain attributes were rated on five-point scale and the final score has been calculated by using weighted ranking method. The data thus received was tabulated, analyzed and appropriate results was drawn. Univariate and Bivariate data analysis techniques were used to analyze the data.

The following hypothesis was constructed for analyzing the data:-

Hypothesis No 1: Uses pattern of cosmetics by the consumers is independent of their gender categories

Hypothesis no 2: Different media influencing the customer in particular brand selection is independent with the gender categories

Hypothesis no 3 Main purpose of using the cosmetics is independent with the gender categories

Hypothesis No4: The impact of cosmetics in developing personality is independent of the professional status of the respondents.

Scope of the Study

Though the study represent the uses pattern of cosmetics among the students doing professional courses At Lucknow city, due to very small sample size, the finding may not be a true representation and it can not be generalized but it will give a better prospect for future study and may have a wide application in future.

Analysis and Discussion

a. Age wise Classification of Respondents

Sl No	Description	No of Respondents	%
A	Upto 20 Years	47	47
B	21to 25 Years	38	38
C	Above 25 Years	15	15
	Total	100	100

Age analysis of respondents indicates that most of respondents falls in the age group upto 20 years as it was indicated by 47 percent respondents in the sample. The respondents in the age group of 21-25 year accounts for 38 percent and the remaining 15 percent respondents falls in the age group of above 25 years.

b. Educaton Level of Respondents

Sl No	Level of Education	No of Respondents	%
A	Upto Intermediate	31	31
B	Upto graduation	51	51
C	Post graduate and Above	18	18
	Total	100	100

The information related to educational qualifications of the respondents indicates that most of the respondents were having graduate degree to their credit as it was indicated by 51% respondents in the sample. As many as18% respondents are having education up to post graduation and others. Only 31% respondents were having education qualification upto intermediate only.

c. Income Level wise Classification of Respondents

Sl No	Level of Income	No of Respondents	%
A	Upto 5000PM	23	23
B	5000-10000PM	29	29
C	Above 10000PM	48	48
	Total	100	100

Data relating to the income of the respondents indicated that as many as 23 percent respondents were from the monthly income group of up to Rs. 5000 per month. 29 percent respondents were having monthly family income between Rs.5000 to Rs10000 per month and 48 percent respondent were having more than Rs. 10000 monthly income.

d. Type of Course Doing at Present.

Sl No	Type of Course	No of Respondents	%
A	Undergraduate Professional courses	63	63
B	Post graduate		
	professional courses	37	37
	Total	100	100

an attempt was made to know the type of professional courses undertaken by the students. Information thus received indicates that 63 percent respondents belongs to those categories who are doing under graduate professional courses. 37 percent respondent of the sample is doing post graduate professional courses.

e. Uses Pattern of Cosmetics

Sl No	Uses Pattern	No of Respondents	%
A	Using cosmetics	86	86
B	Do not use cosmetics	14	14
	Total	100	100

the information presented in the above table indicates that sample is dominated by those respondents who use cosmetics as it was indicated by 86% respondents in the sample. In comparison to this 14% respondent in the sample indicated that they do not use cosmetics.

f. Main Source of Information

Sl No	Main Source of Information	No of Respondents	%
A	Advertisement in various media	47	47
B	Friends	31	31
C	Family members	12	12
D	Sales agents	07	07
E	Others	03	03
	Total	100	100

Analysis indicates that advertisement is one of the powerful tools and is most helpful in creating the information about the various brands as it was indicated by 47% respondent in the sample. Almost one third respondents in the sample (31%) have got information from their friends. Family member account for 12% respondent in the sample. Sales agent were able to create information in 7% respondents. 3 % respondent indicated other media to get information about various brands.

G. Major influencer in Brand Selection

Sl No	Main Source of Information	Male	Female	No of Respondents
A	Advertisement in various media	17	12	29
B	Friends	11	14	25
C	Family members	15	16	31
D	Sales agents	4	7	11
E	Others	3	1	04
	Total	50	50	100

$(X^2) = 3.072509$

Analysis of the data presented in the above table indicates that out of 100 respondent 29 respondents were mainly influenced by advertisement in selecting a particular brand. 25 respondents were influenced by their friends. 31 respondents were mainly influenced by family members. Sales agent were able to influence to 11% respondents. Remaining 4% indicated other medium of their influences. Analysis also indicated that in comparison to female , male member were more influenced by advertisement. It also reveals that female members were most influenced by family member, friends and sales agents. The calculated value of the Chi Square test statistics ($\div^2$)=3.072509 at 5 percent level of significant is lesser than the tabulated value (5.99) with 2 degree of freedom. Thus, the hypothesis that uses pattern of cosmetics among the students is independent with the gender categories.

h. Occasion of Using Cosmetics

Sl No	Level of Income	No of Respondents	%
A	When I go for the college	34	34
B	When I go to the party	28	28
C	Whenever I leave my home	16	16
D	On all the occasion	22	22
	Total	100	100

The information presented in the above table indicates the occasion of using cosmetics. The data reveals that little less than one third of the respondent in the sample are of the opinion that they use cosmetics whenever they go to any party as it was indicated by 28% respondents in the sample. More than one third students of the sample (34%) indicated that they use cosmetics whenever they go to college. 16 % student are of the opinion that they use cosmetics whenever they leave home . however 22% respondents are indicated that they use it on all the occasion.

I. Uses Pattern

Sl No	Uses Pattern	Male	Female	No of Respondents	%
A	Heavy Users	23	32	55	55
B	Medium Users	14	7	21	21
C	Light User	13	11	24	24
	Total	23	32	100	100

(X^2)= 3.972727

The information pertaining to the uses pattern of cosmetics reveals that 55% respondents belongs to heavy users of cosmetics.21% accounts for medium user and 24% belongs to light users of cosmetics. Analysis also indicates that in comparison to male female tends to be more heavy cosmetic user. On the other hand male students are more inclined towards medium and light users. The calculated value of the Chi Square test statistics (X^2)=3.972727 at 5 percent level of significant is lesser than the tabulated value (9.488) with 4 degree of freedom. Thus, the hypothesis that different media influencing the customer in particular brand selection is independent with the gender categories.

j. Main purpose of using Cosmetics

Sl No	Main purpose of Using Cosmetics	Male	Male	No of Respondents
A	To look good	7	17	24
B	For taking care of body	11	8	19
C	For self satisfaction	13	04	17
D	For creating impression on others	18	15	33
E	Perception of improving personality	01	06	07
	Total	50	50	100

(X^2)= 13.24921

Analysis indicates that creating impression on other seems to be the main purpose of using the cosmetics by the students in Lucknow area as it was indicated by 33% respondent in the sample. 24% respondents are of the opinion that they use cosmetics to look good. 19% respondent indicated that they use it for taking care of their body. 17% respondent revealed that they use cosmetics for their self satisfaction. Remaining 7percent respondents indicated that they use cosmetics for improving personality. Analysis also reveals that female are more inclined to use cosmetics with perception of looking good and improving personality as compare to the male. In comparison to this male are more inclined to use cosmetics with the objective of taking body care, for self satisfaction and creating impression on others. The calculated value of the Chi Square test statistics ($\div^2$)=13.24921 at 5 percent level of significant is greater than the tabulated value (9.488) with 4 degree of freedom. Thus, the hypothesis that main purpose of using the cosmetics is dependent with the gender categories.

k. Cosmetics boosting the level of confidence

Sl No	Level of Income	No of Respondents	%
A	Using cosmetics		
	help in increasing confidence	88	88
B	Does not increase confidence	12	12
	Total	100	100

The data presented in the above table indicates that most of the respondents are of the opinion that application of cosmetics is helpful in building their confidence as it was indicated by 88% respondent in the sample. In comparison to this only 12% respondents are of the opinion that this does not help them in increasing the confidence at all.

l. Use Of Cosmetics Help In Creating The Strong First Impression On Others

Sl No	Level of Income	No of Respondents	%
A	Use of cosmetics help in creating the strong first impression on others	63	63
B	Use Of Cosmetics does not Help In Creating The Strong First Impression On Others	30	30
C	Cant say	07	07
	Total	100	100

Analysis indicates that almost two third respondent (63%) are of the opinion that Use of cosmetics help in creating the strong first impression on others. In comparison to this 30% respondent does not support the statement and feel that it does not help in creating the strong impression on others. Remaining 7% respondent did not were not sure about it.

m. Cosmetics has become an essential ingredient for personality Development

Sl No	Description	Male	Female	No of Respondents	%
A	Yes	37	32	69	69
B	No	13	18	31	31
	Total	50	50	100	100

(X^2)= 1.16877

Analysis indicates that more than two third respondents are of the opinion that cosmetics has become an essential ingredient for personality development as it was indicated by 69% respondent in the sample. In comparison to this 31 % respondents say that it is not essential ingredients for personality development. Analysis also projects that in comparison to female member, more male's members are of the opinion that cosmetics has become essential ingredient for personality development. It is also evident from the table that more female are of the opinion that cosmetics is not an essential ingredients for personality development. The calculated value of the Chi Square test statistics $(\div^2)$=1.16877 at 5 percent level of significant is lesser than the tabulated value (3.841) with 1 degree of freedom. Thus, the hypothesis that impact of cosmetics in developing personality is independent of the gender categories of students doing professional courses at Lucknow.

Conclusion

Post liberalisation period in India is witnessing rapid socio- economic changes. The life style marketing has emerged as one of the important strategy for marketer to attract consumer to its offer. The study of lifestyle is interdisciplinary Increasing disposable incomes, changing life styles, influence of satellite television and greater product choice and availability has also fueled the consumption pattern of cosmetics to build the perception of self image and personality. The ecological understanding of perception advanced from Gibson's early work is perception-in-action, the notion that perception is a requisite property of animate action, without perception action would not be guided and without action perception would be pointless. The purpose of this study was to investigate the effect of cosmetics use on attribution concerning the likelihood of provoking psychological benefit in improving the personality. The study reported here forms part of an investigation of what psychological benefits, if any, exist for the user of cosmetics. A central theme in the work on physical attractiveness is that if one is physically attractive one is assumed to have a more ideal personality than someone of lesser attractiveness. If cosmetics really do make people look more physically attractive, then with the use of cosmetics others should perceive people more favourably in terms of personality characteristics. This study, therefore, attempted to find out whether cosmetics really do improve appearance ratings (by males and females) and in result improve ratings of personality. The study indicates that more than one third students of the sample (34%) indicated that they use cosmetics whenever they go to college. The study also reveals that different media influencing the customer in particular brand selection is independent with the gender categories. The analysis signifies that the main purpose of using the cosmetics is dependent with the gender categories of respondents. It also shows that the impact of cosmetics in developing personality is independent of the gender categories of students doing professional courses at Lucknow.

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Uses Pattern of Cosmetics and Perception of Personality: A study of Students doing Professional Courses in Lucknow City

Dr. D.S. Chaubey
Ms. Ruchi Srivastava

1. Name : ______________________________

2. Age : ______________________________

3. Educational Qualification :

Upto Matriculate ☐ Intermediate ☐
Graduate ☐ Post Graduate and others ☐

4. Family Income(Per Month) :

Upto Rs. 5000/- Rs. 5000/- to Rs. 10000/- Rs. 10000/- and above

5. What type of course you are doing at present

a. Undergraduate Professional courses b. Post graduate professional courses

6. Do you use cosmetics

a. Yes ☐ b. No ☐

7. From where did you get information about cosmetics

Advertisement in various media
a. Friends ☐ b. Family members ☐
c. Sales agents ☐ d. Others ☐

8. Who influenced you most in selecting a particular cosmetics brand

a. Advertisement in various media ☐ b. Friends ☐
c. Family members ☐ d. Sales agents ☐
e. Others ☐

9. On what occasion do you generally use cosmetics

a. When I go for the office ☐ b. When I go to the party ☐
c.Whenever I leave my home ☐ d. For all the reasons ☐

10. Describe yourself as a user of cosmetics

a. Heavy user ☐ b. Medium user ☐
c. Light user ☐ d. Do not use ☐

11. Do you feel that the use of cosmetics help to increase your confidence

a. Yes ☐ b. No ☐

12. The spending on cosmetics helps to increase your confidence

a. Yes ☐ b. No ☐

13. What is the main purpose of using the cosmetics

a. To look good ☐ b. For taking care of body ☐
c. For self satisfaction ☐ d. For creating impression on others ☐
e. Perception of improving personality ☐

14.The use of cosmetics help in creating the strong First impression on others

a. Yes ☐ b. No ☐

15.Cosmetics has become an essential ingredient for personality Development

a. Yes ☐ b. No ☐

> That is the peril of the knowledge society; its promise is that it will be the first society in which ordinary common people - and that means most people - do not earn their daily bread by the sweat of their brow. It is the first society in which 'honest work' does not mean a callused hand. This is far more than a social change. "It is a change in the human condition."
>
> Peter F. Drucker
> *Managing in a Time of Great Change*

BOOK REVIEW

Meezan Bank's Guide to Islamic Banking

by

Muhammad Imran Ashraf Usmani

Published by Daruel Isha'at Karachi

Reviewed by

Javed A. Ansari

Islamic banking has been seriously effected by the financial crisis of 2007-2010. The impending collapse of financial institutions in the Gulf, specially in Dubai and the growing threat of sovereign debt repudiation and default by oil exporting countries has had a particularly severe impact on global Islamic finance growth. Forecasts for Islamic finance transactions have been revised downwards several times during 2009 and riskiness and illiquidity of leading Islamic finance institution are perceived as having increased due to the growing instability of the Gulf economies.

This is not unexpected as Islamic finance has since its inception been a Saudi project Prince Muhammad al Faisal son of King Faisal established the world's leading Islamic finance house the Dar-al Maal-al-Islami three decades ago. The Islamic Development Bank, based in Jeddah has strong Saudi financial backing. All the pioneer Islamic economists - Prof Khurshid Ahmad, Dr. Nejatullah Siddiqui, Dr. Umar Chapra - were Saudi employees. Downturn in the Gulf thus inevitably contributes to growing upheaval in Islamic financial markets.

There are two other major causes of the current deceleration of growth in Islamic finance transactions. Islamic finance has served as a conduit for the transfer of billions of dollars from the Muslim world to America and Europe - that is why although Islamic financial growth has stagnated in countries such as Turkey and Malaysia and Jordan, Islamic finance continues to boom in London, Frankfurt and New York (Henry and Wilson2005). As New York and London capital and money markets became more and more risky during 2008 and 2009 the incentive for transferring funds through Islamic banks to these centres from the Muslim world declined. A revival of global financial growth is a pre-requisite for a revival of the growth of Islamic finance since Islamic finance is a supplement to not a substitute, for riba based finance.

Indeed this is the second major cause of the growth deceleration of Islamic finance. There is growing realization throughout the Muslim world that Islamic finance is organically identical to non Islamic finance. In 2008 in Pakistan 27 leading Ulema of the mainstream Deobandi school issued a fatwa proclaiming the illegitimacy of Islamic banking and finance and declaring that both conventional and Islamic banking and finance were haram according to Sharia and there were no religious grounds for preferring Islamic banking over conventional banking transactions. Both Islamic and conventional banking were part of a capitalist world system and Islam and capitalism are inherently antagonistic and incompatible (Meenai and Ansari 2010 Chp21)

The world of Islamic finance is in a state of turbulence. The book under review however does not deal with any of these contemporary issues. It was published in 2002 just after the Musharraf government's decision to abandon the quest for a comprehensive Islamization of the financial system and the institution of a dual banking system in which Islamic financial institutions as well as dedicated Islamic finance branches of conventional banks were permitted to operate within a substantially uniform regulatory framework. As of 31st December 2008 the share of Islamic banks in total scheduled banks assets in Pakistan was about 5 percent. Islamic banks thus continue to be a very marginal segment of the national financial system.

This book is not a guide to Islamic banking - so the title is somewhat misleading. A guide should provide details of current transactional practices in specific institutions. This is not attempted any where in this book. The book is not a guide to actual practices. It does not for example analyze differences among institutions in the formulation and execution of similarly named contracts. Similarly differences in regulatory procedures and process between countries and over time in Pakistan are not described. A reader cannot use this book to understand what Islamic banks actually do when they transact business or the similarities and differences in Islamic and conventional transaction structures.

This is also not a textbook. Semester level courses in Islamic banking have been introduced in several universities and some institutions are also offering full fledged MBA and MS programmes in this area. Good text books are therefore needed. But such texts should methodically review the vast and rapidly growing literature in this area, trace the historical evolution of Islamic transactional practices and compare and contrast them with conventional financial instruments. A good textbook should also review at least the technical controversies that have emerged and the conflicting tendencies which inhibit attempts to standardize Islamic financial terminologies, transactional form and regulatory frameworks. None of this is attempted in this book which has no references and no bibliography. The extensive glossary focusing on English translations and explanations of Arabic terminologies also leaves a great deal to be desired since no attempt is made to elaborate upon different interpretations of specific terms by different banks - e.g. gharror, hamil, heela, majhool, khult, muhaqala etc.

The book is a collection of lectures designed for a training courses but there is a lot of general material (e.g. all chapters in sections 1 and 2) which are not needed for professional courses. The technical material covered in sections III,IV and VI on the other hand is not technical enough. There is a tendency to lapse into a repetitive general discussion from time to time (Sec p135-137, 107-109, 211-233 etc) and a tightening of the argument is disparately needed. Moreover there is a significant need for updating as interpretations and practices have evolved over time and current Islamic financial contracts are no means replicas of contracts drawn up in 2002.

Dr. Imran Usmani is probably well aware of this, since he has been serving as Shariah advisor to Meezan Bank for several years. He is also a permanent consultant to UBS (AG), UBS Warburg (Switzerland) and Time Space Fund New York all leading players in the global Islamic money and bond markets, Reinterpreting and revising standard contracts must be the heart and soul of Dr. Usmani's daily work routine. However Islamic finance institutions have a tradition of keeping their cards hidden. This is evident in the book's refusal to describe controversies and its bland presentation of conventional wisdom.

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Selling hundreds of comforts I bought only one pain
and this growing pain led me to my friend.

Shah Abdul Latif

Over the past decade or two, managing a large corporation has changed out of all recognition. That explains the emergence of the "CEO superman" such as Jack Welch of GE, Andrew Grove of Intel, or Sanford Weill of Citygroup. But organizations can not rely on supermen to run them; the supply is both unpredictable and far too limited. Organizations servive only if they can be run by competent people who take their job seriously. That it takes genius today to be the boss of a big organization clearly indicates that top management is in crisis.

Peter F. Drucker
Managing in the Next Society