

ISSN 2219-1933 (Print), 2219-6021 (Online)

International Journal of Business and Social Science

VOLUME NO. 16

ISSUE NO. 2

MAY - AUGUST 2025



ENRICHED PUBLICATIONS PVT. LTD

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Determinants of Tourist Length of Stay in Tanzania

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ABSTRACT

This study examines factors influencing tourist length of stay in Tanzania as one of the key elements in tourism revenue generation. Globally such studies exist, but those which have applied survival analysis are very few especially in Tanzania. This study, using survival analysis on a cross-section of tourists surveyed in the years 2001, 2007 and 2008 by the Tanzania Tourism Sector Survey (TTSS) has established that trip-related characteristics of the tourists are more influential in determining tourist length of stay than their demographic characteristics and their destination attributes. More particularly tourist longer stay is associated with tourists who visit friends and relatives, those who are familiar with the destination and those familiar with English language. On the other hand tourist short stay is associated mostly with frequent visitors, visitors on business mission and visitors on leisure and recreation and those whose source of travel information is from the word of mouth. It is therefore advised that stakeholders such as hotel owners and tour operators should consider the mentioned factors in planning their activities. Further to this, efforts need to be done by the Tanzanian government and other stakeholders to diversify the country's tourism activities to encourage longer stay by some segments of tourists such as business visitors and visitors on leisure and recreation.

Keywords: trip-related characteristics, destination attributes, demographic attributes

Introduction

Among the key determinants of a country total revenue is the length of tourists' stay in the country (WTO, 2005). This comes from the fact that the longer the stay by tourists the higher the aggregate expenditure. Unfortunately to the best of the author's knowledge no study on determinants of tourist length of stay based in Tanzania has ever been done. knowing the determinants of tourist length of stay would be important to various stake holders such as hotel owners, tour operators and the Ministry of Natural Resources and Tourism. Therefore this study examines the determinants of tourist length of stay in Tanzania. The study is interested in testing the hypothesis that destination attributes as measured by season variation are more influential than demographic and the trip-related characteristics in determining tourist length of stay in Tanzania. There two main seasons of tourists' coming to Tanzania. The peak season (July-September) versus other seasons which could be regarded as low seasons. The different seasons would proxy for different destination characteristics much as in each season there are different tourist activities and different weather conditions. This is especially so for Tanzania, which has long tourist seasons and many activities (e.g. game viewing, bird watching) which offer different sightings with the changing seasons (MNRT, 2002).

The study has employed survival analysis to achieve its objectives. The use of survival analysis in tourism studies for the Tanzanian setting has not been attempted before. Globally, the first study to use survival analysis in studying tourist length of stay was by Govakali et al (2007) in Turkey. Other pioneers in the field have been Barros and Correia (2007), Garcia and Raya (2008) and Menezes et al. (2008).

2. Theoretical Literature Review

Length of stay is a commodity, of which its demand depends among other things on a tourist's income and how much the length of stay costs. The consumer theory puts great emphasis on the price determinants of a commodity. The non-price determinants (other things, being equal) can best be explained from the sociological point of view, using the theory of reasoned action (TRA) as given by Fischebein and Ajzen (1975). 204

TRA attempts to explain why a person pursues a certain action. TRA suggests that a person's behavioural intention depends on the person's attitude to the behavior and the subjective norms. Attitudes consist of beliefs about the consequences of performing the behaviour multiplied by his or her evaluation of these consequences. Subjective norms are seen as a combination of perceived expectations of relevant individuals or groups and intentions to comply with these expectations.

Barros and Correia (2007), in studying the determinants of tourist vacation length of stay, argue that the conceptual problem consists of understanding the relationship between vacation length of stay and expectations and attitudes in the behavioral intentions, as well as the relationship between intentions and subsequent behaviour. In order for a tourist to stay longer, he must have perceived the destination to be an attractive place. These attitudes and beliefs concerning an action are not tangible, but are reflected in the characteristics of the individual and the characteristics of the action. In terms of consumer behaviour these attributes and subjective norms would be reflected in consumer characteristics, product characteristics and the environment where the purchase was made (Nzuki, 2006). The application of TRA in tourism studies has led to the theory of the tourist decision process, which Barros and Correia (2007) describe as being influenced by four factors: tourist profiles, trip-related characteristics, trip awareness, and destination characteristics. Tourist profile is a reflection of a consumer's characteristics, which essentially refer to social-economic characteristics. Trip-related characteristics are comparable to product characteristics, while destination characteristics are comparable to environment of purchase. Alegre and Pou (2006) as well as Garcia and Raya (2008) assert that the theoretical determinants of a tourist's length of stay can be looked at two perspectives. One is the determinants of consumer preferences, such as demographics, and the second is the price determinants, covering a consumer's income and the cost of travel time and the holiday time.

3. Empirical Literature Review

TTSS (2001), used cross-tabulations for establishing the variations of tourists' length of stay in Tanzania. The study found that tourist length of stay varied with nationality and with travel arrangement with tourist on non package tour staying longer (11 days) than those on package tour (8 days). Similarly, Alegre and Pou (2007) using logistic regression also found nationality to be one among the determinants of tourist length of stay in the Balearic Islands. The study further found that age, type of jobs, type of accommodation, number of trips, visiting rate, size of party, daily cost of holiday and total party expenditure as among the key determinants of tourist length of stay. Most of these variables were found to be significant with type of job, nationality, single trip and total holiday expenditure having a positive influence on a tourist's length of stay. Gokovali et al. (2007), Barros and Correia (2007), Menezes, et al.

(2007), Menezes et al. (2008) and Barros et al. (2010) analyzed the determinants of tourist length of stay and established factors similar to those established by Alegre and Pou (2007). Other scholars such as Yang et al. (2011) in China have found travelling distance and accommodation type to be influential in length of stay while Chaiboonsri and Chaitip (2012) establishes that being less educated and having less income affects positively tourist length of stay. The finding on the negative impact of income on the length of stay is surprising and contrary to the finding by previous studies such as by Gokovali et al. (2007) as well as by Barros and Correia (2007). From the reviewed literature, it is evident that among these studies none has been done from Tanzania. This study attempts to widen the literature on the determinants of tourist length of stay by examining the case in Tanzania. The remaining sections in the paper are organized as follows: Section 4 describes the methodology and data sources and section 5 outlines the findings and discussion. Section 6 concludes the study and section 7 provides the acknowledgements.

4 Methodology

4.1 Model Specification

The study adopts a discrete choice/continuous model by Durbin and Mcfadden 1984 as well as by Hanemann 1984, as described by Alegre and Pou (2006). This model takes account of the length of stay in a tourist's utility function.

According to the account given by Alegre and Pou (2006), the model assumes that a tourist utility function comprises three goods: q , a vector of consumer goods excluding tourism services, z , the vector of characteristics that define the holiday (the destination, type of accommodation, category of accommodation), t the length of holiday. A consumer chooses the values of q , z and t which maximize his utility, subject to income constraint Y and time constraint T . The time constraint T consists of time taken to travel to the destination and the time of staying at the destination. Accordingly budget Y constrains the expenditure on travel, expenditure at the destination and the expenditure on non-tourism goods q .

If one assumes weak separability in the utility function¹, the utility function can be maximized separately in the absence of non-tourism goods q . Under this weak separability assumption, the demand for length of stay can therefore be viewed as a function of the holiday characteristics, the price of traveling to a destination, the daily price of the holiday, the total expenditure available for the holiday, the maximum time available for the holiday, the characteristics of the consumer and the unobservable random effects. Following this discussion, Alegre and Pou (2006) specify the following demand function for length of stay:

$$D = f(p_{tour}, z, Y - pq - p_{travel}, T - t_{travel}, \tau, \varepsilon) \quad (1)$$

where

p_{tour} = price of the holiday, z are the trip characteristics, p is the price of the non-tourism goods, p_{travel} , is the price of travelling to a destination, T is the total holiday time, t_{travel} is the travel time to the destination, τ consumer characteristics and ε is the random error term.

Garcia and Raya (2008) also give an account of this model. According to them, determinants of length of stay emanate from the tourist's preferences as given by his utility function as well as the utility constraint. The former encompasses the determinants of a tourist's preferences, such as demographics (age, education and gender), while the latter encompass the arguments involved in the constraint, which

involve price of travel and price of the holiday time, total budget for the holiday and the total holiday time. A tourist therefore chooses time t which maximizes his utility given these constraints. As before, the maximization of the utility function given the length of stay must assume weak separability between the non-tourism good q and length of stay t , in the entire utility function. In this study the same model was adopted. However, the nature of the data collected contained no information on the total holiday time of a tourist, the budget allocated for the holiday, and the prices of the travel and of the holiday. Nevertheless for total allocated budget, per capita GDP was used as a proxy whereas travel distance was used as a proxy for cost of travel. The missing variables (maximum holiday time and the daily costs of the holiday) were not the key ones in the study as the hypothesis was based on the consumer's demographic characteristics and trip-related characteristics and the destination attributes, for which data were available. Equally well the used proxies could not affect the test of the hypothesis.

Following this discussion, equation 1 can be rewritten in a more detailed manner while considering the variables discussed in section 1:

$$\begin{aligned}
 L_{ict} = & \beta_0 + \beta_1 Age_i + \beta_2 Females_i + \beta_3 GDP_i + \beta_4 Er + \beta_5 El + \beta_6 Childpresence \\
 & + \beta_7 childno + \beta_8 Tarra + \beta_9 VistFRD + \beta_{10} VistLSR + \beta_{11} VistBSN + \beta_{12} Adultno + \beta_{13} Tpartyno \\
 & + \beta_{14} Frvist + \beta_{15} Fadest + \beta_{16} Dist + \beta_{17} Nosites + \beta_{18} Price + \beta_{19} Peak + \beta_{20} Isource + Africa \\
 & + Asia + Europe + MEast + NAmerica + SAmerica + year1 + year2 + year3 + \varepsilon
 \end{aligned}
 \quad \dots (2)$$

Where

L_{ict} = the length of stay by a tourist belonging to country c and observed in year t .

Age = Age of a tourist measured in years. Its coefficients β_1 is indeterminate.

Females = number of females in the travel party. Its coefficient β_2 is indeterminate.

Income = tourist's income level. In this study per capita GDP of a tourist's country of origin was used as a proxy for income, because tourists were not asked about their incomes during the surveys. Its coefficient β_3 is expected to be positive.

Ear = Exchange rate between Tanzania's currency and the tourist's country of origin. Currencies are expressed in terms of units of Tanzanian shillings per unit of a foreign currency.. Its coefficients β_4 is expected to be positive

EL = 1 if a tourist is from an English-speaking country and 0 otherwise. Its coefficient β_5 is expected to be positive. An ability to communicate fluently may lead to the tourist becoming more familiar with the destination leading to longer stay other things being equal.

Child presence = 1 if there is at least one child in the travel party and 0 otherwise. Its coefficient β_6 is expected to be negative.

Childno = Number of children in the travel party. This variable should follow the same sign as the former one in the sense that more children could imply more family commitments back home, hence leading to shorter length of stay. The only difference from the former one is that, it captures not only the direction

but also the intensity of the influence of children on a tourist's length of stay. Therefore its coefficient β_7 is expected to be negative.

Tarra= 1 if a tourist is on package tour and 0 if a tourist is on a non- package tour. Its coefficient β_8 is expected to be negative. A tourist on package tour has limited time and would rarely extend his length of stay as everything is scheduled unlike the tourist on non-package tour. Govakali et al.(2007), Garcia and Raya(2008) find this coefficient to be negative.

VistFRD = 1 if a tourist is visiting friends and relatives, 0 otherwise. Its coefficient β_9 is indeterminate.

VistLSR= 1 if a tourist has come for leisure and recreation, 0 otherwise. Its coefficient β_{10} is indeterminate.

VistBSN=1 if a tourist is on business purpose. Its coefficient β_{11} is expected to be positive.

Adultno = Number of adults in the travel party. This variable has not been common in the literature examining tourist length of stay. However, most travelers would be adults rather than children leading to the possibility of it behaving more or less the same as the total number of visitors in the party. Therefore its coefficient β_{12} is expected to be negative.

Tpartyno=1 if there are at least 2 members in the travel party, 0 otherwise. Its coefficient β_{13} is expected to be negative. This is because most travellers in a large party are on organized tours, which tend to be shorter than those of single travellers or smaller parties.

Frvist = 1 if a tourist has visited at least one African country before Tanzania, 0 otherwise. Its coefficient β_{14} is expected to be negative. A frequent visitor in this context must be either an explorer or a businessman, for these are the kind of people who travel frequently. These people in much the same way as frequent visitors, would rarely stay for a long time at a particular destination.

Fadests = 1 if a tourist has visited Tanzania at least once before the current visit and 0 otherwise. Its coefficient β_{15} is expected to be positive. The inference is that repeat visitor is very much attracted to the destination for one reason or another and therefore is likely to stay longer. Barros and Correia (2007) as well as Menes et., al(2008) proved that repeat visitors stay longer.

Dist = the shortest distance by air between Tanzania and the tourist country of origin measured in miles. Based on the model formulation distance would be a proxy for travel cost to the destination and based on the model formulation, distance should reduce the total time to be spent at a destination. Therefore its coefficient β_{16} is expected to be negative.

Nosites=1 if a tourist had visited more than one site and 0 otherwise. Its coefficients β_{17} is expected to be positive. The logic here is much clearer than anywhere else. For a tourist to visit many sites he needs more time.

Price= the relative cost of living between Tanzania and the tourist's country of origin measured as $\text{price} = \frac{CPI_{TZ}^t}{CPI_O^t} * ER_{jt}$ where CPI_{TZ}^t , is the consumer price index in Tanzania and CPI_O^t is the consumer price

Price= the relative cost of living between Tanzania and the tourist's country of origin measured as $\text{price} =$

$CPI_{TZ}^t / CPI_O^t * ER_{jt}$ where CPI_{TZ}^t is the consumer price index in Tanzania and CPI_O^t is the consumer price index in a tourist's country of origin. Its coefficient β_{18} is expected to be negative. This variable can also be a proxy for the cost of a tourist's holiday time.

Peak=1 if a tourist travelled during the peak season (July -September) and 0 otherwise. Its coefficient is indeterminate.

Isorce= 1 is source of information is from the word-of-mouth, 0 otherwise. Its coefficient β_{19} is indeterminate, depending on a number of factors. First, if the returning tourists depict a negative picture of the destination back home, a coming tourist would certainly plan to stay for a short while. But that will also depend on what he finds after reaching the destination, for he/she can always extend his/her length of stay. Therefore its coefficient β_{20} is indeterminate.

Africa, Asia, Europe, MEast, NAmerica, SAmerica, represents the dummies for Africa, Asia, Europe, the Middle East, North America and South America. year1, year 2 and year3 are dummies for the year 2001, year 2007 and year 2008.

Equation 2 could be analyzed by OLS, but there a number of defects in using OLS to analyze a time variable. Greene (2003) as well Cameron and Trivedi (2005) addresses the following problems of using OLS in analyzing a time variable. First is the lack of normality as most of the time observation is positively skewed. Second is the fact that in most surveys involving the time to an event, observations are censored. In other words, the individuals are observed before the study was completed or the study comes to an end before the event has occurred. The former is a case of left censoring while the latter is a case of right censoring. However, in this study, as it will be observed, tourists are interviewed during their departure and thus censoring is not there. Third there may be the issue that a covariate like age may change during the duration, and the assumption of .may be violated, resulting in inconsistent coefficients. If the duration is short change in ages may not be substantial. Fourth is the fact that there is no guarantee that OLS will predict positive values of time. This limitation could be serious in prediction. Because of the above problems the study opted to use survival analysis instead of OLS.

4.2 An Overview of Survival Analysis

The review is based on the work by Cameron and Trivedi (2005). One may begin by considering the cumulative distribution of the variable time given as $F(t)$ and its density function given by $f(t)$. The relationship between the two is such that

$$f(t) = dF(t)/dt \quad (3a)$$

or

$$F(t) = P(T \leq t) = \int_0^t f(s) ds \quad (3b)$$

An equally important concept in duration analysis is the survival function which is in fact the greater than or equal cumulative function, defined as

$$S(t) = P(T \geq t) = 1 - F(t) \quad (3c)$$

This is the probability that a particular duration equals or exceeds time t . Another key concept is the hazard function. This is an instantaneous probability of leaving a state conditional on survival to time t . It is defined as

$$\lambda(t) = \lim_{\Delta t \rightarrow 0} \frac{\Pr[t \leq T \leq t + \Delta t / T \geq t]}{\Delta t} = \frac{f(t)}{S(t)} \quad (3d)$$

It follows from (18), that

$$\lambda(t) = -d \ln(S(t)) / dt \Rightarrow S(t) = \exp(-\int_0^t \lambda(u) du) \quad \square \quad (3e)$$

A final related function is the cumulative hazard function or integrated hazard function define as

$$\Lambda(t) = \int_0^t \lambda(t) dt = -\ln S(t) \quad (3f)$$

These functions can be estimated using both non-parametric and parametric approaches. Non-parametric estimation can be carried out as described below:

Let

d_j be number of durations (spells) ending at time j ;

m_j be the number of spells censored in (t_j, t_{j+1})

r_j spells at risk at time t_j .

Then accordingly the hazard rate is estimated as $\hat{\lambda}_j(t) = \frac{d_j}{r_j}$

and the survival function known as the Kaplan-Meier estimator as

$$\begin{aligned} \hat{S}(t) &= \prod_{t_j}^t (1 - \hat{\lambda}_j(t)) = \\ \hat{S}(t) &= \prod_{t_j}^t \left(\frac{r_j - \hat{\lambda}_j(t)}{r_j} \right) \end{aligned} \quad (3g)$$

The parametric estimation involves estimating the hazard function through regression analysis. As these functions are non-linear, the maximum likelihood method is used to estimate them. Among the popular hazard functions used in survival analysis are Exponential, Weibull, and Gompertz distributions, whose hazard functions are respectively, γ , $\gamma \alpha t^{\alpha-1}$ and $\gamma \exp(\alpha t)$. These are examples of proportional hazard models (PH), because their hazard functions can be written in the form $\lambda(t/x) = \lambda_o(t, \alpha) \phi(x, \beta)$, where $\lambda_o(t, \alpha)$ is the baseline hazard expressed as a function of time and $\phi(x, \beta)$ is the relative hazard expressed as function of the individuals' covariates.

Other approaches include the log-logistic, log-normal and gamma distributions, which fall under the Accelerated Failure Time model (AFT). They are called the accelerated time failure rate because, unlike the proportional hazards, the covariates lead to changes in the baseline hazards. The hazards are formed when modelling the natural log of time rather than time itself. In other words, when modeling in $(t) = x\beta + \mu$, the hazard will result in either log-logistic, log-normal or gamma, depending on the specification of the distribution of μ . The hazards for the log-logistic, Gamma and log-normal distributions are respectively:

$$\frac{\alpha \gamma^\alpha t^{\alpha-1}}{[1 + (\gamma t)^\alpha]}, \quad \frac{\gamma (\gamma t)^{\alpha-1} \exp[-(\gamma t)]}{\Gamma(\alpha) [1 - I(\alpha, \gamma t)]}, \quad \frac{\exp(-(\ln t - \mu)^2 / 2\sigma^2)}{\sigma \sqrt{2\pi}} \bigg/ [1 - \phi((\ln t - \mu) / \sigma)]$$

Two of the proportional hazards mentioned before also follow under AFT. These are the Exponential and Weibull hazards.

The survival analysis of equation (2) can now be formulated as follows:

$$\lambda(t/x) = \lambda_o(t, \alpha) \phi(x, \beta) \quad \text{where}$$

$\lambda_o(t, \alpha)$ = the baseline hazard function

β = a vector of covariates so that

$$\begin{aligned} x'\beta = & \beta_o + \beta_1 \text{Age}_i + \beta_2 \text{Females}_i + \beta_3 \text{GDP}_i + \beta_4 \text{Er} + \beta_5 \text{El} + \beta_6 \text{Pcapita} + \beta_7 \text{Childpresence} \\ & + \beta_8 \text{childno} + \beta_9 \text{Tarra} + \beta_{10} \text{VistFRD} + \beta_{11} \text{VistLSR} + \beta_{12} \text{VistBSN} + \beta_{13} \text{Adultno} + \beta_{14} \text{Tpartyno} \\ & + \beta_{15} \text{Frvist} + \beta_{16} \text{Fadest} + \beta_{17} \text{Dist} + \beta_{18} \text{Nosites} + \beta_{19} \text{Price} + \beta_{20} \text{Peak} + \beta_{21} \text{Isourse} + \text{Africa} \\ & + \text{Asia} + \text{Europe} + \text{MEast} + \text{NAmerica} + \text{SAmerica} + \text{year1} + \text{year2} + \text{year3} + \varepsilon \end{aligned} \quad \dots (4)$$

4.3 Variables and their Sources

The study used survey data from TTSS. Although there were six years of survey by the TTSS (2001, 2004, 2005, 2006, 2007, 2008), the study mainly used data for the years 2001, 2007 and 2008, which had similar and relatively more explanatory variables than the rest of the years. These three years made a total of 30,782 observations. But only 25,880 observations out of 30,782 were used, the rest being excluded due to missing values. Some Other variables were obtained from other sources. These included, Tourist country's GDP from IMF (2009), Tourist country's exchange rate from the Economist website, English language proficiency (El) by a tourist from (www.yahoo.com), tourist country distance to Tanzania from the internet using the online distance calculator, and relative cost of living between a tourist country of origin and Tanzania (Price) from the IMF (2009).

5 Results and Discussion

5.1 Summary Statistics

Table 1 provides summary statistics of the variables used in the analysis

Table 1: Summary Statistics of the Variables Used in the Analysis of Tourist Length of Stay

Variable	Mean	Std. Dev.	Min	Max	CV
Lstay(Days)	12.69	13.60	1	360	107.17
Age(years)	36.44	10.94	18	55	30
Females	0.89	0.90	0	21	101.12
GDP(Mil.USD)	29123.30	15379.39	54.62	113044	52.81
Er	965.49	603.92	0.030067	3229.16	62.55
El	0.54	0.50	0	1	94.30
Pcapita(USD)	191.69	206.92	9.5	1017.98	107.95
Childno	0.135	0.58	0	13	429.63
Tarra	0.53	0.50	0	1	94.34
VistFRD	0.08	0.27	0	1	337.5
VistLSR	0.77	0.42	0	1	54.54
VistBSN	0.10	0.30	0	1	300
Adultno	1.75	1.28	1	31	73.14
Tpartyno	0.56	0.50	0	1	89.18
Frvists	0.53	0.50	0	1	94.34
Fadest	0.37	0.48	0	1	129.73
Dist(Miles)	5287.09	2389.07	419	9527	45.19
Nosites	0.65	0.48	0	1	73.85

Price	0.05	0.58	3.24E-05	26.007	1160
Peak	0.74	0.44	0	1	59.46
Isource	0.39	0.49	0	1	125.64
Africa	0.09	0.29	0	1	322.22
Asia	0.08	0.27	0	1	337.5
MEast	0.009	0.09	0	1	1000
SAmerica	0.008	0.09	0	1	1125
year1	0.62	0.49	0	1	79.03
year2	0.10	0.30	0	1	300
year3	0.28	0.45	0	1	160.71

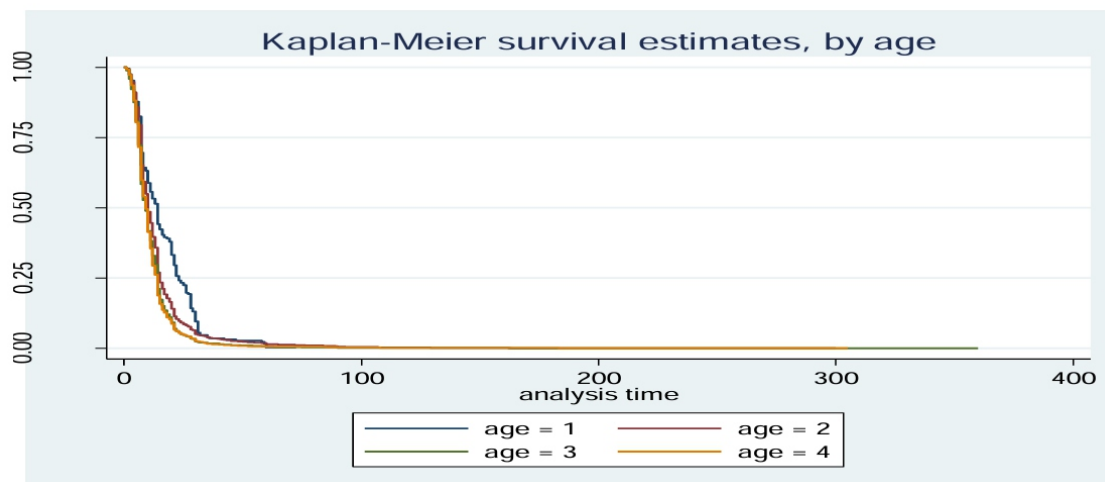
Table 1 indicates that most of the variables have a reasonable variation except for age which has a coefficient of variation less than 50%. It is interesting to note that length of stay is positively skewed (skewness=7.9). This observation is consistent with what is described in the literature regarding the distribution of a time variable (Cameron and Trivedi 2005, Greene, 2003). This skewness justifies the use of logarithmic transformation when modeling length of stay and/or the consideration of survival models which accommodates among other things the skewed nature of time distribution.

5.2 Results from the Survival Analysis

(i) . Non-parametric estimation results

Figure 1 gives the Kaplan Meir survival functions of tourists by age group. Note that the numbers 1, 2, 3 and 4 stand for age groups <18, 18-35, 36-55, and 55+ respectively (refer to section 2.1).

Figure 1: Kaplan Meier Survival Function by Age



Source: Author's drawing based on statistics from TTSS (2001-2008)

Figure 1, suggests that the assumption of proportional hazard is not correct as the indicated curves cross each other. The Schoenfeld test on the residuals of the Cox PH model confirms this suggestion as it rejects the null hypothesis of proportional hazard ($\chi^2(24) = 1057, p = 0.000$). This statistical test suggests that our consideration should be entirely focused on the AFT hazards models, which covers among others Exponential, Weibull, Lognormal, Log-logistic and Gamma distributions. In order to choose the best models from among these, Akaike's Information Criteria (AIC) is employed, because some of the models do not nest in each other. According to the AIC, a model estimate with the least value

of AIC is the best. Table 2 presents the AIC values for the five mentioned models as well as the log-likelihood values.

Table 2: AIC and Log-Likelihood Values from the Survival Models

Model	Log-like hood	AIC
Exponential distribution hazard	-31491.08	63032
Weibull distribution hazard	-28675.64	57403
log-normal distribution hazard	-24841.62	49735
Lo-Logistic distribution hazard	-23995.62	48043
Gamma distribution hazard	-23759.97	49573

Based on the AIC values, the log-logistic model outweighs the rest as it has the least AIC value (48043). Therefore Table 3 provides parametric estimation results from the log-logistic along side those of the Cox regression model for comparison purposes.

² $AIC = (-2 \ln \hat{L}(M_\beta) + 2P)/N$ Where P is the number of parameters in the model, N is the number of observations and $\hat{L}(M_\beta)$ is the likelihood of the fitted model. The smaller the value of AIC the better is the fit of the model (Scott long, 1997).

(ii) Parametric Estimation

Table 3: Log-Logistic and Cox Regression of the Length of Tourist Stay

Variable	Cox-Regression Hazard Ratio	Std.Err	Log-logistic Coefficients.	Std.Err
Age	1.17***	0.011	-0.09***	0.005
Females	0.97***	0.011	0.02***	0.006
GDP	1.00***	0.000	2.66e-06***	0.000
Er	1.00***	0.000	-3.1e-05***	0.000
El	0.94***	0.019	0.05***	0.012
Childno	1.04***	0.013	-0.02***	0.007
VistFRD	0.96	0.035	0.07***	0.023
VistLSR	1.63***	0.049	-0.25***	0.019
VistBSN	1.62***	0.057	-0.52***	0.023
Adultno	1.03***	0.008	-0.02***	0.005
Tpartyno	1.10***	0.018	-0.02**	0.009
Frvists	1.27***	0.017	-0.19***	0.008
Fadest	0.87***	0.012	0.06***	0.008
Dist	1.00***	0.000	-2.3e-05***	2.9e-06
Nosites	0.64***	0.009	0.34***	0.008
Peak	0.91***	0.014	0.08***	0.009
Price	1.01	0.009	-0.01	0.007
Isource	1.21***	0.016	-0.12***	0.008
Africa	1.65***	0.082	-0.33***	0.031
Asia	1.18***	0.034	-0.18***	0.017
MEast	1.29***	0.088	-0.15***	0.040
SAmerica	1.04	0.082	-0.05	0.046
year1	0.99	0.030	-0.03*	0.017
year3	1.14***	0.028	-0.15**	0.014
Constant	NA		2.78	0.040
likelihood	-237029		-22995.62	
Chi	3454.68		5470.21	
P>Chi	0.0000		0.0000	
n	25880		25,880	

NB: *significant at 10%, **significant at 5%, ***significant 1%

Table 3 indicates that the two models are highly significant. The results of the Cox-regression are given in terms of the hazard ratio, whereas the log-logistic results are given in terms of the coefficients of the explanatory variables. It is important to note that a hazard ratio smaller than 1 implies a negative impact of the covariate on the hazard ratio, which is equivalently to a positive impact of the covariate on length of stay and the vice versa. It is evident that the null hypothesis of destination attributes being more influential than the other attributes is rejected in both models. Rather the trip-related characteristics, as measured by a tourists' frequency of traveling (frvist), business visits (VistBSN) and leisure visits (VistLSR) are more influential than the other attributes. The joint test of hypotheses proved this results beyond doubt as it showed that in totality trip-related characteristics had relatively higher influence (-0.89) compared to peak season(0.08) and demographics(-0.019). Nevertheless, destination attributes as measured by season are quite significant ($p=0.000$, logit coefficient=0.08, hazard ratio=0.91) and having a positive influence implying that during the peak season (July –September) tourists stay much longer than otherwise. In other words, these tourists must have perceived the peak season as the most ideal period for recreation and other tourist activities. As regards the trip-related characteristics, tourist purpose of visit as measured by business visits and those for leisure purposes are the most influential variables in the three categories of variables. The coefficients of both visits for business and leisure visits appear with negative and significant signs, implying that these types of tourists do not stay long unlike tourists visiting for other purpose who stay much longer. Menezes et al. (2008) established a similar result for business visits when studying tourist length of stay in the Azores.

The next most influential trip-related characteristic is frequency of traveling, which has a negative and significant influence (-0.19), indicating that a frequent traveller is associated with shorter stays than an ordinary traveller. In fact this variable increases the hazard ratio for that kind of a tourist (1.3). As previously postulated, a frequent visitor would allocate holiday time to various destinations compelling him to spend as little time as possible at a particular destination. This result however, is contrary to the study by Govakali et al. (2007), who found that an experienced tourist spends much more time than others. The demographic variables included in the model and which had significant influence include age (-0.09), per capita GDP (.2.66e-06) and exchange rate (-3.1e-05), of which all were less influential than the trip related characteristics. Other variables were number of females (0.02) number of children (-0.02), travel party number (0.02), number of adults (-0.02), distance (-0.00002) and number of sites visited (0.34)

6. Conclusion

The paper has highlighted the determinants of tourist length of stay in Tanzania. Among the key determinant are the tourists' trip-related characteristics which appear to be the most influential thus requiring the most attention by the stakeholders in the industry. To promote tourism revenue based on the tourists' length of stay the stakeholders need to diversify tourism activities to encourage business visitors and those on leisure and recreation to stay longer. Equally well, more tourists' sites need to be promoted especially those found in the western and Southern parts of the country which apparently receives relatively fewer tourists than the sites found in the country's northern circuit.

7. Acknowledgements

I am highly indebted to Professor Asmerom Kidane and Professor Nehemiah Osoro of the University of Dar es Salaam for their invaluable contribution which has enabled me to produce this work. The other

appreciation should go to Tanzania Tourism Sector Survey (TTSS), which supplied me with the cross section survey data on tourists.

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An Analysis of the Contribution of Commercial Banks to Small Scale Enterprises on the Growth of the Nigeria Economy

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ABSTRACT

The main objective of this study is to analyze the contribution of commercial bank's loan to small scale enterprises on the growth of the Nigeria economy. The study employed Gross domestic product as a proxy for economy which is the dependent variable and the commercial bank's loan to small scale enterprises as the independent variable for the period of study (1993- 2012). Co-integration and error correction model approach was used to estimate the relationship between the variables. All the variables used were stationary at first difference and the result showed a long term relationship existing among the variables. The main finding of this study is that the commercial bank's loan to small scale enterprises did not reveal any significant effect on economic growth in Nigeria within the period of study. This is attributed to the facts that the small scale operators does not have access to credit which is a major problem to small scale enterprises in Nigeria since the traditional financial institutions have not been able to meet their credit needs. Government should encourage small scale enterprise through their micro credit scheme, to give soft loans and re-introduce small business credit scheme so that the beneficiaries can use them to run the small scale enterprises.

Keywords: small scale enterprise, growth, economy, banks, loans

Introduction

The analysis of the contribution of commercial banks to small scale enterprises have stem debate and growing interest among researchers, policy makers and entrepreneurs, recognizing the immense contribution of the subsector to economic growth. The relative importance of small scale enterprise in advanced and developing countries has led and would continue to lead to a reconsideration of the role of small scale enterprises in the economy of nations. The development of many countries is often measured by such indices as the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry. The small scale industry is seen as a key to Nigeria's growth and alleviation of poverty and unemployment in the country. Therefore, promotion of such enterprises in developing economies like Nigeria is of paramount importance since it brings about a great distribution of income and wealth, development of indigenous technology, speed up the rate of social economic development, economic self-dependence, entrepreneurial development

employment and a host of other positive, economic uplifting factors (Aremu 2004). Various studies conducted indicated about 50 per cent of small and medium scale enterprises surveyed did not receive external finance while 77 percent indicated lacked of access to financial resources. The secret behind the success of a self-reliant strategy in any economy does not lie solely in any particular socio-political or socioeconomic philosophy, but so much on people's attitude to small enterprises. While some governments had formulated policies aimed at facilitating and empowering the growth and development and performance of the small scale enterprises, others had focused on assisting the small scale enterprises to grow through soft loans and other fiscal incentives in order to enhance the socio-economic development of the economy. The abundance of capital and the range of technologies available in the world expand, small scale enterprises need productivity increases through adequate financing if they are to maintain or increase their contribution to overall socioeconomic development in developing countries like Nigeria.

However, this signifies the importance of capital and its cost of sourcing for small scale enterprises development, among other factors like infrastructure and enabling environment, cheap source of funds, availability of production equipment, efficient manpower, disciplined management and availability of markets that enhance their operations in ensuring sustainable socio-economic development. The problem of inadequate finance affects small scale enterprises effective performance of other ancillary functions such as marketing, as they are unable to offer competitive credit terms to distributors, delay or cut in production resulting from raw materials shortage thus causing sometimes sharp drop in sales volume. Ekpenyong (1997) and Utomi (1997) identified inadequate capital, inaccessible credit facilities as the problems confronting small scale enterprises. Adeyemi and Badmus (2001) and Schmitz (1982), argued that adequate financing of small scale enterprises will enhance their performance in Nigeria. The study by Evbuomwan, Ikpi, Okoruwa, & Akinyosoye (2012) indicated that 75.7% of their survey respondents relied mostly on own funds to finance their businesses. A widespread concern is that the banking system in the sub sector (which supposed to be the major financier of small scale enterprises) is not providing enough support to new economic initiatives and in particular to the expansion of small scale enterprises and agriculture sector. It is noted that commercial and the hitherto merchant banks which retained liquidity levels in excess of regulation have shown reluctance in financing small scale enterprises (Sacerdoti, 2005). This paper therefore examine the contribution of commercial banks to small scale enterprises on the growth of the Nigeria economy

Literature Review

The Meaning of Small and Medium Scale Enterprise

There is hardly any unique, universally accepted definition of SMEs because the classification of business into small and large scale is a subjective judgment (Ekpeyong & Nyong, 1992). The 1992 Review by the National Council on Industrial Standards have defined Small and Medium Scale Enterprises (SMEs) as enterprises with total cost of (including working capital but excluding cost of land) above 31 million but not exceeding 50 million with a labour size of between 11 and 100 employees. It is clear that SMEs are usually small own or family managed business with its goods and services being basic. SMEs also tend to lack the organization and management structure, which characterize large-scale entrepreneur. Urban SMEs tend to be more structured than their rural counterpart. Small and Medium Scale Enterprises (SMEs) as defined by the National Council of Industries (2009) refer to business enterprises whose total costs excluding land is not more than two hundred million naira (N200,000,000.00) only.

Although, there exists no consensus among policy makers and scholars concerning the point at which a business firm is deemed to be small or medium.. The United Nations Industrial Development Organization (UNIDO) identified fifty definitions of small scale business in seventy-five different countries based on parameters such as installed capacity utilization, output, employment, capital, type of country or other criteria, which have more relevance to the industrial policies of the specific country. However, it has been suggested that the SMEs sub-sector may comprise about 87 per cent of all firms operating in Nigeria, excluding informal - enterprises. USAID (2004) defined enterprises as informal businesses employing five or fewer workers including unpaid family labour; small enterprises as those operating in the formal sector with five to twenty employees; and medium enterprises as those employing 21 to 50 employees. Egbugu (2003) noted that definitions of SMEs vary both between countries and between continents. The major criteria use in the definitions according to carpenter (2003) could include various combinations of the following: Number of employees, financial strength, Sales value, Relative size, Initial capital outlay and Types of industry. Inang & Ukpong (1992) however, stressed the indicators prominent in most definitions namely, size of capital investment (fixed assets), value of annual turnover (gross output) and number of paid employees. The Nigerian Government has used various definitions and criteria in identifying what is referred to as micro and small sized enterprises. At certain point in time, it used investment in machinery and equipment and working capital. At another time, the capital cost and turnover were used. However, the Federal Ministry of Industry, under whose jurisdiction the micro and small sized enterprises are, has adopted a somewhat flexible definition especially as to the values of installed fixed cost. Amidst several definitions provided by the Government and its attendant agency, the National Council on Industry (1991) defined micro enterprises as an industry whose total project cost excluding cost of land but including working capital is not more than N500,000:00 (i.e. US\$50,000). Small scale enterprises on the other hand is defined by the council as an industry whose total project cost excluding cost of land and including working capital does not exceed N5m (i.e. US\$500,000).

Furthermore, the National Council on Industry of Nigeria (1996) at its 9th Meeting adopted the report of its SubCommittee on Classification of Industrial Enterprises in Nigeria and approved a new set of classifications and definitions of the cottage/micro and small scale enterprises. According to the Council, cottage/micro industry is an industry whose total cost, including working capital but excluding cost of land, is not more than N1 million and a labour size of not more than 10 workers; while small scale enterprises is an industry whose total cost, including working capital but excluding cost of land, is over N1 million but not more than N40 million and a labour size of between 11 and 35 workers. Stanley and Morse (1965) classified industries into eight by size. They adopted the functional approach, and emphasized how small and medium sized industries differ from larger industries by bringing out clearly the differing characteristics which include little specialization, close personal contact of management with production workers and lack of access to capital. They argued that establishments employing not less than 100 workers should be defined as medium sized whereas those with less than 100 employees be defined as small sized. The UNDP/UNIDO Report (2000) noted that while the limit of 10 workers for Micro/Cottage Industries was flexible enough to capture about 95% of rural industries and micro enterprises in this category, the ceiling of N1.0 million may however exclude about 40% of such entrepreneurs with modest factory buildings and basic infrastructures which they require (e.g. access road, generator, bore-hole wells, storage facilities etc). In addition, while the ceilings of N40 million for Small Scale Industries and N150 million for Medium Industries are still substantially captive for these categories, the limits of 35 and 100 workers respectively were not based on the actual structure of manufacturing enterprises in the country.

Types of Micro and Small Scale Enterprise: Fasua (2006) categorized business that fall under small and medium scale as follow in small scale enterprise, firewood supply, packaging of food items, meat retailing, plantain production, restaurant service, small scale poultry raising, rabbit raising, organizing labor squad, operating a nursery for children, home service, arranging food for parties and host of others. Business grouped under medium scale according to fasua are: soap production, aquaculture/fish farming, chalk making, foam production, nylon production, concrete block production, hair/body cream productions, chemical production, commercial poultry, professional practice law, accountancy, education, food and beverage production among other.

The Contribution of Small Scale Industries to the Nigerian Economy

Even if there are controversies on definition, what is not contestable is the contribution SMEs are making to the economy. The transformation of traditional industries is one of the contributions of small scale enterprise to the growth and development of the country. Unlike the large-scale industrialization strategy, which is the category of import- substitution strategy practiced by Nigeria without any success, small-scale industrialization has made a very glaring impact on the economy of nations. About 10% of total manufacturing output and 70% of industrial employment are by SMEs (Osuagwu, 2001). SMEs also promote industrial employment through the utilization of local resources production of intermediate goods and the transfer/transformation of rural technology. In fact SMEs are generally regarded as the engine driving the growth of this and other economics and provide the best opportunity for job creation and rural development. In most major economies, the critical role of SMEs is recognized and special agencies of government are created to provide support for SMEs. The funding requirement of SMEs is also given special consideration by the formal funding institutions, Banks, micro-credits agencies, venture capital and the non-formal funding agencies like the donors and specialized NGOs. There exists a high level of consensus on the importance of SMEs, especially the SMEs sub-sector to economic growth and development. Oluba (2009) has, however, observed that the importance of SMEs varies with sectors and with the developmental stage of a country. He opined that developing characteristics such as the level of capital allocation /requirements, management size and arrangement as well as limited market access which make SMEs less amenable to the disappointing results of development strategies that focus on large, capital intensive and high import dependent industrial plants as well as failed public enterprises.

In both developed and developing countries, the traditional sector has served and continues to serve as the spring board for launching vibrant modern sector. In short the modern sector has evolved through structural transformation and modernization of the traditional type-cottage or artisan industry. In this way small scale industry can be a means of achieving a smooth transition from tradition to modern industrial sector. An immense contribution of small scale industries to the growth and development of the country is in terms of employment generation. In Nigeria this group of establishment employs greater number of persons than those in large scale business. More than half the industrial labor in developing countries engages in small scale enterprise Morawets (1974).

Since small scale industries are fairly labour intensive, they are better coping with problem of unemployment and poverty. They create more employment opportunity at a relative low capital cost; for instances while it will take N26, 000 to create one employment in a large enterprise; it takes about N8, 500 in a small scale industry Oguntoye (1990). Strong evidence based on country and regional experience shows that are major source of employment in an economy; the young part time workers, the cyclical employed and the old are employed in the small scale industries.

Small and Medium Scale Enterprise & Economic Growth: Evidence from Developed Countries and Nigeria Oluba (2009) summarized the contribution of SMEs to an economy, especially developing ones as: Greater utilization of raw materials, employment generation, encourage of rural development, development of entrepreneurship, mobilization of local savings, linkages with bigger industries, provision of regional balance by spreading investments more evenly, provision of avenue for self employment and provision of opportunity for training managers and semi-skilled workers. Also, Oluba (2009) posited that there are about 8.4million SMES operating in Nigeria with -enterprises comprise 80 per cent of the total number (about 1.3 million), small business constituting 15 percent (around 420,000) (Oluba, 2009). In terms of SMEs contribution to national output in Nigeria. It has been reported that the SMEs, by revenue, contribute about 75 per cent all entrepreneurial activities that make up Nigeria's gross domestic output, 21 per cent within the -enterprises while 4% belong to the large complex organizations. It is also scored high in entrepreneurial dominance because of its potential in pooling skilled and semi-skilled workers.

Challenges Facing Micro and Small Scale Enterprises in Nigeria

There are various challenges facing micro and small scale enterprises in Nigeria; while some are financial others are non financial. The financial constraints include those factors that prevent micro and small scale enterprises (MSEs) from accessing funds easily, inadequate sources and supply of funds has been a major setback to the realization of many brilliant business ideas and outward expansion of existing business. The inability of the small business owners to raise funds expand their business has been linked to poor business history, high risks, associated with starting new business, which banks tend to avoid, insufficient collaterals, inadequate record keeping and knowledge of the risks facing their business. Record keeping is particularly important to the integrity of the business. The prevailing corrupt tendency in Nigeria society, which has permeated the fabric of the society including Nigeria entrepreneurs, have prevents most small and medium enterprises operators from keeping adequate records. Many entrepreneurs avoid paying tax into the relevant authorities. Poor governance structure is another factor preventing small and medium enterprise to access founds easily from banks and other specialized financial institution. An industrial analysis recently observed that one of the reasons why micro and small scale enterprises (MSEs) funds has not been invested, is the operator prefer to get the funds as loan, rather than as equity contribution. To gain access to finance, micro and small scale enterprises (MSEs) owner should learn to put up realistic business plan supported with financial projections, which highlight the profitability of the enterprises before they seek for funds. Such companies should be duly and legally registered with appropriate authorities maintain financial records and put in place strong internal control mechanism. Above all, the operators should be knowledgeable about the kind of business they want to venture into.

Ways of Developing Micro and Small Enterprises to Enhance National Development in Nigeria: Micro and small enterprise play dispensable role in national development and to reflect its acceptance and recognition of this, the federal government must has small business policy at the top of its agenda; it has to put concrete steps in place to ensure they are able to grow and prosper. In for instance one of the ways of doing this, will be set up a national small business (NSBO) along the line of the small business agency in the United State and Medium Business Services. The national small business office (NSBO) will be an independent body and will have overall responsibility nationwide for all policies and program relating to small and medium business including micro business, will have its own budget, and will be closely monitored by and answerable to the National Assembly.

The national small business office (NSBO) can be replicated at the state level. The state small and medium office will have responsibility for running national policies and program set up by national small business office (NSBO) at the state level and will also be directly answerable to state Assemblies. The task which will be appropriate to national small business office (NSBO) will be the promotion of exporting activities amongst small businesses to make them more outward looking and more able to participate in the global market place. Another important way of developing micro and small scale enterprise is by establishment of a small Business Development Bank (SBDB) to concentrate solely on the funding to indigenous businesses.

The small Business Development Bank (SBDB) will help to combat the problem of undercapitalization by providing the necessary cost effective and easily accessible funding for business.

Moreover, it should not be the sole responsibility of government to provide financial assistance to business. With high number of billionaires originated from developing countries like Nigeria, the national small business office (NSBO) has to find a way of encouraging them to invest their wealth in small and medium enterprise, thereby helping them and the country to grow. Lastly, micro and small scale enterprises should from time to time organize training program for their employees on how to use some modern equipment like computer and other machines to enable them cope with the changing technology.

Policies and Incentives for Promoting Small and Medium Scale Enterprises in Nigeria

Consequently, the provision of the following elements will assist in creating the enabling environment for competitiveness and growth of SMEs in Nigeria, and optimizing the full benefits of Financial System Strategy 2020. According to Etim (2010), the elements are;

Fiscal Incentives and Support: Tax rebate - for SMEs that put effort on local sourcing of raw materials, needed in adding value to commodities for exports and other business ethics, which government may wish to foster. More so, government could increase funding for the development of the sub-section through direct budgetary allocations and enhance private sector investment opportunities that will focus on specific areas of capacity enhancement/building.

Infrastructure Development: Development and upgrading rural/urban road and rail networks, water and air transport systems and communication infrastructures by government and the private sector. The current situation whereby each industrial enterprise is compelled to provide its facilities to offset deficiencies in public infrastructures is detrimental to viability and efficiency in production.

Cluster formation: Encouraging networking among SMEs operators and use of shared facilities such as Common Facility Centre (CFC). This also involves development of and access to information and communication technology and partnership among operators, which will help reduce cost of production and improve product quality and competitiveness. In this way, the SMEs would be positioning themselves to benefit from the implementation of the NEPAD (Udechukwu, 2003).

Strengthening of rural access to financial services: Strengthening of rural access to financial services for the provision of medium-to-long-term financial product to promote development, for improvement of the conduct of monetary policy, and efficiency of the financial system

The problem of high interest rates: The problem of high interest rates which is between 20 and 25 percent need to be redress. This is because the spreading between lending and borrowing rates is high in Nigeria, with banks preferring to give lower rates to blue chips. This calls for more subtlety in handling the differentiation, so that optimal results can be achieved as a spread from all sectors of the economy.

The need for the establishment of laws: There is the need for the establishment of laws that are consistent with modern realities. The nation would also need to put in place fast justice adjudication commercial courts to settle disputes with the same magnitude as is done in the UK and USA.

Research findings: Making technology available and affordable - the system of making available the results of research institutions in new production techniques to SMEs through extension outreach for popularization, demonstration and adoption should be further strengthened. This will reduce cost of production, distribution and marketing which will raise competitiveness, allow expansion and create more jobs.

Methodology

The methodology of the study comprises of the population, data collection, techniques of analysis, and model specification

Data Collection

The study is based primarily on secondary data obtained from Central Bank Statistical Bulletin. The data collected are the value of Gross domestic product as a proxy for the measurement of economy and the amount of money contributed to small scale enterprises by commercial banks (loan) for the period studied. The gross domestic product was deflated to obtain the real GDP.

The gross domestic product is the dependent variable while the amount of money contributed (loan) to small scale enterprises by commercial banks is the independent variable. The period of the study is between 1993 and 2012. The period was considered to be long enough to guarantee the adequacy of data reliability of result as well.

Statistical Analysis

Regression analysis was carried out for the estimation based on ordinarily least square method with the aid of Microfit 4.1 where a test for co-integration and error correction mechanism was used to analysis the data.

Model Specification

The functional relationship between the variables is expressed as

$$Gdp=f(cbks).....equ.1$$

Where Gdp= Gross domestic product

cbks =commercial loan to small scale enterprise

Specifically, the model is specify as

$$Gdp=a+\beta cbks+e....equ.2$$

Where a= constant

e=error term

Analysis of Result**Table 1: Co Integration with Unrestricted Intercepts and No Trends in the VAR**

Co integration LR Test Based on Maximal Eigen value of the Stochastic Matrix

15 observations from 1997 to 2011. Order of VAR = 5.

List of variables included in the co integrating vector:

LNGDP SMES

List of eigenvalues in descending order:

.83351 .014059

Null	Alternative	Statistic	95% Critical Value	90% Critical Value
r = 0	r = 1	26.8923	14.8800	12.9800
r <= 1	r = 2	.21238	8.0700	6.5000

Table 2: Vector Error Correction

15 observations used for estimation from 1997 to 2011

Regressor	Coefficient	Standard Error	T-Ratio[Prob]
Intercept	7.2529	3.7742	1.9217[.113]
dLNGDP1	-.11481	.24938	-.46038[.665]
dSMES1	.3556E-5	.1276E-4	.27856[.792]
dLNGDP2	-.28065	.26473	-1.0601[.338]
dSMES2	-.1582E-4	.1058E-4	-1.4948[.195]
dLNGDP3	-.15964	.30414	-.52490[.622]
dSMES3	-.1083E-4	.1032E-4	-1.0495[.342]
dLNGDP4	-.43894	.31799	-1.3804[.226]
dSMES4	.1029E-4	.1202E-4	.85583[.431]
ecm1(-1)	-1.0303	.56764	-1.8151[.129]

List of additional temporary variables created:

dLNGDP = LNGDP-LNGDP(-1)

dLNGDP1 = LNGDP(-1)-LNGDP(-2)

dSMES1 = SMES(-1)-SMES(-2)

dLNGDP2 = LNGDP(-2)-LNGDP(-3)

dSMES2 = SMES(-2)-SMES(-3)

dLNGDP3 = LNGDP(-3)-LNGDP(-4)

dSMES3 = SMES(-3)-SMES(-4)

dLNGDP4 = LNGDP(-4)-LNGDP(-5)

dSMES4 = SMES(-4)-SMES(-5)

ecm1 = .46013*LNGDP + .5986E-5*SMES

```

*****
R-Squared          .66378  R-Bar-Squared          .058594
S.E. of Regression  .56764  F-stat.  F( 9, 5)  1.0968[.486]
Mean of Dependent Variable  .24195  S.D. of Dependent Variable  .58503
Residual Sum of Squares  1.6110  Equation Log-likelihood  -4.5503
Akaike Info. Criterion  -14.5503  Schwarz Bayesian Criterion  -18.0906
DW-statistic        2.2260  System Log-likelihood  -157.5514
*****

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Source: computer printout (2013)

Co-Integrated Test

The co-integrated result in table.1 above shows that the residual is stationary that is integrated of order zero. Since Gdp and cbks are co-integrated, the short-run adjustment dynamics can be done by an error correction mechanism.

Error Correction Mechanism

An examination of the econometric results in the table above shows that the overall fit is relatively strong with an R-squared of 66%. Thus 66% of the systematic variations in Gross domestic product are explained by the error correction mechanism (ecm). The F-statistic of 1.0968 is significant at 5% level and the DW-statistic of 2.2260 shows the absence of first order serial correlation. The t-statistic of 0.27856 is not significant at 5% level; this means that the commercial banks loan to small scale enterprises does not have impact on the growth of the Nigeria economy. This is attributed to the fact that the small scale operators do not have access to loan facility. The co-efficient of error correction mechanism is significant at 5% level and it is negative (-1.8151) which can therefore act to correct any deviation from long-run equilibrium. The sign of the co-efficient shows that there is a direct relationship between Gross domestic product and the amount of money contributed to small scale enterprises by commercial banks.

Conclusion

This study has attempted to examine the impact of the loan of commercial banks to small scale enterprises on the growth of the Nigeria economy. Based on the findings above, we hereby conclude that: The growth of the Nigeria economy does not depends on the loan from commercial to small scale enterprises. This is attributed to the facts that the small scale operators does not have access to credit which is a major problem to small scale enterprises in Nigeria since the traditional financial institutions have not been able to meet their credit needs. However, access to capital or finance is necessary but not a sufficient condition for successful operation. If one has the entire funds in the world and does not have the capacity to manage that fund and does not have the necessary information as to what he/she should do, the money would go down the drain. Government should encourage small scale enterprise through their micro credit scheme to give soft loans. Government should also re-introduce small business credit scheme so as for the beneficiaries to use them to run the small scale enterprises. Government, chamber of commerce and industries and other non-governmental organization should regularly organize seminars for potential and actual small and medium enterprise operators where they should be educated on how to plan, organize, direct and control their businesses to foster the Nigeria economy.

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The Study of O2O Business Model Development Strategy in SMEs

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ABSTRACT

Under the new situation of economic development, structural adjustment and industrial upgrading has become an inevitable trend. The survival traditional advantages of SMEs (small and medium sized enterprises) gradually disappeared, facing the great challenge of development. How to use the new innovation mechanism of ecommerce model, to strengthen the vigor and impetus for enterprise development in the new economic environment and to reinforce the growing momentum of business are becoming more and more important. This paper will focus on the introduction of O2O model and its development strategy in SMEs, therefore to promote the application and development of electronic commerce.

Keywords: O2O business model; development strategy; SMEs; electronic commerce

China's economy has experienced nearly 20 years of rapid development; economic structural adjustment and industrial upgrading have become increasingly urgent. The traditional advantages of SMEs, such as cheap labor force, low threshold competition advantage are gradually disappearing. But with the rapid development of Internet technology, the fast integration of e-commerce technology and mobile communication, O2O is rapidly becoming a new business mode with huge market potential. Its rapid development has injected vitality and new energy to the small and medium-sized enterprise. By the rapid development of O2O business model, SMEs can enhance the brand concept, seize market share and interact with customer in a timely manner so as to gain the new growth momentum in the new economic environment.

1. Characteristics of O2O E-Commerce and Its Development

E-commerce is trading in products or services using computer networks, such as the Internet. e-commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange(EDI), inventory management systems, and automated collection systems. [1] Compared with the traditional e-commerce, O2O e-commerce has its unique advantage.

- First, the widespread existence. Users will change constantly in the mobile condition. It will not subject to restrictions of time and places (as long as the mobile phone signal) to conduct business activities.
- Second, highly individualized experiences. The mobile terminal service users are generally personal mobile phone users, They can customize the corresponding services and information according to their needs and preferences.
- Third, better portability. The mobile terminal is very convenient to carry, and mobile payment is convenient and low with simple operation.



Figure 1: O2O Business Model

China's mobile Internet has entered a period of rapid development since 2009. According to iResearch's statistics, as of 2012 July, China Internet users reached 538000000, Internet penetration rate is 39.9%, the number of mobile phone has eclipse desktop and laptop computers as the primary way people access the internet. Mobile phone users reached 388000000, of which 3G users have more than 80000000. [2]And showing characteristics and trends of that: mobile phone network video user growth is strong, number of micro-blog users undertaking a stable growth period, mobile phone micro-blog is maintaining rapid development, the growth of network shopping users tends to be stable, payment of Internet banking and online application, IPv6 address number is increasingly growing to the third place of the global ranking.^[3]

The present development models of China's e-commerce including:

- (1) Mobile e-commerce dominated by the representative operators such as "China Mobile". The telecom operators are at the core position in the industrial chain of the information transmission by virtue of its great advantage of user number and the information channel. This kind of model focus on building mobile e-commerce platform, therefore to control the industry value chain of mobile e-commerce.
- (2) Mobile e-commerce mode dominated by the traditional e-commerce providers such as Taobao and Dangdang. This model focus on PC business operation and management experience, getting a large number of orders from the enterprises. It pays attention to the brand influence and operating capability, emphasizing to grasp the personalized demand of consumers.
- (3) Mobile e-commerce mode dominated by the new-emerging providers such as Ligo and Love-to-buy. This model has the idea of "focus + innovation". It focuses on the particularity of mobile e-commerce service, emphasizing the innovation on the mobile e-commerce proprietary service.

2. Impact on the Development of E-Commerce for SMEs

Mobile commerce is the main direction of the future development and mobile applications are the new trend in the development of e-commerce. E-commerce application has the advantages of low cost, accurate marketing orientation and personalized service. It is very suitable for SMEs quickly become bigger and stronger by using the "corner beyond" business strategy.[4]The rapid development of mobile phone users can bring enormous business opportunities for SMEs. It will lead a large number of SMEs to the era of mobile commerce, to seize the commanding heights of e-commerce and the unlimited business opportunities.

3. O2O: a new Model for the Development of E-Commerce

In the era of mobile internet, a large number of online users is the key resources for the development of SMEs. Under the background of traditional competitive advantage is dying, the SMEs can only rely on the mobile Internet giant online user resource to seek development. And with the help of mobile Internet development trend to start for e-commerce innovation, application of this enterprise.[5]So, O2O business model is the best business model for them. Unlike the traditional e-commerce of "online market and logistics distribution mode", O2O has the mode of "online market + go to shop". Consumers take orders online through network platform and complete payment, then go to a physical store. This new model is called O2O (from Online to Offline). The group purchase as the representative of the O2O, is becoming the new form of e-commerce.[6]

Now that the industry generally agree that: O2O business model will be the combination of online virtual economy and real economy. It makes the network becomes the "front-desk" which lead the real economy to the virtual world, it will be the direction of the mobile Internet and e-commerce development. It realizes the line of business to online mining and attract customers, consumers can select goods and services online, and then to the entity shop purchase and consumption. At present in China the huge market capacity has been formed, contains a hitherto unknown opportunities on the occasion, SMEs can mining large business opportunities to create unlimited value by O2O business model.[7]

4. Analysis of E-Commerce Development Strategy for SMEs Based on O2O Business Model



Figure 2: SMEs O2O Model Development Strategy

4.1 Build O2O Development Platform

The Internet has become the communication platform between people by developing from simply Web show. Now the Web platform resources is not a single one of a giant company to provide data, but a library by the distribution in each local user participation in building and sharing resource. SMEs can use O2O platform to promote sales of enterprise products with the network group purchase mode as a representative way. SMEs should pay attention to the O2O platform completely open, open platform will

be the creative force of O2O business model and will be widely applied. It is based on mobile Internet, the user identity and preferential consumption certificate recognition as a link, the city area as the core, to achieve an efficient, interactive and localization service. In the open platform, enterprises can quickly, easily deploy personalized experience, provide preferential certificates to attract consumers to the entity shop to do consumption or to have the experience, therefore benefit in return. Open e-commerce platform is vital to realize the effective implementation of the integration between virtual economy and real economy from online to offline, thus can bring passenger flow for SMEs. Physical operators can transfer online traffic to the real store, consumers can enjoy the convenience and benefits both online and offline, this realized an open service for consumers.

4.2 Provide Personalized Application Experiences

Personalized recommendation is a means of marketing, is refers to recommend the information and commodity according to the user's interest and purchase behavior. The biggest advantage is that , according to user's preferences ,it can recommend products that fit their needs. Compared with the traditional e-commerce, ecommerce has it's own characteristics, mainly in four aspects: public popularity, user-specificity, location relevance and absolutely real time display. These features make the e-commerce toward higher requirements in the personalization, real-time and other aspects of the personalized recommendation. So, personalized recommendation system of e-commerce will become a magic weapon for SMEs to win in the fierce battle between each other.

4.3 Integrate Educational Resources to Strengthen the Mechanism Construction of Talent Cultivation

Nowadays, the relative lack of professional talents in e-commerce is the cause of restricting e-commerce application and promotion. Therefore, the government should carry out a number of e-commerce training, improve the training system and set up related major to make full integration of educational resources. For the enterprise, they should carry out specialized training. And the most important thing is that SMEs should pay more intention to e-commerce talent. Without a professional guidance, e-commerce is difficult to develop correctly. It is also very difficult to bring substantial benefits for SMEs.

4.4 Construction and Implementation of Secure Transaction Environment

Bottleneck caused by the rapid development of e-commerce is the security of mobile communication has not been adequately addressed, security also needs to be further enhanced through a variety of ways. To effectively solve the security problem is necessary for solving the problem of e-commerce affairs, it will lift trading services quality to a fundamentally new level. At present, the domestic research on e-commerce security system is in progress. The e-commerce security system is gradually forming. Payment security and legal regulations is also improving constantly.

5. Conclusion

In conclusion, e-commerce is currently working towards a new field, O2O services model has its obvious advantages in SMEs. O2O business model has not just changed the consumer mentality and the service model, but bringing new challenges to the traditional e-commerce. It can be said that seeking ways to merge online and offline economy is the inevitable trend for the development of e-commerce. Therefore SMEs' O2O business model has great broad development prospects.

Acknowledgment

This work was supported by graduate innovation fund of Shanghai University of Engineering Science, China. (Code:E1-0903-14-01078)

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Study of Shuanghe Medical Corporation Human Resource Performance Management System

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ABSTRACT

With the rapid development of reform and opening up with the times, enterprise management has become the core of China's economic development, including human resources performance management to its "high efficiency", "rational" characteristic, is the concern for the people. Performance management is the core of the human resource management, performance management is a part of enterprise human resource strategy. But many enterprises after the implementation of the performance management, and did not get the desired effect, and even have the opposite effect. Given the importance of performance management in enterprise management and our country enterprise performance management, this paper starts from the basic theory of performance management, combined with the actual double crane pharmaceutical, diagnostic analysis of its current situation of performance management, based on the design of a set of scientific performance management system, assessment of the experience and lessons and through the implementation of performance system effect summary for the reference value to the design and implementation of other medicine logistics enterprise performance management system.

Keywords : The system of performance management, Key performance indicators (KPD), General performance

1. Introduction

1.1 Research Background

Medicine logistics enterprise in a wholesale drug as the main business of the enterprise, the company purchased the drugs from pharmaceutical companies, and distributed to hospitals, clinics and pharmacies. therefore, companies have procurement, sales, and logistics business. Business is more complex. Each employee thinks his has the great contribution to the company, and should has the highest reward, and feel unfair for their low income. At this point, strengthen performance management research, scientific evaluation of staff performance of employees, a correct view of oneself, have positive significance on income and contribution. Pharmaceutical logistics enterprises are facing with transformation and upgrading and competition from simple network sales to enhance the service, from the artificial logistics to logistics and distribution automation, and has put forward higher requirements of the employee self-improvement and self management. Evaluating performance scientifically and mobilizing the enthusiasm of the staff is crucial for enterprises to becoming bigger and stronger.

The enterprise human resources performance management system, and the feasibility of the implementation of the scientific nature and effectiveness will directly affect the enterprise in the process of job in human resources management level, which is not to be ignored for the survival and

development of enterprises the overall effect based on the above analysis, and strategy should follow what kind of way in the construction process of enterprise human resources performance management system? How to build the core of performance appraisal of enterprise human resources performance management system?

At present, the theory of performance management, assessment methods, assessment tools is more, but the research on the performance management system is very few. The design of performance management system is still not a mature pattern of existing. Therefore, Shuanghe medicine as the medicine logistics enterprise in rapid development needs to establish a complete set to serve the strategy performance management system as the tool of strategic management urgently.

1.2 Human Resources Performance Management Overview

"Human resources" concept, the earliest origin since 1954, America famous management scholar Peter Deruk (PeterF. Drucke) in its publication "management and practice" in one book, the process of modern Industrial organization data production is summarized. Its people and events involved in the process of enterprise production management as a new term "human resource management". Thus, the concept of "human resources" officially acknowledged, and develop to today. It has become the core of enterprise economic development and daily management that can not be ignored.

1.3 The Concept of Performance Appraisal and Performance Management Performance

The performance of the meaning can be understood from different disciplinary perspectives. From the management perspective, performance is the result of the organizational expectation, and is the organization in order to achieve its objectives in the effective output at different levels, including two aspects of individual performance and organization performance. From the angle of economics, performance and salary is between employees and the organization commitment (peer relationship performance is employee commitment to the organization, and the salary is the organizational commitment of employees), and reflects the equivalent exchange of market economy principles. From the sociological perspective to understand, performance means that every member of society in accordance with the social division of labor is determined by the role that a job. Performance evaluation is through a systematic approach to assessment and measurement principles, the staff in the office work and the work effect. After working for a period of time or the work, work instructions or control performance standard, adopting the scientific method, to check the staff on their duties, as well as the development of employees, the work on the staff of the evaluation, and the evaluation result feedback to staff process. Performance appraisal is employee compensation, promotion, transfer, training and development of a series of activities on the basis of performance evaluation, scientific and objective to enhance staff's sense of fairness, satisfaction, so as to effectively motivate employees more active and work hard.

Performance management is to plan the employees work assessment, improvement, and finally make it work activities and work output consistent with organizational goals. It is a system of ideas about individual and organizational performance, including all around, the methods to improve the performance of system, program etc.. Performance management is not only concerned about the results of the work, pay more attention to work or work process itself, focusing on the problems found, from the process to find out the reasons, the smooth realization of "rectification" constantly to ensure that the objectives of the organization. The basic idea of performance management is a continuous improvement and perfection of performance.

Performance management is to improve the staff's ability and quality, to improve and enhance the level of corporate performance. Performance management in human resource management system is in the core position. There is a very close relationship between it and a corporate human resources management system of other members. Complete performance management system is composed of performance plan, performance communication, performance appraisal and performance feedback of these four components of a system.

1.4 The Development of Important Significance to the Enterprise Performance Management

Generally speaking, enterprise performance management for the development of enterprises has a very special and very important strategic significance. First of all, the performance management is an important foundation to realize the goal of enterprise strategic planning. As a performance management of enterprise human resources management core, it can be effective on the enterprise strategic planning goals which are decomposed, and the planning and integration of these differentiation performance targets realize the benefits of the whole production enterprise promotion. Secondly, the performance management carries the responsibility to enterprise culture training and development. The enterprise culture is an important pillar of the spirit of enterprise and the benefit, having a positive corporate culture, high spirited team, which occupy a great advantage in the overall spirit of enterprise features, economic benefit. Finally, the performance management is the business value distribution and re create the inexhaustible power. The human resources performance management, enterprises can realize their own value chain to promote good, to help the enterprise to create more wealth for the society.

1.5 Performance Management Related Theories Overview

1.5.1 Principal-Agent Theory

The principal-agent theory is produced in the condition of Modern Corporation under the principal-agent relationship in enterprises, reveals the formation, development and coordination mechanism and the validity of the theory.

The principal-agent relationship of Modern Corporation enterprise has the following characteristics:

- (1) The principal-agent relationship is a kind of interest relationship, the client side to determine a compensation mechanism to encourage the agent, conscientious, and strive to achieve the goal of maximizing the interests of the principal agent selection; the direction and the behavior choice of their own, in order to achieve their own benefit (utility maximizing). Principal agent relationship is the key effective is the institutional arrangement can realize the balance of interests of both sides, so as to ensure the agent and principal consistency.
- (2) The principal-agent relationship is a contractual relationship. Trust is not a general relationship between people and agents, but through the contract strictly stipulates the rights and obligations of the two parties, but the contract is an incomplete contract. This is because the business uncertainty exists between the principal and agent, the asymmetry of information and limited rationality, the principal and agent target without consistency of the decision, the incompleteness of the contract implied agency risk, the agent may deviate from the principal objectives and requirements, resulting in harm the principal's interests, this is the so-called agency problem.

According to agency theory, the basic problems of principal agent relationship are the agency problem. In order to solve the agent problem, the first to establish the selection mechanism effectively, the agent's professional competence and credibility, executive recruiting procedures strictly, even the probation way to increase agent understanding, eliminate information barriers. However, even if the strict

implementation of the election process will produce the agent problem. Because the agent is a goal of independent interest and behavior of "economic man" behavior, goals and their clients interests may not be completely consistent; second, as an economic agent also exist "opportunism", in the proxy process may produce office neglect, damage and erosion of the principal's interests "moral hazard" and "adverse selection" problem; third, the asymmetry of market environment of uncertainty and information, the client is difficult to accurately determine the agent's effort level, the existence of the opportunism behavior of agent. In order to solve the agent's moral hazard and the opportunism tendency, the client must establish a standard mechanism to regulate and restrain the agent behavior, the agent and principal trend is consistent, thereby reducing the agency risk, improving business efficiency and returning on investment. In general, the principal to the agent's management mainly through the selection mechanism, incentive mechanism, restraint mechanism. The mechanism of selection is according to the rules of procedure selection and appointment of managers; incentive mechanism including high remuneration (wage) excitation and high quality material treatment and disposition of power; supervision and restraint mechanism mainly manifests for the control and management of managers' decision behavior.

1.5.2 Behavior Science Theory

"Behavioral science" is a study on the theory of economic management from social psychology of people, through the restoration of "human dignity" and "human nature", meet the staff "self achievement" desire as a means, to improve the management and efficiency. Under the guidance of this theory, in the management of the business, divided each responsibility center, such as "investment center", "profit center" and "cost center", the sales profit ratio as the main index, to evaluate the operating performance of each responsibility center, formed the evaluation of financial performance the center of the period to sales profit ratio. Can not be denied, evaluation of behavior science theory for the later multi-faceted enterprise comprehensive operating performance, especially it provides the theoretical basis for the establishment of including staff satisfaction and other aspects of the performance evaluation index system.

1.5.3 System Management Theory

System management theory refers to the application of system theory, principle, management activity and management process of overall analysis and Research on the enterprises and other organizations, and the use of system management method of enterprise management theory. According to the theory of system management, the enterprise is the open system of a person, its operation is affected by external factors, but also restricted by the internal environment condition, so the evaluation of business performance is affected by the external business environment (including customers, competitors, suppliers, etc.) influence.

At the same time, because the enterprise is a complete system, its operating performance by internal factors (including the production process, the management level, staff quality) influence, so as the evaluation index system of strategic performance should also be an open, complete system, the establishment of index system should be fully taken into account the influence of strategic operation performance both inside and outside the enterprise environment and condition factor. Only in this way, can the establishment of performance evaluation index system is systematic, comprehensive, the conclusion of the evaluation is objective, validity.

1.5.4 Contingency Theory of Management

Contingency management that management methods and techniques will vary with the change of internal and external environment. In management between the variables and environmental variables have a function, but not necessarily a causal relationship, this relationship can be interpreted as "if - will". "If" or some kind of environment, "to" take the management idea, corresponding management modes. Obviously, which changes as the dependent variable management thinking, management methods and techniques should vary with the change of environment variables, in order to more effectively achieve organizational goals. In general, the environment is variable, management thought and management mode is the dependent variable, but sometimes the opposite.

1.5.5 Strategic Management Theory

Strategic management is a strategic planning (or program) and the implementation of the strategy (including the evaluation and control of the process). Strategic planning is a long-term direction of enterprise development, is to realize the enterprise's strategic target planning: the implementation of the strategy is for the strategic goal of the enterprise service tactical target implementation stage, is the strategic goal of the enterprise or long-term goals to achieve. In order to seek long-term development of enterprises, should be based on a detailed analysis of the internal conditions and external environment, determine the overall planning the development of enterprises. At the same time, enterprises should also be aimed at the current situation, developed to adapt to the changes of external conditions of the strategic implementation plan. Specifically, the enterprise must correctly understand and analysis the relevant business environment, grasp the direction of operation and long-term development trends, and apart from the situation difference between short-term fluctuations. Therefore, a company must according to the long-term development direction established, clear business objectives and enterprise strategic management is to realize the service for the enterprise strategic target, strategic management is not only affected by business environment, more important is it also restricted by strategic business objectives.

To sum up, the business performance evaluation of the initial motivation comes from the people to the economic interest, the separation of two rights principal-agent relationship under the condition of strengthening people especially the contributors to the performance evaluation of importance; the development of management theory has enriched the content of performance evaluation, especially the modern management theory, contingency theory of management and strategic management theory has greatly expanded the people to carry out performance evaluation perspective, makes the evaluation method more scientific. They constitute the basis of theory of modern enterprises performance evaluation.

1.6 Research Methods and Thesis Framework

1.6.1 Research Ideas

This paper adopts empirical method, literature study method, expert discussion method and system analysis method, the theory and practice of performance management in close contact, the basic situation of the Shuanghe medicine as well as the current situation of performance management, found problems in the process of performance management. And the design of a double crane pharmaceutical characteristics of the performance management system, and gradually improves and enhances the performance management system.

1.6.2 Framework

The full text is divided into 4 parts.

The first part expounds the meaning and connotation of performance, performance appraisal and performance management.

The second part introduces the basic situation of double Crane Pharmaceutical Co. Ltd, make the diagnosis to the present situation of performance management, found the problem.

The third part introduces the effective countermeasures of human resource performance management crane company.

The fourth part is a conclusion.

2. Shuanghe Pharmaceutical Performance Management Status and Problems

2.1 Introduction

The company was established in 2001 September registered, registered capital of 83000000 yuan. The company covers an area of 30000 square meters, storage area of 15000 square meters, the business area of 2000 square meters. Company to organize a fleet of 18 vehicles per day, the ability of logistics distribution box 15000. Company to Hunan pharmaceutical market as the main body, to wholesale and allocation and distribution as the main operating characteristics, varieties covering raw material drug and preparation, Chinese herbal medicine, Chinese herbal medicine, Chinese medicine, chemical medicine preparations, antibiotics, biochemical drugs, biological products, medical devices, diagnostic drugs, health products, food, cosmetics, glass apparatus, chemical and so on, business has been radiation in northwestern South China area, etc. The company's development of speed: completed in 2002 sales revenue 7 hundred million, sales revenue in 2003 reached 1 billion, 2004 sales revenue of 1400000000 yuan. According to the national development and Reform Commission statistics in 2003 the national key Pharmaceutical Business 300, double crane pharmaceutical sales net income ranked twenty-second. From the company's benefit: 2002 profit 3300000, net assets yield of.754%; 2003 profit 2400000, net assets yield of.537%; 2004 profit 6000000, net assets yield of 12.13%. Organizational structure of the company started from the early 2005's including the human resources department, financial department, quality management department, general manager office, distribution station management department, audit department, purchasing department, transportation department, business department nine level departments. Financial department under the financial management department, three Department of accounting department and information department two level, business unit under the sales department, business development, customer service department, marketing department in four grade two departments. Marketing function as agent species planning and marketing; customer service functions both in granting credit to customer sales, including customer service of the company and the handling of complaints; the sales department is billing, contact customer and sales responsibilities. Department of transportation functions including receiving, shipping, distribution and storage of goods in and maintenance.

2.2The Performance Management of the Company

Company's existing staff of 435 people (not including the smart distribution station), because the company set up a short time, and industry fast development, the existing human resources. The average age of the characteristics of small, low average degree. From the age point of view, under 29 years of age accounted for 58.2% of staff, 39 years old of the following staff accounted for 8.74%, 40 or more employees accounted for only 12.6%.

From the academic point of view, no doctor degree, undergraduate and graduate education accounted for 1.06%, mainly distributed in the general manager's office staff, finance and human resources department; below the high school education accounted for 31.7%, secondary and technical school education 31.3%. From the post structure point of view, the Ministry of transportation keeper and review staff of 185 people, accounting for 42.5% of the total number of staff; engaged in the marketing staff of 99 people, accounting for 22.8% of the total number of personnel. Storage and transportation department and business department of 90% employees is high and the qualifications, employee quality problem has become the bottleneck restricting the development of the company. Double crane pharmaceutical starting performance appraisal from 2004, according to the "Interim Measures" provisions of the annual target assessment: department managers to take the annual salary system, from the beginning of the year to sign target responsibility book, the annual salary of 40% (A) for floating wages, to the end of the examination after the issuance, the annual performance award, the company decided to realize the annual target rate B and my results the annual examination C, the actual annual performance award.

The staff to implement the monthly assessment, and made the appraisal system, performance appraisal, appraisal of time steps are specified, examination results submitted to the human resources department, department according to the examination results excellent employees, accounted for 20% of the number of places department. Department of the main assessment for the evaluation group, at the end of the year; staff assessment is the main internal direct supervisor and department review group. In the high performance evaluation results of performance evaluation is effective, that accounted for 8.45% of the performance improvement, effective 14.08%, general 43.66%, not much effect 22.54%, as a mere formality 5.63%, 7.04% failed. This paper from the departments and staff assessment sheet to extract the monthly assessment table the human resources department annual target responsibility book and pay and training manager for analysis.

2.3 Through the Analysis of the Two Inspection Plan and Actual Effects, Double Crane Pharmaceutical Performance Management Problems

1. Misunderstanding ideas and the positioning of the performance management from top to bottom, viewed in isolation performance evaluation this behavior. The performance evaluation and complete performance management separated, that the evaluation index and evaluation. Without the establishment of the target system stratification, only emphasizes the development plan, ignoring the tracking implementation and information collection plan; focus on the judgment and evaluation, rather than the information communication and performance; evaluation emphasizes afterwards, instead of the prior communication and commitment.

Policymakers are not involved in. This belongs to the responsibility of errors, a basic, had to clear question in performance management, who to who manage performance? Who assess who? The performance management is concerned with enterprises "human", many enterprises to give the job to the personnel department to operate, high no participation, to truly understand the employees' ability and attitude of line managers into the secondary, the personnel department cannot command the various departments, the performance management work.

2. People think that performance management is the human resources department should do, but not put it as an effective tool for the whole management process.

A lot of enterprises management awareness of performance management is not comprehensive, that performance management is the performance appraisal of the employees, while the performance appraisal is only at the end of the day to check the staff performance appraisal, fill in a table, apparently the understanding of performance management is not comprehensive. Performance management includes not only the performance evaluation, including performance plan, performance analysis, performance improvement, performance communication, is a comprehensive system of management activities.

3. Performance results using a single. The results of the annual appraisal department manager applies only to the floating wages and annual bonuses, employee monthly and annual evaluation results apply only to the monthly and annual evaluation. No application in training, the staff's personal development plan, promotion and demotion and other human resources module.

4. Company goals and objectives not taking the strategy as the guidance, lead to the department goal no long-term goal of company formation strong supporting role. Department goal not fully decomposed to employees, as can be seen, and not on the training organization and human resources cost control target decomposition to pay staff training.

5. No organization. Assessment team is the very institutions, the human resources department in the performance management implementation process is merely making a plan guidance departments as well as the assessment result collection department. The performance management implementation beforehand, afterwards no relevant training content, neither the monitoring plan implementation effect, there is no tracking evaluation index can be verified or whether to set reasonable.

Evaluation of personnel quality and responsibility uneven, there is "good old" phenomenon. Evaluation results can objectively reflect the real work is assessment implementation units, mainly depends on the implementation of the assessment, the unit at the same time, the implementation of assessment personnel quality also affects.

The quality of personnel including business skills, work attitude and sense of responsibility and so on many aspects, most of those attending the examination of the higher quality of personnel, assessment more objective, fair, but we after all the work, living in a big family, appeared in the test and the test is not, and does not buckle buckle contradiction inevitably examination, some even due to the principle of sensibilities, assessment of shaken, there should not be penalized evaluation points.

6. The performance management of professional and technical capacity of human resources department is weak, the lack of scientific index set. Through the analysis of above two tables: the human resources department to confuse the index definition and standard, the company human resources costs total ≤ 3000000 , training class ratio $\geq 90\%$ and above, the definition of office supplies total cost ≤ 560000 goals as index.

Provide effective assessment data performance information platform can not. Fair performance appraisal to performance data is accurate, if not timely provide information platform of enterprise performance, accurate data support complex data calculation, data missing or incomplete data lack of authority, the company will be very difficult to make accurate implementation of the performance evaluation, not because can not accurately measure the performance assessment of the dissatisfaction

caused by employees, is losing confidence in the company's performance appraisal and confidence.

7. There are performance appraisal standard issues. Enterprise performance evaluation standard has the following two problems: one is to formulate assessment criteria. But no jobs using the analysis method, the different positions have different responsibility. Between different positions of the same level there are post is difficult, so the performance appraisal standards must exist differences. However, many enterprises in the standard no will this difference into account, causing those responsibilities more tasks difficult staff psychological strong dissatisfaction, seriously affected the enthusiasm for work; two is the scientific evaluation standard is not strong, the single method. Thus the evaluation standard in practical operability is not strong, not to mention the quantitative index. The human resources department in the formulation of standards only for the enterprise managers views, but no communication with the staff, to give play to the subjective initiative of employees. Evaluation methods of the single. Take a single reduction method caused resentment of staff, on the one hand, work more mistakes more points, more, so that employees have no sense of fairness; on the other hand, only stipulate what performance is not recommended, and not the standard of excellence, lack of staff improvement direction.

8. Performance management feedback mechanism is not perfect. Performance evaluation for value evaluation, a direct impact on the enterprise value distribution and personal economic interests, it is a sensitive issue. In view of the sensitivity of performance appraisal, some units may not be disclosed to the assessment methods and evaluation results, the lack of sufficient knowledge and clear the role and significance of communication. Coupled with the many reasons lead to errors in assessment, influence of science, impartiality, objectivity of performance appraisal, so that employees have a reverse psychology on the assessment itself, leading to evaluation results of distortion, can not achieve the purpose of solving the problem, the problem. Therefore, a sound performance feedback mechanism is very necessary. Broadly speaking, performance management should include the incentive and restraint mechanisms or reward and punishment system, performance appraisal and reward system are two sides of a coin, only examination and punishment does not follow to go up, assessment will exist in name only; if the assessment is poor, reward and punishment will lose the basis, even with the award penalty, punishment is. Many enterprise leaders tend to emphasize the assessment and not talk about the reward and punishment, is difficult to continue the examination. Can say, accurate, timely reward and punishment is the basic guarantee of performance management system.

3. The Effective Countermeasures of Human Resource Performance Management

In view of the current state of the above analysis of enterprise performance appraisal, it is necessary to develop a more comprehensive, scientific, effective performance appraisal system, the establishment of a fair and reasonable performance appraisal system. Only in a full competition, fair treatment and incentive environment to carry out the assessment, to ensure the rationality of the system..

3.1 Through the Performance Index, the Strategic Objectives of the Company and Employee Goals Together, Forming a Goal Decomposition Layers, Layer Upon Layer and Supporting Effect

Performance management since it is in order to realize the strategic target, ensure the therefore, we should first according to the strategic objectives clear performance management, especially the performance evaluation goal, also is our fundamental objective of performance management and what is the goal to be achieved. The goal for the assessment and the assessment to be provided for understanding, monitoring and evaluating the objective standard, Is it right? To reach such a goal is the fundamental premise and objective basis to test the performance of the. In this role: 1) provides an objective, we can

understand and accept the foundation for determining the performance level of completion. 2) between the reduction in examination and assessment for the executive is expected to obtain performance results of misunderstanding. 3) clear executive should either be desired degree and the results achieved in the implementation process, so that the performer self monitoring. Based on the performance appraisal decomposition of organizational goal is the key to human resource performance evaluation. An important objective of our implementation of performance appraisal is to put the goal into individual performance goals through performance appraisal system. The monthly 5 days before the general manager of the vice chief and middle, middle of the supervisor, for employees, employees together with direct superior around target establish their respective assessment objectives, targets and not finally reflected in the scores, and then through the performance appraisal results to measure organizational status, and the status quo and the future target contrast, to find out the gap, on the basis of the adjustment and optimization of enterprise resource and management mechanism to continue to narrow the gap, and ultimately to achieve organizational goals.

3.2 Introduction of the Modern Concept of Performance Management, Increase System Design, Implementation and Post Implementation Training Propaganda, Enable Managers Grasp This Tool of Performance Management

Enterprises should strengthen the propaganda of performance management, make the enterprise managers to realize the importance of performance management, improve management techniques and ideas. Only to the performance management work seriously, can we take effective measures for management, therefore, companies must carry on training to the management, change management concepts, enhance their understanding, so as to promote their development of performance management system and the plan in line with the actual, take a correct attitude towards work. Examiners need to pay attention to is, different types of jobs and work in certain aspects of the work must have a clear record and impression, if all staff until the end of the examination, I am afraid the reviewers can only rely on subjective feeling, or rely on a written report and the lack of real understanding of elasticity. And the stages of positions to staff assessment, to make the work results timely evaluation and feedback, to improve the work in time, avoid the accumulation of the problem to the next stage. This requires enterprises to deal with the daily work of the behavior of some simple records, as assessment basis.

3.3 Index System of Set Scientifically Verifiable, the Definition of Each Index is given Clear, Qualitative

Indicators to Measure to Describe the Refinement

Enterprises should be in accordance with the justice, strict, scientific and quantitative principles, to establish the performance appraisal system, in order to "score" to summarize the assessment results, according to the final examination scores from high to low ranking, divided into advanced, good, qualified, basic qualified 4 assessment grade. At the time of setting the weights to the weight problem in the same index under the comprehensive consideration of the enterprise, to the expert scoring on indicators, and then put it in a typical industry to test its accuracy, and then as the industry index weight for the same or similar industry, avoid behavior make it rigidly uniform index weight determination.

3.4 Staff for the Performance Evaluation to Create the Necessary Atmosphere

People is one of the most active factors of production enterprises. Between the enterprise interpersonal communication is an important way of enterprise performance evaluation. Connecting the enterprise has to control and coordination of human resources to establish a highly efficient management team. To reduce the operation cost "human related aspects at the same time, enterprises should also be regular for

human resources education.

Through education, makes the enterprise managers, department heads, staff to establish performance appraisal consciousness, let us understand the development of enterprises and the relationship between the performance assessment, to understand the interests of enterprises and personal interest is always inseparable from the enterprise employees, so that the biggest problem of people related to the enterprise can create a good atmosphere of performance management is everyone should be concerned about.

3.5 Establish and Improve the Incentive System

The ultimate goal of human resource performance management, is to realize the overall economic benefits of the enterprise promotion, the greatest degree of tap their own value, and is by no means the distance between employees, widening the punishment of employees. Therefore, to establish a set of reasonable system of employee motivation, efficiency is particularly important, it can effectively stimulate staff's work enthusiasm, improve employee sense of ownership of enterprise. Therefore, in order to realize the Shuanghe companies improve in performance management system, it must establish and perfect enterprise internal staff motivation. Specific to the actual, Shuanghe may establish performance appraisal and salary reward enterprises linked to the incentive system, stimulate their ambition to real economic interests, the construction of enterprise positive competition atmosphere. In addition, the company also should combine the Shuanghe other incentives, such as advanced individual power priority, subordinates and colleagues on the emotional incentive, staff family care policy, through the enterprise encouragement and thought influence, enhance coordination between staff and leadership staff, coordination, strengthen enterprise cohesion, centripetal force, maximum the benefits of the group work.

3.6 Strengthen Communication with Employees; Adhere to the Principle of Fairness

Leaders should strengthen communication with employees in the usual work, understand the working characteristics of employees and needs, in the development of performance appraisal goal should listen to the views of staff, to consider in the interests of employees, if it is found that the staff of the performance appraisal have misunderstanding, to strengthen the ideological education of employees, which realized the importance performance appraisal. The most important is, in the performance appraisal process must adhere to the principle of fairness, the employees have a fair opportunity to compete, the content of the examination should also include all the content of the work, it can not only stimulate staffs work enthusiasm, to promote the staff to enhance learning, improve their own skills. At the same time, to maximize the active participation of the staff appraisal, consciously with the performance management.

3.7 Performance Results are Applied to the Title, Salary, Training, Individual Development Plan and

Occupation Career Development Planning

Enterprises should be able to make full use of performance appraisal results. The ultimate goal of performance assessment is through the performance, promote the work behavior and work attitude of employees, so that the work efficiency can be improved. Therefore, enterprises in the process of performance appraisal, to be able to make full use of the results of performance appraisal. Firstly, the performance appraisal is responsible for personnel to be able to turn the performance evaluation results reported to the enterprise management personnel, and make corresponding analysis for the overall performance of enterprises, analysis of existing problems and countermeasures. Secondly, performance

evaluation and assessment personnel to be able to fully communicate, timely the evaluation results are reported to the assessment by the staff, and evaluation by the existing staff performance problems, and put forward the improvement countermeasures. Finally, the enterprise should formulate the material and spiritual incentive measures, so that employees can consciously improve their behavior in positive and negative reinforcement process.

3.8 Perfect Performance Management Communication and Feedback Mechanism

The performance of communication and feedback mechanism to remove barriers, to maximize the effectiveness of performance management. Communication should be throughout the course of performance appraisal, to the development of performance plan fully and employee consultation, in performance appraisal and examination to the effective protection, so that the examination opinions, modify the progress, and the strategic objectives of the enterprise agreement.

4. Conclusion

Synthetic paper, we discover not hard, the performance management of human resource has a great effect on our business development. Especially for the pharmaceutical enterprises in China -- double Crane Pharmaceutical Co. Ltd., with its "performance appraisal" oriented performance management, to build a stable platform for the development of enterprises. However, the imperfect performance management system and the single mode of management, also caused some obstacles for the future development of Shuanghe company. In order to realize Shuanghe in human resources performance management reform, we can set up a scientific and effective performance appraisal system, the excellent quality of the construction of enterprise culture and strengthen the overall quality of staff training to improve the implementation level, Shuanghe in economic development take-off to the true meaning .

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Decision-Making Style and Investment Success of Retail Investors in Malaysia

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ABSTRACT

Since the past three decades, numerous contributions have been made by the traditional finance proponents in assisting investors making good investment decisions assuming that they are rational decision makers, and unbiased in predicting the future. Nevertheless, proponents of behavioural finance always argued that people do act in irrational manner and often make predictable errors in their forecasts thus violated these assumptions. Market anomalies and crashes are some of the examples that explain the existence of psychological bias that lead to inefficient outcomes. When come to investing, different investors would have different investment style and strategy, depending on their objectives. Some don't even have strategy and would rather ask for 'hot tips' or listening to rumours. Prior studies revealed that some investors would prefer listening to strangers when the stock is fundamentally strong and consistent with their investment goals. This consequently would affect their investment objectives, causes mispricing, discourage trading among market participants and contribute towards market inefficiencies. Thus, in line to address this gap, the main objective of this research is to study the factors that influence investors' decision-making style and investment success. The research framework is adopted from Muhammad and Abdullah (2009), which suggested that investors' decision-making style and investment success could be influenced by the ability to analyze the environmental, financial and economic information (i.e rational manner) and individuals' emotions and frame of references (irrational manner). The research identified that investors' decision-making style is heavily influenced by financial analysis in which contributes towards their investment decision success. In other words, investors are rational when making decision investing in the capital market. On the other hand, other variables do not show any significant relationship with the dependant variable.

Field of Research: behavioural finance, decision-making style, prospect theory, efficient market hypothesis

1. Introduction

One widely accepted propositions in traditional finance theory is the efficient market hypothesis (EMH) which can be defined as a market that adjusts rapidly to new information or in essence, efficient in processing information. In short, the EMH postulates that the current market price for a stock reflects all available relevant information, the best estimate of value, and changes immediately every time information arrived (Nassir, 2002). Similar view also shared by Shiller (2003) where he mentioned that the price changes are unpredictable since they occur only in response to genuinely new information. In line to this, investors are expected to think rationally and use all available information to form rational expectations in the stock market, which in consequence would encourage the stock price to be accurate

and reflect the fundamental values and it shall move up/down only if unexpected things happen. Hence investors should only expect to obtain a normal rate of return since all available information has fully reflected in the stock price (Ross et. al 2010).

1.1 Issues and Problems

Despite the rational expectations, Letkiewicz and Fox (2014) argued that in reality, there are quite a number of complicating factors currently existing in the marketplace, such as information asymmetry (Kozup and Hogarth, 2008), corporate greed and individual's own cognitive bias (Huston, 2010; Willis, 2008 and Cohen, 2008) which call into question the reliability of the traditional expectations.

In addition to that, recent economic turbulences have changed investors' behaviour in making investment decisions and challenged the traditional efficient market theory. For instance, the NASDAQ Composite Index experienced rare increase, rose by 170% during the speculative bubble in 1998 and lost half of its market value three years later. The Stockholm index (SAX) were experiencing the same phenomena of 118% increase in value during the corresponding period, and devalued by 43% in October 2001 (Johnsson et. al, 2002). The 1997-1998 financial crisis which first hit in Thailand and spread to other countries within the East Asian region saw a major meltdown in the Asian Stock Market with Kuala Lumpur led the highest percentage fall in value of 76%, followed by Jakarta and Philippines (-65%), Thailand and South Korea (-64%), Hong Kong (-56%) and Singapore of -58% (Sulong, 2011). Similar to this, Ali et. al (2009) in their study revealed that the Malaysian stock market tends to overreact prior the 1997-1998 Asian financial crisis and results from the phenomenon had created awareness among investors as things goes back to normal after the crisis. This unusual phenomenon has further proven that the traditional finance practices have been overshadowed by the irrationality shown by the investors when making investment decision. Shiller (1999) in Muhammad and Abdullah (2009) further argued that in reality investors do not behave and think rationally. Instead, driven by greed and fear, they become 'enemies' to the financial market by speculating stocks, attacking the currency which is one of the reason that further worsen and aggravated the Asian financial crisis (Sulong, 2011).

consequence such biases could create market inefficiencies. Examples of psychological biases that seldom caused market inefficiencies and mispricing includes individual cognitive bias, excessive optimism, overconfidence, heuristics, and social psychology (Shefrin, 2007; Nassir, 2002). Fromlet (2001) consider it as a subject that deals with investors' reactions, adaptation and ways in gathering and using information that they received. Olsen (1998) further added that behavioral finance focuses on psychological principles for financial decision making improvement. As suggested by Muhammad and Abdullah (2009), issues related to investors' behaviour should be given highlights since it helps to explain various anomalies which are to date is still persistent and tend to challenge the standard finance theory. In addition, behavioural finance will further justify why investors buy, hold, sell or did not buy stocks at all, at a particular time and period. A further study by Nassir (2002) highlighted some implications of behavioural finance to the Malaysian stock market. The outcome revealed that irrational decisions will create mispricing, artificial prices and will further discourage trading among market participants due to investors' reluctance to risk their money trading at prices which is considered too high or far below intrinsic values. With the latest dimension and technological advancement, the capital market today offers range of financial instruments that enables everyone to invest whether in stocks, bonds, loans or unit trusts. In line to this, different investors would have different set of investment strategies (or even no strategies) and views (or even no views) especially when trading in the stock market.

Olsen (1998) revealed that most investors prefer to accept small returns with certain profits, rather than high return with uncertain profits. In short, they classified themselves as risk-averse rather than risk-takers. In addition, further study by Frieder (2004) and Olsen (1998) discovered that some investors would prefer listening to strangers or friends when investing rather than making fundamental analysis on the respective stocks, which could negatively affect their investment objectives. Meanwhile in China, a study done by Wang et. al (2006) found that most of the investors are lacking in knowledge and skills when investing. On a same note, Diacon (2004) verified the similar finding in United Kingdom. These evidences have further proven that investing is not just simply weighting the risk and return of an investment, but it constitutes more than that. However it is surprisingly to see that most literatures are mostly confined to the practical benefits of low risk and high investment returns. To date, studies on investment decision style in developing countries including Malaysia is still sparse thus requires further attention. Of all literatures, only Mansor and Lim (1995), Baghdadabad et. al (2011) and Muhammad and Abdullah (2009) had studied about Malaysian retail investors' behaviour and decision-making style but the scope of analysis was limited to Klang Valley area and does not represent the overall general behaviour of Malaysian investors. Lai et. al (2001) did another similar study but were merely focusing on institutional investors' behaviour and two main rational constructs were only being used which is fundamental and technical analysis. Thus, this research is to fill this gap by including more constructs that explain both rational and irrational behaviour, and expanding to a larger scope of analysis which will include one of the most populous states in Malaysia (Tourism Malaysia, 2010) that is Sabah, which generally known as The Land Below the Wind. Reasons that further motivate the research to be done in this area are the differences in its economic and social lifestyle, multi-ethnicity background, as well as different set of living standard as compared to West Malaysia.

By taking into consideration on these perspectives, the investment decision behaviour could differ compare to other states and countries.

1.2 Research Objectives

The overall intention of this research is to gain knowledge on decision-making style and investment success of retail investors who invest in the capital market in the state of Sabah, Malaysia. Thus, this study embarks the following objectives:

- 1) To investigate the factors that influence investors' investment- decision making success and its decisionmaking style investing in the capital market.
- 2) To explore the demographic characteristics of investors participating in the capital market investments.
- 3) To propose policies on assisting investors to become a better decision maker in the capital market investments.

2.0 Literature Review

It is interesting to see how investors make investment decision especially for emerging country like Malaysia. Unlike other stock market in developed countries, Malaysia is yet to be considered as fully developed stock market since most investors are believed to overreact to market rumours, speculations, and economic development issues. For some investors, information plays an important role in assisting them making good financial decisions especially in the stock market investment. Mansur and Ali (1995) highlighted that Malaysian market are still vulnerable to a great external challenge and global market changes thus somehow making it difficult to attract long-term investment to Malaysia. From institutional investors perspectives, Lai et. al (2001) in their study revealed that most investors relying heavily on internal and external information of the organization before making any stock selection.

Furthermore, it was discovered that fundamental analysis appears to be the most popular method for share appraisal. This proved that despite being labelled as developing stock market, Malaysian investors are still rational and prudent, not easily swayed by emotions, feelings of belongingness or any other psychological interference when making financial decisions. They further added that institutional investors disregard rumours and political speculations that surrounded the stock market at the time the study was being conducted. Nonetheless, the research is only discussing on decision-making style and preference from institutional investors point of view, and does not represent retail/individual investors' behaviour. Ou and Penman (1989a & 1989b) stressed out the importance of using information from financial statements and conducting fundamental analysis, in which they argued that financial statements contain useful information for distinguishing permanent and transitory components of past earnings. Day (1986) on the other hand, viewed information on company management as an important source of external information (besides financial statements) in share appraisal. There are a quite number of literatures that have investigated behaviour and decision making style of retail investors. Siconolfi (1988) revealed that investors' practices and techniques in the United States immediately changed after the market collapse in 1987 whereby they altered their security preferences in reaction to the stock market crash. Hossain and Nasrin (2012) highlighted the importance of company specific attributes/reputation and accounting information that could influence investors' selection of equity shares traded in Dhaka Stock Exchange (DSE) in Bangladesh. In line to this, interaction with brokers and dealers also plays an important role in influencing investors' decision-making success. In Jordan for instance, most brokers do not employ professional and trained analyst thus lose their clients' trust. Thereupon it forces the investors to educate themselves with financial knowledge so that they would be able survive in the complexities of financial markets as well as combating market manipulations (Fares and Khamis, 2011). In short, having good financial knowledge is considered important for investors in which it could assist them in making a good stock selection. Another important finding was also highlighted by Bagddadabad et. al (2011) who conducted a study on small investors' behaviour in choosing stock in the Malaysian stock market.

They revealed 13 important factors that can influence small investors' decision for stock selection, which some of them includes financial statement of companies, accounting instruments, past return, firms' public information, financial ratios, secondary information and fundamental analysis.

Irrationality & Psychological Interferences

It has long been argued and proven in several countries that psychological factors do influence investors' decision-making style and preference.

Ngoc (2013) for instance, did a study on behaviour pattern of individual investors in Vietnam and revealed that there are five behavioural factors that have an impact on investors' decision. The five dimensions of behaviour patterns that exist are herding, market factor, prospect factor, overconfidence-gambler's fallacy, and anchoring.

Having these psychological interferences could affect and change investors' risk preference on their investments thus reducing their wealth. For example, if investors are susceptible to loss aversion (under Heuristics dimension), it will change their mind-set where they tend to feel stronger impulse to avoid losses than to acquire gains. In consequence, it causes investors to hold their losing investments for too long and sell winning stocks, which could further lead to sub-optimal portfolio returns (Pompian, 2006).

In the Malaysian context, Mansor and Lim (1995) conducted a survey on investors' behaviour and practices in Klang Valley and found that 73% of the investors involved in profit taking for short-term capital gain, and speculated in the bullish market. In other words, the retail investors trade based on rumours, speculations, tips or random picking stocks. On the other hand, only 32% of the investors did fundamental analysis before making investment decision. However during bearish market, investors' behaviour changed whereby almost 52% of these investors would resort for fundamental analysis and look for long-term profits. The use of technical analysis to predict future stock price movement increased from 16% to 26% during the said period, which further indicates the inefficiency in the stock market investments. In short, retail investors are said to be partly rational when making investment decision and these rationality differs according to market conditions.

Similar findings also confirmed by Muhammad and Abdullah (2009). Using a framework based on theory of behaviourism, they hypothesized investors' decision-making style and investment success into two main categories, namely rational and irrational types of behaviour. Rational behaviour is when investors consider and analyse all available financial, economic and environmental information before making decision to involve in the capital market investments. While irrational is defined as making shortcuts from doing fundamental analysis and relying on emotions, investment tips/advice from strangers, speculations and rumours. They reported that retail investors used all available economic information and at the same time follow opinions/recommendation from the stock broking experts as well as tips from relatives and friends when making investment decisions. Their findings on investors' partial-rational decision making had come to urgency to have the social interaction and network effect, as it serves as a key to understanding investors at micro level and the dynamicity of stock market at the macro level. Based on the findings, they also suggested to the government to formulate an appropriate strategies to control and monitor the economic condition and at the same time having more professional advisors advising small investors in making their investment decision. Meanwhile, much of previous literatures posit that demographic variables could also play a significant role in financial decisions. Barber and Odean (2001) for instance, examined the trading behaviour of 38,000 households and found that in terms of gender differences, men trades more than women. They are trapped to being overconfident about their ability to make investment decisions and beating the market, thus encourage them to do excessive trading than female investors do. Problem with being overconfident is that it will motivate investors to trade frequently and purchase wrong stocks. They added that overconfident investors will tend to take higher risk and hold portfolios with higher volatility and beta in which at the end of the day would affect their wealth.

Meanwhile in another similar discussions, male are said to be more financially literate than female (Al-Tamimi and Kalli, 2009; Addin et. al, 2013; Lusardi and Mitchell, 2008) due to less participation of females in financial issues. As a consequence, women are less likely to plan for retirement, and usually borrow at a higher rate. In the context of portfolio diversification, Abreu and Mendes (2010) found that education level impacted the number of investors' portfolio properties. Similar views also confirmed by Van Rooij et. al (2011) in which they highlighted that there's a strong positive link between formal education with financial literacy thus trigger positive impact on savings behaviour.

3.0 Data and Methodology

A structured questionnaire based on various literatures were adopted and developed as the research instrument. The questionnaire is divided into 5 main parts. The first part is where the respondent is required to provide basic demographic information such as age, gender, occupation, gross income per

month, as well as income allocation for investment (Chen et. al, 2011). Part 2 consists of 19 questions on trading frequency, trading instruments and fundamental aspects of rational decisions which are later broken down into 3 parts i.e., (i) Environmental Analysis – 7 items, (ii) Financial Analysis – 4 items, and (iii) Economic Analysis – 5 items using five-point likert scale ranging from 1 (never) to 5 (always). Part 3 comprises of 8 questions on investment decision success. Part 4 consists of 3 items that measure irrational decision-making style in the sense of emotions.

While Part 5 is questions on frame of references which later separated into two main questions with 4 and 7 items respectively. The questions for part 4 and 5 were design using five-point likert scale ranging from 1 (never) to 5 (always).

The theoretical model used in this research is adopted and adapted from model developed by Muhammad and Abdullah (2009) based on the theory of behaviourism, an extension of prospect theory in behavioural finance which was first introduced by Khaneman and Tversky (1979). The prospect theory suggested that investors may not be rational and tends to incorrectly pricing securities when it comes to investing. Furthermore, they can easily become risk-takers when facing sure loss but tend to be risk-adverse when facing a sure gain. In other words, investors are categorized as “loss aversion” which defined as their willingness to take higher risks to avoid losses than to realize gains. Shiller (2000) highlighted that investor’s decision to allocate their money to the stock market is not based on careful calculations (i.e estimating forecast for the return of the assets and weighing these returns with measured risks). Instead, they prefer to do the opposite. Olsen (1998) further added that decision makers tend to be loss averse rather than risk averse. In short, investors’ decision-making behaviour is related to emotions/intuition (i.e anchoring, mental accounting, overconfidence and overreaction) and herding behaviour (Banarjee, 1992; Ngoc, 2013). It is therefore concluded that investors who made decisions based on these two factors are categorized as irrational investors and hypothesized it as follows:

H1: There is a relationship between investors’ emotion and their investment decision-making success.

H2: There is a relationship between investors’ frame of references and their investment decision-making success.

On the other hand, investors are said to be rational if they consider all available information from the environment/external, economic and financial factors before making investment decision (Bagddadabad et. al, 2011; Lai et. al, 2011; Hossain and Nasrin, 2012; Ou and Penman, 1989a & 1989b). In other words, they will conduct fundamental analysis before deciding to invest at the initial stage. Khoo et.al (2008) further verified the importance of doing fundamental analysis to avoid losses from economic turbulence i.e analyse using patterns, creating a balanced portfolio and constructing a value investing plan. In line to this, investors are expected to think rationally and use all available information to form rational expectations in the stock market, which in consequence would encourage the stock price to be accurate and reflect the fundamental values and it shall move up/down only if unexpected things happen. Thus it is hypothesized that:

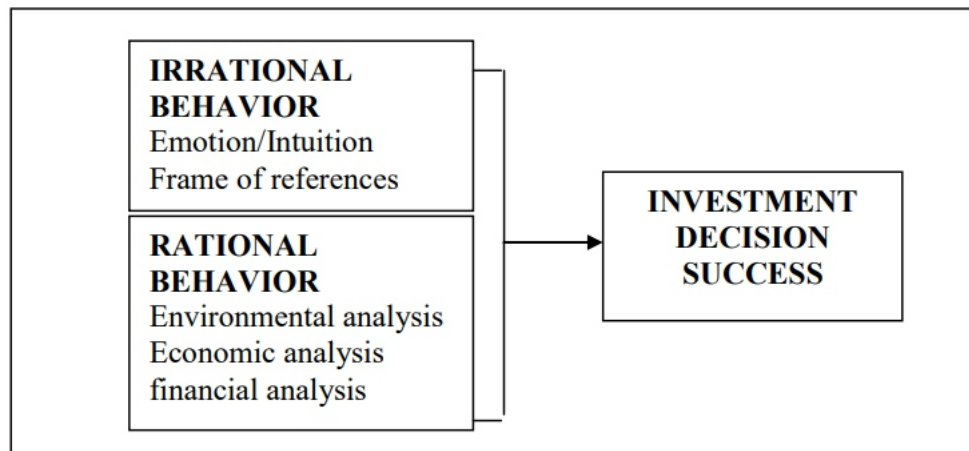
H3: There is a relationship between investors’ ability to analyse environment factors and their investment decision-making success.

H4: There is a relationship between investors’ ability to analyse economic factors and their investment decisionmaking success.

H5: There is a relationship between investors’ ability to analyse financial factors and their investment

decision making success.

From the above-mentioned hypothesis, the theoretical framework for this research is presented as follows:



Questionnaires are distributed at three major town areas in the state of Sabah namely Kota Kinabalu, Tawau and Sandakan through selected financial institutions and stockbroking firms whom provide the capital market investment products. These townships were chosen because the targeted area of sampling are mostly located at these three townships, which indicates that there are more investors residing in this area compared to the others. Pilot study was conducted with 50 respondents outcome were collected to test the validity of the questionnaire and the result is reported under reliability analysis in chapter 4. The research process then continues with the distribution of new set of questionnaires with validated constructs and items to 250 investors who invest their money in capital market. The data collection was carried out using stratified and convenient sampling techniques. These sampling techniques were employed because 1) the sampling areas were segregated into several parts in Sabah (covering major townships, which are Kota Kinabalu, Sandakan and Tawau) and 2) the questionnaires were distributed to specific person (namely walk-in investors) at randomly targeted investment banks and stock broking firms to whom have investment in stocks or other financial instruments in the capital market. The researchers spent four days collecting data in each respective township and it was done with slow pace to ensure that the instruments were well tested and valid. Out of 250 questionnaires distributed, 33 were incomplete, and 217 were useable for the analysis. Data were analysed using the Statistical Packages of Social Sciences (SPSS) version 17-computer software.

4.0 Research Findings

Table 1: Profile of Respondents

<i>Profile</i>	<i>Measuring Group</i>	<i>Percentage (%)</i>
Gender	Male	54.4
	Female	31.3
Race	Malay	30
	Chinese	42.9
	Indian	1.8
	Bajau	6.0
	Kadazan Dusun	12.9
	Other	18
Age (Years)	Less than 30	30
	30-39	38.7
	40-49	18.4
	50-59	0.5
	60 and above	0.5

Marital Status	Single	33.2
	Married	62.7
	Widowed	4.1
Occupation Sector	Government Employee	16.6
	Private Sector	65.4
	Self Employed	10.1
	Other	7.8
Educational Level	SPM/MCE	16.1
	STPM/HSE/Diploma	26.3
	Bachelor Degree	45.6
	Master	8.8
	PhD	1.8
	Other	1.4
Investment Instrument	Bond	2.8
	Stock	30.0
	Unit trust/mutual fund	57.6
	Short term instruments (T.Bills, CD, FD)	9.7
Trading Frequency	Daily basis	9.2
	Weekly basis	8.8
	Monthly basis	37.3
	Quarterly basis	23.5
	More than quarterly basis	21.2
Income Allocation for Investment	Less than 5%	14.7
	5% - 10%	36.9
	11% - 15%	19.8
	16% - 20%	13.8
	More than 20%	12.9
	Non at all	1.8

Demographic Profile

More than half of the investors are male (54.4%), while half of the respondents are middle-aged investors ranging from 30-39 years (68.7%), while 18.4% and 0.5% are those investors aged 40-49 and 50-59 years respectively. In terms of race, majority of the respondents are Chinese (42.9%), closely followed by Malay (30%) and other local Sabahan Bumiputera (18%). Investors with Kadazan Dusun and Bajau ethnicity are about 12.9% and 6% of the survey. This shows that local Sabahan from various ethnicities also took part in investment activities. Majority of the respondents are working in the private sector (65.4%), whilst 10.1% are self-employed and only 16.6% working in the government sector, which indicates that participation from the government employees in the capital market investments is relatively low. In terms of educational level, almost half of the respondents hold a bachelors degree (45.6%), followed by Diploma/STPM holders of 26.3% and SPM holders of 16.1%. Only few of the investors have masters degree and other academic/professional qualification, which can be concluded that that majority of the respondents are educated.

Investment Profile

Almost 60% of the respondents allocated between 5-15% of their monthly income for investment activities, while only 26.7% of them were willing to put between 16 to more than 20% of their monthly income for the abovementioned activities. In short, majority of the investors were only willing to invest small portion of their income for investments in the capital market and that proves why the participation of local investors in the capital market (especially in the stock market trading) is still low. Bursa Malaysia reported that the percentage of participants who are retail investors has declined to 26% in 2011, from 37% in 2007, with total trading volume declined from RM53, 316.13 million in January 2011 to RM39, 869.54 million in March 2012. Up to March 2014, local retail participation only accounted for 19.71% in terms of total value traded of RM43.4 billion (The Edge Malaysia, April, 2014). In the analysis of investment profile, respondent's choices of investments are mixed with high and low risks, short and long-term investment and diversified to various investment vehicles. Unit trust was found to have higher frequency (57.6%), and closely followed by investment in stocks at 30% rate. The other financial instruments (i.e bond and short terms instruments) on the other hand were not among the favourites, most probably because investors are lacking in knowledge in both instruments.

In terms of trading frequency, most of the respondents prefer to trade on monthly basis (37.3%) while only 9.2% trade everyday. On the other hand, almost half of the respondents were not really an active trader with 23.5% of them trades on quarterly basis, while the remaining 21.2% trades more than quarterly basis.

Table 2: Reliability Test

Variables	No of Items	Alpha before Items Deleted	No of Items Deleted	Alpha if Items Deleted
Emotion	2	0.486	0	0.486
Frame of References	11	0.737	0	0.737
Environmental Analysis	6	0.787	1	0.804
Economic Analysis	5	0.883	0	0.883
Financial Analysis	4	0.728	0	0.728
Investment Decision Success	6	0.354	4	0.659

Table 2 above presents the reliability analysis, which calculates a number of commonly used measures of scale reliability and also provides information about the relationships between individual items in the scale. In a reliable scale, all items should correlate with the total. According to Field (2005), if the values are less than 0.3, then problems might occur and it means that a particular item does not correlate very well with the scale overall. Similar to this, Nunnally and Bernstein (1994) added that Cronbach's value of 0.60 and above is considered to be reliable as it indicates the items are homogenous and measuring the same construct. The first and second independent variables, namely emotion and frame of references measure irrational behaviour of investors. Responses for various features of emotion were judged to be moderately reliable for investor representatives who participated in the survey. A review of the corrected item-total correlation suggests that Q3 do not correlate with the corrected total very well. The elimination of Q3 is warranted on the basis that reducing the scale to only relevant items would make for a better, more parsimonious scale. It turns out that removing the item may further be motivated by anticipated increase in the reliability coefficient reported in the output (0.486).

The second measurements of irrational behaviour namely frame of references (11 items) shows high reliability coefficients with none of the items were deleted. Environmental, economic and financial analysis measures the rational behaviour of investors with 6, 5 and 4 items respectively. The alpha for environmental analysis with 6 items is 0.787. However, out of the 6 items, question 2 shows the worst offender, and deleting this question would increase the alpha from 0.787 to 0.804. However the changes are not dramatic and both values reflect a reasonable degree of reliability. Economic analysis on the other hand, appeared to have good internal consistency with alpha of 0.883 without having to delete any of the items. Similar with the previous two rational behaviour measurements, financial analysis also shows good reliability coefficients of 0.728. Even though the value is lower than economic and environmental analysis, it is still above the requirement and indicates that the items correlate well with the overall scale. Meanwhile the dependent variable namely investment decision success indicates a moderate reliability with alpha of 0.354. Both question 4 and 6, from the total of 6 items of the variable appeared to have the worst offender suggesting that both items do not correlate well with the overall scale and not reliable. The greatest increase in alpha would come from deleting both items (Q4 and Q6), which further improves the value from 0.354 to 0.659.

Table 3: Chi-Square Tests Analysis

<i>Pearson Chi-Square</i>	<i>X²</i>	<i>Df</i>	<i>P-Value</i>
Races vs Investment Vehicles	66.801	15	0.000*
Occupation Sector vs Trading Frequency	29.101	12	0.004*
Occupation Sector vs Investment Vehicles	25.382	9	0.003*
Educational Level vs Investment Vehicles	53.048	15	0.000*
Age vs Investment Vehicles	20.235	15	0.163
Marital Status vs Investment Activities	13	15	0.599

*Significant at 0.01 level

Races vs Investment Vehicles

There is a connection exist between races and investment vehicles significant at 0.000 p-value. Thus, we can safely conclude that the investment vehicles chosen by the investors can be determined by races. Malay, KadazanDusun and investors from other races were found to be the highest respondents to invest in bonds standing at 33.3% percent respectively. Stock investments, on the other hand were dominated by the Chinese representing more than half of the respondents, with frequency rate of 66.2%, followed by Malay (11.6%), Kadazan-Dusun and other races ranging at 4% and 5% respectively. While Unit Trust/Mutual Fund investment are the favorite choice amongst the Malays holding 40% of total response rate, followed by investors from other races (20%), Kadazan-Dusun (16%) and Chinese (14.4%). This shows that different types of race have their own preference choosing their preferred investment vehicles.

Occupation Sector vs Trading Frequency

Another connection between the two tested items exists between occupation sector and trading frequency, significant at 0.004 p-values. It can be concluded that investors' trading frequency can be determined by their occupation sector. Investors working in the private sector dominate the chart as they recorded to have the highest score in all trading frequency items. Being the majority of all respondents, they are the active traders (be it on daily, weekly, monthly or quarterly basis) compared to those working from the other sectors.

Occupation Sector vs Investment Vehicles

Another 2 items were tested and significant at 0.003 p-values, showing there is a relationship exists between occupation sector and investment vehicles chosen by the investors. The analysis shows that investors working in private sector are the key player for all investment vehicles (namely bonds, stocks, unit trust and other short term instruments) in which stock investment was recorded as the highest chosen investment vehicle at 76.9 percent compared to investors working in other sectors.

Educational Level vs Investment Vehicles

Investors' level of education was recorded significant at 0.000 p-values and have connection with selection of investment vehicles. Investors who held a Bachelor Degree appear to be the most active trader in stock and unit trust investments, both ranging at 66.7% and 40.8% respectively. On the other hand, respondents with SPM/MCE certificates invest the most in other various short-term instruments such as fixed deposits, and T-bills. This indicates that investors with higher educational level appear to be actively involved in more challenging market given the level of knowledge and strategies that they acquired. This finding is in line with Abreu and Mendes (2010) and Van Rooij et. al (2011) that suggests education level has significant impact on certain financial decisions such as portfolio diversifications, financial literacy and individual savings behaviour. Thus the educated and knowledgeable individuals

are most likely to make better financial decisions.

Table 4: Results of Regression Analysis

<i>Variables</i>	<i>β (t-statistics)</i>	<i>VIF</i>
Environment	-.072 (-.738)	2.114
Financial Analysis	.182 (2.295)**	1.388
Economic Analysis	-.124 (-1.276)	2.087
Emotion	-.086 (-1.246)	1.055
Frame of References	-.028 (-.380)	1.160

**Significant at 0.05 level

The research applied multiple regression analysis in order to test the hypothesis and evaluate the behaviours that influence investor's decision-making style. The result is reported in table 4 above. The model can influence the investment decision success in that the F-value was recorded significant ($p=0.1$) with F-value of 1.956 (see appendix). Following Kutner et. al (2004), the VIF values were mostly recorded below 10, which indicates that there's no serious multicollinearity problem exist in the analysis. Of all five independent variables, only one variable showed positive relationship (namely financial analysis) with the dependent variable, significant at 10% level indicating that only Hypothesis 5 were supported in this study. The other four independent variables (namely environmental analysis, economic analysis, frame of references and emotion) on the other hand, do not have any significant relationship with decision-making style and investment success. In other words, investors analysed the financial analysis before making their decision investing in the capital market and it serves as an important construct for their investment success.

5.0 Discussion of Findings

The objectives of this study are to determine the key factors that influence investors' decision-making success and to identify whether investors are rational or not when making decisions. All instruments were adapted from various literatures and it has been modified for the adaptation to the investors' behaviour context. Rational in this context means the analyses (environmental, economic and financial) that are being considered by the investors before deciding to invest in any instruments in the capital market. While irrational is when the investors are making shortcuts (rather than doing the fundamental analysis) when making decisions by relying on investmenttips/advice from strangers (namely friends, family, dealers etc.), rumours or by emotions.

With reference to the first research question highlighted earlier, it is discovered that investors are considered rational when making investment decision. The positive relationship between financial analyses with investment decision-making success indicates that all information pertaining to company background, announcement and news, as well as the ability to conduct fundamental analysis will influence investors and assist them in making good investment decisions. Financial analysis is defined as investor's ability in determining the return they will get, considering the company's news, background and financial reports before making decision, as well as making some fundamental analysis before deciding to invest. This further indicates that investors' decision to extensively analyse their investment using environmental analysis, economic analysis or relying heavily on frame of references and emotions do not significantly lead into investment decision success. Hence, the result from the analysis is in line with previous study done by Statman (1988), in which he argued that a rational investor should analyse information thoroughly in order to become successful in their investment activities.

Furthermore, the result is also consistent with findings done by Lai et. al (2001) and Albaity and Rahman (2012). Their findings revealed that Malaysian investors are said to be neutral in risk, relying heavily on their skills than luck and believed that people cannot be trusted. In addition, fundamental analysis appears to be the most popular method of share appraisal used by Malaysian institutional investors in both bullish and bearish market.

In short, they argued that Malaysian investors (particularly the institutional) appear to be rational and prudent in investment decision-making, where financial information is heavily used before making any stock selection. The outcomes also support findings by Hossain and Nasrin (2012) and Ou and Penman (1989a & 1989b) in which they stressed out the importance of using information from financial statements and conducting fundamental analysis as it contain useful information for distinguishing permanent and transitory components of past earnings.

However, previous studies done by Muhammad and Abdullah (2009), Mansor and Lim (1995) and Banarjee (1992) seems to be contradicted with the findings in which they argued that investors are partly rational when making financial decisions, and having psychological interference would benefit them in making a better decisions. The insignificant relationship between both irrational behaviours constructs (namely emotion and frame of references) and decision-making success from this analysis indicates that not all psychological biases would benefit and give impact to investors. As highlighted by Lai et. al (2001), investors disregard rumours when making investment decision and were not swayed by emotions, political news and speculations that always surround the stock market during the period the study was conducted. Similar to that, Shefrin (2000) argued that investors could do serious harm to their wealth if they allow the psychological biases to affect their investment decision. Kahneman and Piepe (1998, p.3) further noted “investors who are prone to these biases will take risks that they do not acknowledge, experience outcome that they do not anticipate, prone to unjustified trading, and may end up blaming themselves or others when outcomes are bad”. More than half of the respondents allocated only between 5-15% of the income for investments. With such small amount available, they may have to be cautious with their investments to avoid losses, thus could be the possible reason of why they prefer to study and look at all available financial information of the companies rather being swayed away by feelings and emotions that could further harm their wealth. Therefore, based on the previous literatures that in line with the findings, it can be concluded that irrational behaviour do not play an important role in contributing towards investors’ decision-making success in Sabah. From the findings, it is suggested to the government or related agencies to provide more road shows or resource centres that serve as a platform in providing more reliable and accurate information to investors, as financial information is part of the factors that influence investor’s decision-making success and also could influence their decision-making behaviour. Furthermore, in line with Muhammad and Abdullah (2009), it is also suggested to the government to formulate strategies to control, and monitor economic/financial condition of the country and at the same time having more professional advisors to advice small / retail investors in making their investment decision. Investors also need to be equipped with proper financial education, in which could further guide them making good decision and achieve their investment objectives. This could be done through related financial institutions/universities by organising seminars or workshop that could enhance their literacy and knowledge about the financial analysis and capital market investments.

This study comes with several limitations that could further be improved in the future. First, the findings require respondent's honesty and integrity. If respondent's answers are mostly based on socially desirable answers, it could contribute towards biasness in the findings. In reality, it is known that most respondents would agree more on socially desirable answers and disagree more towards socially undesirable answers rather than truly express their own feelings and honest opinions. Thus to make sure that no biasness will occur in the future findings, it is suggested for future research to conduct a self-monitored survey with the respondents to further ensure their honesty and integrity in answering the questions. To get more accurate and better indication on decision-making style and investment success, it is also suggested to increase the number of respondents at each selected townships. This could be done through seminars or workshops on capital market investment organised by financial authorities and its related agencies where such events are mostly attended by local investors who wish to get some information about the market, and it is the best opportunity to get more respondents there.

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