

# **STRATEGII MANAGERIALE**

## **MANAGEMENT STRATEGIES**

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# EFFECT OF PARTICIPATIVE LEADERSHIP STYLE ON EMPLOYEE'S PRODUCTIVITY

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## Abstract

*This paper examines the effect of participative leadership style on employee's productivity using Midland Galvanizing Product Limited (MIDGAL) Abeokuta, Ogun State Nigeria. The study actually tried to find the extent to which participative leadership style helps to improve employees productivity and bring out their best. The study made use three hypotheses. Survey research design was adopted for the study. The sample for the study comprised 62 staff of MIDGAL. The instrument titled "Participative Leadership Inventory (PLI)" was used for the study. Data obtained from the questionnaire was analyzed using Chi-square technique. The research indicates that exist a positive relationship between participating leadership style and employee's productivity. Also, the result shows that participatory leadership style can be used as a motivational tool for workers. Based on the results of the study, the study recommended that every organization should adopt participatory leadership style as it boost employee morale and enhance organizational productivity.*

**Keywords:** Participative leadership, motivation, leadership style. Organizational Performance

## Introduction

With respect to the organization's perspective to follow their evolution, it is necessary to examine organizational leader's behaviors precisely in all organizational levels to achieve their goals. Leaders should perceive their reciprocal independency and influence their employees so that they motivate to participate in reaction and responsibility and hence knew their performance expectations. The primary way through which organizations achieved their objectives is the effective use of the various resources available to them. These resources are numerous; one of which is the human resources. Apart from others like money, materials and machines, the human resource factor is of vital importance in the survival and growth of any organization. It has become absolutely necessary to have a deeper knowledge to have a deeper knowledge and understanding of the attitude of employees in an organization in the conversion process of inputs/outputs. It is in this regard that this study tried to investigate the disposition and response of workers to responsibilities at their workplace, and uncover whether this is a product of their physiological and psychological state and their effect on organisation cohesions and effectiveness. In essence, the proper approach as in leadership style adopted by business organisation towards coordinating the human resources. The manager needs to understand what actually makes human being to be satisfied with their various tasks so as to put in greater efforts in their respective duties. This means that the factors that affect productivity are of immense importance to the modern manager. Management had often made attempts to satisfy most of the needs found in employees with the ultimate aim that this will in turn motivate and lead to workers ability to put in their best and in the long run attain better organisational objectives. Physical motivators which otherwise could be known as physiological needs include financial and other physical rewards given to employees. Conceptual motivators are those psychological motivational activities, which include all intangible rewards such as recognition, which falls under the higher order of needs as explained by Maslow's hierarchy of needs. For an individual worker to be satisfied and highly motivated, his actual needs must be recognized at any given situation. Workers

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participation in decision making process relating to those things, which affect them and their job, is one of the psychological motivational activities, which could be used to raise employee's morale and productivity

## **Literature Review**

### **The Concept of Leadership**

Without leadership, an organisation is but a muddle of men and machines. Leadership is the ability to persuade others to seek defined objectives enthusiastically. It's the human factor, which binds a group together and motivates it towards its goals. Management activities such as planning, organizing and decision making are dormant cocoons until the leader triggers the power of motivation in people and guides them toward goals. Godazi, (2006). Ahmad (2009) posits that participative leadership style is significantly and positively related with organizational commitment other scholars also revealed that this leadership style has a positive effect on the commitment of subordinates to the quality of service, shared values and the clarity of the employees functions (Dolatbadi and Safa 2010). (Dull 2010) scholars argue that an association of leadership and organisation culture is still an important target. Leadership is very important to the health of an organisation if it must survive and grow in a dynamic environment. Organization culture more than other variables show an organisation's ability to survive. "Leadership is the process of motivating and directing others towards the accomplishment of objectives. It involves any attempt at influencing the behavior of others for goals. In support of the above definition, Here zeal reflects earnestness and intensity in the execution of work while confidence reflects earnestness and intensity in the execution of work while confidence reflects experience and technical ability. While a person can be a leader, he may not be a manager. Finchum & Rhodes (2005) Leaders shape and develop the social reality of the organization members. At this point in time, it is essential to explain that the term leadership and manager are not synonymous. "The term leader and manager are not necessarily interchangeable because leadership is a sub class of management. Managers perform the function of creating, planning, organizing, motivating, communicating and controlling. Included within these functions is the necessity to lead effectively which may affect his ability to manage, but a leader needs only to influence the behavior of others. He is not necessarily required to perform all the function of a manager" In fact he is not even required to lead his followers in the right decision.

### **Types and Strategy of Participation**

There are basically dual forms of participation namely direct and indirect participation. Direct participation in decision-making is the participative processes whereby employees are involved in decision relating to their immediate task or environment. This form of participation is mainly found in productivity bargaining which is an arrangement between a worker and his employer to the effect that an increase in his productivity will make him earn an additional wage. Productivity bargaining arises mainly in circumstances where working practices need changes.

Indirect form of participation is the participation process whereby employees are involved in decision making through their selected representatives or delegates. Looking at the strategy applied by managers to involve employees in decision making in organization, participative principles is normally employed to achieve the desired result.

Managers have many opportunities for involving subordinates in organisational planning and decision making. He identified four participative methods which managers are most likely to employ.

- i. **Delegation:** means the transfer of authority from the superiors to the subordinates

- ii. **Committee Action:** Committees are a vital mean of continually gaining inputs from a large number of organizational members. Most companies have certain standing committees to deal with continuing or receiving problems facing the organization. These could be related to corporate policy goals and operations. Depending upon the organizational structure special committees may be established to deal with budgets, employment policies, grievances, disciplinary problems and a variety of other organisational problems and activities.
- iii. **Question Asking:** Managers who respect the knowledge, opinions and judgment of their subordinates may achieve a relatively high level of participation by simply asking questions. Here, the participative leader asks for information and insights that will improve the quality of their responsibility of their subordinates in terms of intelligence and problem solving.
- iv. **Shared Goals:** Participative leaders are prone to become involved in management by objectives and similar goals – oriented programmes. Ideally, an MBO programme is highly participative.

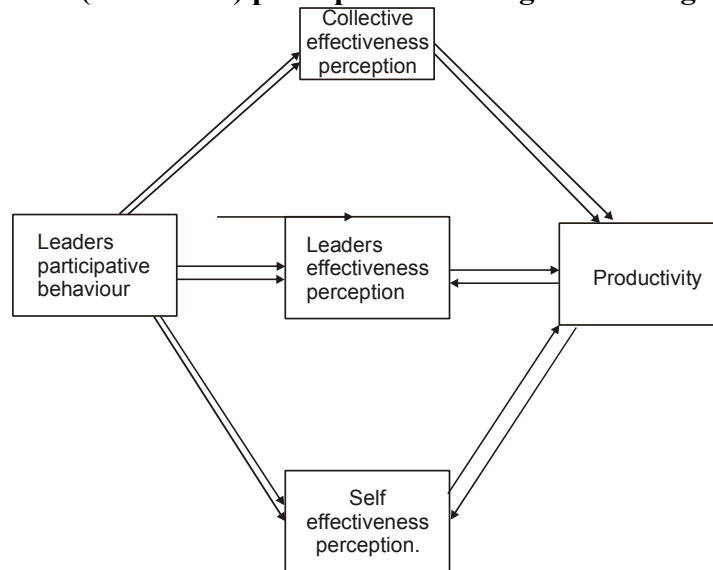
### **Why the interest in participative management now?**

Some reasons behind the shift can be seen below:

- i. **Competitive pressure:** A key factor in the interest in participative management was the realization, which really struck home during the 1980's that better management practices – superior quality management systems, better employee relations, integrated design and production teams could provide critical competitive advantages to public and private sector organizations. (Whedt & Emmerik, 2007) During this same period, heightened issues about the societal accountability of organization also occupied management positions (Brown 2011).
- ii. Underlying the entire discussion of participative management and employee's involvement is the dominance of the bureaucratic, hierarchical organization model and management approach commonly referred to as Taylorism (based on Frederick Winslow Taylor's (1911) classic, the principles of scientific management) or Fordism (based on the principle developed by Henry ford) However, the pre-eminence of the bureaucratic, hierarchical organization model and traditional management practices is facing increased challenge (Lawler 2001) In recent time, participative management strategies and employee and stakeholder involvement were approached as modification of or supplements to the traditional bureaucratic, hierarchical model, undertaken to achieve particular goals or address particular problems. Recently, however participative management has been discussed as a comprehensive governance system that could, and is, replacing the traditional bureaucratic hierarchical system for the new, organic networked organizational forms emerging in the 1990s.

The traditional logic of organizing is to give simple work to employees at the bottom of the pyramid who then report through a supervisor up a hierarchical chain of command to senior executives who provide direction, coordinational and control. This does not work well for organizations managing knowledge intensive tasks. As the number and visibility of high knowledge based organization increases, the need for a new logic of management has gained currency among both academics and managers (DUII 2010). Lawler (2001) summarizes some of the principles of this new logic as shown below:

**Figure 1. (DUII 2010) principles of new logic of Management.**



### **Methodology**

The methods and procedures used in the collection of samples and the techniques used in the analysis of the data collected from the field and in testing the various hypotheses. The study applied survey research design. The primary and secondary from of data collection were applied in the study. The primary instrument used in this study comprised of questionnaire and personal interviews. Some official reports, minutes of meeting and the company’s annual Business plan and Review documents actually formed bulk of the secondary data for this project past records and performances were also compared with the present position of the company which has been regarded as a more consultative administration than others. The research instrument was a questionnaire titled “Participative Leadership Inventory (PLI)”. The questionnaire was made of sections A and B. section A comprised the bio-data of the respondents while section B Comprised items drawn from variables of the hypotheses structured in 4 – Likert structure of strongly Agree (SA), Agree (A); strongly Disagree (SD) and Disagree (D). To determine the reliability of the instrument, Pilot study was conducted on the questionnaire. The questionnaire was applied twice to twenty samples outside those used for the study. The results obtained from the questionnaire using Spearman Prophecy Formula (rho) at reliability of 6.89. The population of the study was the entire 87 staff of the selected The simple Random Sampling Technique was applied 75 questionnaires were administered while 62 were completed and returned. The data collected were analyzed using both the descriptive and inferential techniques. The descriptive tools gave accurate percentage and the categories of the respondents. The inferential statistic tool used to test the hypotheses was based on the chi-square ( $X^2$ ). The Chi-square technique was selected because it suits the research purpose. Having the ability to test and compare two or more variables and relationship between the observed and the expected outcome.

The chi-square ( $X^2$ ) statistics is expressed by the formula

$$X^2 = \frac{(fo - fe)^2}{fe}$$

Where  $X^2$  = Chi- square  
 Fo = frequency observed  
 Fe = frequency expected



### Data Analysis

Here the descriptive and inferential statistical techniques were used to present, analyze and draw conclusions from data collected. 75 workers out of the entire 87 staff of the selected company were sampled. A total of 62 questionnaires were answered and returned representing 83 of the sampled population. 13(17) of the questionnaires were not returned. The questionnaires administered covered the relevant questions to the two hypotheses, the research questions, and purpose of the study. They were administered across the senior and junior staff cadre of the organization.

### Descriptive Analysis

**Table 1. Number of respondents**

Questionnaire	Responses	Percentage
Returned	62	83
Not Returned	13	17
Total Administered	75	100

**Source: Field Survey, 2017**

10 workers and above. 39 (63) of the respondents agreed that they involve their subordinates in decision making. 5(8) don't involve their people in decision making; 18(29) were in different. 20(66) of those who agreed that they involve their staff in decision making uses direct and indirect participation, while 19(34) adopts indirect participation.

**Table 2. Respondents Involvement in Decision Making**

Variable	Responses	Percentage
Strongly Agreed (SA)	39	63
Strongly Disagreed (SD)	5	8
Agreed (A)	18	29
Disagreed	-	-
<b>Total</b>	<b>62</b>	<b>100</b>

**Source: Field Survey, 2017**

37 (60) of response indicated that leadership approaches affects workers level of productivity. 11(18) disagreed,

For whether workers should be involved in decision making at all, a large percentage representing over 70 strongly agreed that workers should be involved in decision-making. 43(70) agreed that participatory style is more in use in the company than others; 11(18) indicated free reign while 8(12) stood for autocratic. 50(80) of respondents indicated that participatory leadership style in the company is a matter of individual leadership style, and not company polity. 60 percent, a high and significant percent of the respondents also pressed that participatory leadership style should be a matter of company policy; 9(15) agreed with it being individual style, while 16(25) were strongly disagreed. When compared to the other two leadership styles, 74 of respondents indicated that participatory IS more effective; 16 ticked autocratic, while 10 stood for free reign. Although, some problems were identified with participatory leadership style, 55 indicated that these problems are insignificant compared to the benefits of adopting the style of leadership. Training and good communication were also identified as some solution to problems associated with participatory leadership. In the course of administering the questionnaires and a back up interview, 68 percent (42) of the sampled population signified that consultative leadership was never present in previous administrations of the company in the past few years as compared to the present one. The output of the company then was also found to be very low.

The two hypotheses tested in this study are stated below:

(a) Ho: Participatory leadership style has no positive and significant effect on Employee's productivity.

Ha: participatory leadership style has positive and significant effect on employee productivity.

(b) Ho: Participatory leadership style cannot be used as a form of motivation for workers.

Ha: Participatory leadership style can be used as a form of motivation for Workers.

These hypotheses were tested using the chi-square ( $\chi^2$ ) tool. The formula of the chi-square is stated below.

$$\chi^2 = \sum \frac{(fo - fe)^2}{Fe}$$

$\chi^2$  = Chi-square L = Summation

fo = observed frequency

fe = expected frequency Decision Rule:

If  $\chi^2$  tabulated is greater than  $\chi^2$  calculated, accept Ho hypothesis If  $\chi^2$  tabulated is less than  $\chi^2$  calculated, reject Ho hypothesis Degree of freedom:  $v = n - 1$

The chosen level of significance is 0.05.

### Testing Hypothesis One

Ho: There is no positive and significant relationship between participatory leadership style and employee productivity.

Ha: There is a positive and significant relationship between participatory leadership style and employee productivity.

Question number 8 (SECTION B) on the questionnaire was used to test the first hypothesis. "When workers are involved in decision-making, it increases their productivity significantly. "

**Table 3: Response Analysis:**

Variable	Fo	Fe	Fo-fe	(fo-fe) <sup>2</sup>	(fo-fe) <sup>2</sup> /fe
Strongly Agreed (SA)	42	31	11	121	3.9
Strongly Disagreed (SD)	15	31	-16	256	8.2
Agreed (A)	5	31	-26	676	21.8
Disagreed	-	-	-	-	-
<b>Total</b>	<b>62</b>				<b>33.9</b>

**Source: Field Survey 2017.**

Chi-square Formula:

$$\chi^2 = \sum \frac{(fo-fe)^2}{Fe}$$

Degree of freedom = 2

Level of significance is 0.05- determined

$\chi^2$  Calculated = 33.9

Table Value = 5.99

### Decision Rule Applies.

Since  $\chi^2$  tabulated is less than  $\chi^2$  calculated (36.7) the null hypothesis is rejected.

It therefore follows that the alternative hypothesis, which states that there is a positive and significant relationship between participatory leadership style and employee productivity is accepted with respect to this research findings.

### Testing Hypothesis Two

Ho: Participatory leadership style cannot be used as a motivational tool for workers.

H1: Participatory leadership style can be used as a motivational tool for workers.

Question number 21 on the questionnaire was used to test the second hypothesis.

"When I am involved in decision making it motivates me to be more productive".

**Table 4. Response Analysis.**

Variable	Fo	Fe	Fo-fe	(fo-fe) <sup>2</sup>	(fo – fe) <sup>2</sup> /fe
Strongly Agree	48	31	17	289	9.3
Strongly disagree	6	31	-25	625	20.3
Agree	8	31	-23	144	113
Disagree	-	-	-	-	-
<b>Total</b>	<b>62</b>				<b>142.5</b>

**Source: Field Survey, 2017**

Chi-square formula:

$$X^2 = \frac{\sum(fo-fe)^2}{Fe}$$

Degree of freedom = 2

Level of significance is 0.05

X<sup>2</sup> calculated = 142.5

Table value = 5.99

#### **Decision Rule Applies**

Since X<sup>2</sup> tabulated (5.99) is less than X<sup>2</sup> calculated – 142.5, the null hypothesis which states that participatory leadership style cannot be used as a motivational tool for workers is rejected. This means, participatory leadership style can be used to motivate workers as stated in the alternative hypothesis.

#### **Conclusion**

Organizations are increasingly embracing the concept of participatory leadership style in the work place. This research buttress this by showing that most workers in the company studied, have actually embraced and practiced the concept towards achieving good working relationships and set goals. The two hypotheses drawn from the objectives of the study and research questions were tested and conclusions drawn from the findings. The study showed that participatory leadership style is more in use in the company than other leadership styles. A higher percentage of the population pointed out that participatory leadership is still a matter of individual managers' leadership style and not corporate policy. They however indicated that this should be a matter of company policy and not mere individual's style of leadership. Seventy percent of the workers sampled disagreed with the notion that participatory style results to a lot problems in the work place; rather, about the same percentage affirmed that participatory is a more effective approach when compared to autocratic and free reign management styles. The research has when showed that there is a positive relationship between participatory leadership style and employee productivity, while hypothesis two validates the axiom that consultative style could be used as a motivational tool to boost workers' morale.

Furthermore, this study revealed that management behaviour and leadership styles adopted by organisations play very important role in influencing workers contribution in the drive towards' growth and survival. It was also evident in the course of this study that participation in decision-making by workers relates positively with employees productivity. The morale of workers can also be boosted by the application of consultative management styles. A work environment where employees get involved in decision-making in issues that affect their work and performance do help to create a conducive and peaceful industrial setting.

#### **Recommendations**

The purpose of this study was to examine the effects of participatory or consultative leadership style on employees' productivity, and to suggest how best management and organizations can use this and other leadership styles to suit corporate objective and goals.

Judging from the findings gathered from the literature review, field work, and the two hypotheses that were tested, the following recommendations have been made:

While not ruling out the importance of other leadership approach like Autocratic and free reign depending on the circumstance, participatory leadership style has been proved to be a very effective tool towards boosting employees' level of productivity.

Management and organizations should adopt Consultative Leadership Style as a matter of corporate policy as seen in the Japanese settings, and not as an individual manager's leadership approach.

Management and organizations should take advantage of the peaceful and harmonious industrial environment usually created by this adoption of participatory leadership style.

Consultative Leadership Style can be adopted as a very effective tool for motivating workers and to boost their morale and output.

This is because it gives the sense of belonging, acceptance, self-worth, and approval, etc., to the employees as identified by Maslow being some of the conceptual human needs.

Management should create positive, conducive and encouraging work environment, so that creative and useful ideas from the workers can be played up and embraced for the advancement and progress of the whole entity.

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# INVESTIGATING THE RELATIONSHIP BETWEEN TRANSFORMATIONAL LEADERSHIP STYLE AND ORGANIZATIONAL IDENTITY OF FACULTY MEMBERS IN STATE UNIVERSITIES OF WEST AZERBAIJAN PROVINCE, IRAN

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## Abstract

**Purpose** –The aim of this research was to investigate the relationship between transformational leadership style and organizational identity of faculty members in state universities of West Azerbaijan Province, Iran. This research was a descriptive and correlational study. The statistical population of the research included all faculty members of these universities whose number was 765 at the time the research was conducted.

**Methodology** – Using Morgan table and stratified random sampling method, 256 people were selected as the statistical sample size of the research. Since 300 questionnaires were distributed among which 283 were returned, the final data analysis was conducted for 283 people using SPSS and LISREL software. In order to collect data regarding transformational leadership, standard multifactor leadership questionnaire (MLQ) were used and for collecting data on organizational identity, Cheney's organizational identity questionnaire (1982) was applied. The reliability of the questionnaires were calculated to be 0.96 and 0.85, respectively, using Cronbach's alpha coefficients. Hypothesis and the assumed relationships between the variables in the presented theoretical model were investigated using regression analysis and structural equation model.

**Findings** –The results obtained from this research showed that there was a positive and meaningful relationship between transformational leadership style and its variables and organizational identity of faculty members in state universities of West Azerbaijan Province, Iran ( $p < 0.01$ ,  $r = 0.26$ ). In addition, the statistical results obtained from this research indicated the positive and direct effect of transformational leadership style on organizational identity of faculty members. The results also showed that, among different components of transformational leadership style, intellectual stimulation has a stronger effect on organizational identity of the faculty members.

**Research limitations/implications** - Because of the chosen research approach, the research results may lack generalisability. Therefore, researchers are encouraged to test the proposed propositions further. The

**Originality/value** -This paper fulfils an identified need to study and highlighted the constructive and effective role of transformational leaders in educational organizations and demonstrate how transformational leaders are able to increase the productivity and dynamism of faculty members through of cognitive and attitudinal variables such as corporate identity in public universities in Iran.

**Keywords:** leadership, transformational leadership, organizational identity, faculty members

**Article Type:** Research paper

## Introduction

Managers' leadership style in organizations, particularly in educational organizations such as schools, universities and other higher educational institutions is one of the most important organizational factors which effects on efficiency and perfect performance of these active and dynamic social systems. Application of effective leadership styles in above mentioned institutions significantly increase the influence and effectiveness of the leaders on the behavior and attitude of their staff, and create fundamental transformations in the structure and different aspects of these institutions. As the speed of environmental changes is increased and the situations become more complicated than in the past, the importance of this issue is

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also increased and the application of effective leadership styles in educational institutions also takes on strategic aspect. The positive effects indicated in numerous researches conducted in this field also strongly support this claim.

**Muceke Ng'ethe** and colleagues (2012) studied the Influence of Leadership Style on Academic Staff Retention in Public Universities in Kenya. The results obtained by this study, **showed that there was a** meaningful and inverse relationship between the leadership styles of the managers of these universities and their tendency to remain or leave among the faculty members. Selection of undesirable styles by the managers increased the tendency to leave and when a proper leadership style was used in the university, tendency to leave was decreased. Therefore, when the role of the leaders seems important in the tendency to remain or leave service in organizations, the leadership style of the managers plays a key role in this regard.

Mahdinezhad et al.,(2014) investigated the relationship between job performance of university leaders and leadership style and showed that, in higher education, the performance of university leaders was affected by several factors such as leadership style and an effective leadership played a crucial role in better performance and growth of the institution. They also found that leadership style could be of great help in developing the leadership abilities of both transformational and transactional leaders and significantly increased their job performance and organizational commitment.

In the recent years, the roles of academic leaders have been identified as crucial to the success of any higher education academic institutions. There is a relationship between the leadership styles of academic leaders with organizational performance and the educational achievement of the Universities, Thus It is important to apply appropriate leadership styles that can enhance organizational performance of the higher education systems (Mohd Nasir et al., 2014).

Universities and institutions of higher education need to be susceptible to the issue of leadership practices and concepts as a major issue is confronting their Managers. In these organizations President's competency in knowledge, leadership skills, and technical expertise is necessary to ensure the successful completion of a transformational effort. Also, Presidents must have the individual quality of commitment demonstrated with passion, intensity, persistence which will supply the energy to momentum, and motivate and stimulate the stakeholders to strive toward a group effort (Basham, 2010).

Today, universities and higher educational institutions are active in turbulent, complex and constantly changing environments. The inherent structure and nature of these educational systems require that they act as living organisms and actively and dynamically interact with their surroundings. Also, under some circumstances they require efficient and transformational leaders and staff with integrated, loyal and committed organizational identities to the values and goals of the organization. Transformational leaders in these organizations could perform a major and constructive role in forming and corroborating of faculty member's organizational identities. Achieving greater feeling of organizational identity among faculty members also could increase their motivation and organizational commitment which those significantly impact on increasing the productivity and optimal performance of them as a result

Actually this is an important issue which often its necessity isn't seriously considered by senior managers and key decision makers of these organizations; however it might cause lots of damages to their structure and Content of goals and various programs. Therefore, the issue of leadership and development of leadership abilities in universities and higher educational institutions as well as high quality and productivity of human resources can be considered among important issues and fundamental challenges in their process.

It seems that among new leadership styles, transformational leadership, due to its superior features, offers better possibilities for favorable performance and in facing challenges

and complications of the modern world for the managers of universities and higher educational institutions and provides the leaders of these dynamic and effective social systems with new routes of growth, prosperity and transformation.

In the recent years, significant amount of research have been conducted on leadership behavior. Academics and managers have increasingly focused on emotional and symbolic aspects of leadership. These aspects are within a type of leadership which is called neo-charismatic theories or more simply transformational theories. This new leadership theory emphasizes on charismatic leaders with strong emotional attraction among the followers (Ergenelia et al., 2007).

Transformational or charismatic leadership theory has been developed and extended since late 1980s and different versions of it have been proposed by authors especially Bass. Transformational leadership theory is totally about leaders who create positive changes among their followers and therefore take care of each other's benefits and act in the interests of the group as a whole.

Transformational leadership style is among novel and effective styles in most organizations and it has always been considered as one of the most prominent styles in leadership theory studies. Many researches have been conducted regarding the effectiveness of the leaders and leadership style and the results obtained from this study showed that the application of transformational leadership style made the leaders more efficient and effective (Barling al., 2000).

The aim of this research was to investigate the relationship between transformational leadership style and organizational identity among the faculty members in state universities of West Azerbaijan Province considering theoretical foundations, characteristics and key concepts of transformational leadership as well as the results obtained from previous works. Therefore, the main question in this research was that whether there was a meaningful relationship between transformational leadership style and organizational identity of faculty members in state universities of West Azerbaijan Province. This research was based on the assumption that the behaviors of the managers in the investigated universities to some extent had the characteristics of transformational leadership style and the effectiveness of transformational leadership style in the formation of organizational identity among faculty members and the presence of a possible relationship between these two parameters were investigated based on this assumption.

### **A review on the theoretical foundations Transformational leadership style**

Transformational leadership style is one of the important theoretical frameworks which were presented by Burns (1978) and Bass (1985). In recent years also much interest have been in the application of noel managerial pattern of transformational leadership such that only during 1990-1995 more than one hundred thesis and research have been conducted in different universities all over the world have investigated the concept of transformational leadership. In 1990 Bass stated that leaders can guide their followers to achieve more than expected performances using behavioral characteristics of transformational leadership (Humphreys & Einstein, 2003).

The expression “transformational leadership” was first coined by Danton (1973). However, this expression became famous when the classics such as Burns used it. The concept of transformational leadership was once again presented by James McGregor Burns in his descriptive research on political leaders, but its use was extended to organizational psychology and management with more variations by Bass and Avolio. Bass and Avolio extended the idea and concept of Burns on leadership and a new concept of transformational leadership was created (Jung & Sosik, 2002). The main assumption of transformational



leadership theory is that, transformational leaders motivate and encourage their followers to perform more than expected and go beyond the programs (Krishnan, 2005).

For Bass, a transformational leader is a leader who makes good communications with the subordinates to improve and strengthen the performance of the organization and personnel and encourages the personnel to go beyond personal needs and act in line with the benefits of the group and the organization. Transformational leaders encourage their subordinates to give their best (Burke & Collins, 2001, p. 244).

The results obtained from different research works have indicated that transformational leaders inspire and encourage their followers to achieve extraordinary results and by creating motivation and self-confidence, they help their followers to better distinguish and gain a better understanding of the goals of the organization. Also, by providing more authority and independence for the staff, they improve performance and increase efficiency (Bass et al., 2003).

A transformational leader is basically a person who cares about the stresses, anxieties and growth needs of each and every follower. Transformational leaders change the awareness and consciousness of their followers regarding different issues by helping them such that they can find new solutions to their old issues and they are sure able to encourage and excite their followers to achieve the group goals (Robbins & Coulter, 2007).

Transformational leaders facilitate the process of changing in people and organizations. These leaders provide an attractive, real and believable provision of future regarding the existing conditions for their organization or unit and cause successful execution of these changes in the organization (Gharehbaghi & Rahimnia, 2013).

Eisenbeiss et al. (2008) believed that transformational leaders had concerns about transformations in the organization and among its personnel and affect the organization staff and their followers such that they can redirect their interests toward the group goals and intensify their commitment to the provisions of the organization. These leaders search transformation in the values and self-conceptions and direct them to higher levels of needs and wishes (Eisenbeiss et al., 2008).

Based on the ideas of Pawar & Eastman, the effectiveness of a transformational leader is a result of three factors: relative position of the organization in the continuum of organizational acceptance (change acceptance), degree of compliance of transformative process required for the success of the organization and transformative leadership process under execution in the organization and the ability of transformational leaders in the implementation of a suitable flexible transformational process assures that the organization has the capability of dynamic activity or quick response to competitive and changing conditions and therefore this creates or retains the existing competitive advantage. A transformational leader induces the change in the whole organization and creates a vision for both managers and staff (Beugré et al., 2006).

According to Burns (1978) idealized influence, inspirational motivation, intellectual stimulation and individual considerations are the four main points of transformational leadership (Fasola et al., 2013).

In a research, Warrilow (2012) identified the four major elements of transformational leadership style. These four elements are:

**Idealized influence or charisma:** a degree of behavior that the leader shows in admirable solutions which cause the followers to believe that their leader is a person with a bright set of beliefs, opinion and values and acts as an example for the followers.

**Inspirational motivation:** a degree indicating the vision regarding what the leader wants to be revised and inspires his followers by being optimistic about the future goals and on the other hand provides a meaning for their current duties.

**Intellectual stimulation:** a degree where the leader challenges the assumptions and stimulates and encourages the creativity of his followers by providing a framework for them

(to see how to communicate with the leader, organization, each other and their goal) so that they can overcome the hardships and barriers on their way in a creative manner.

**Individual considerations:** a degree that determines the extent that the leader cares about the individual needs of each of the followers shows his reaction as a trainer or coach based on respect and appreciation for each person for their contribution in a team work. Addressing these individual needs and increasing respectful attention by the leader is in fact a necessity for the self-evaluation and self-actualization of team members and is a source of inspiration in their way to bigger prosperity and growth (Odumeru & Ifeanyi, 2013).

There is no doubt that the awareness and enjoyment of the managers of governmental universities and higher educational institutions of superb properties of each of these aspects and key elements of this theory can cause fundamental changes and transformations in different aspects of their organizational and managerial structure in addition to developing their capabilities and effectiveness of their leadership behaviors and measures.

### **Organizational Identity**

Organizational identity is among the concepts that have attracted the attention of the researchers in the recent years especially in the field of behavioral science; organizational psychology and studies regarding the organizations and many researches have been conducted in this field.

Theory of organizational identity was essentially developed based on social identity theory. The theory of social identity was first introduced and developed by Tajfel and Turner in 1970 and 1980. This theory introduces the concept of social identity as a way in which the behavior is described among a group and points to the feeling that a person gets by seeing himself as a part of a social group (Turner & Reynolds, 2010). In social identity theory, an organization is considered as a social class which has certain properties related to the people who are members of it.

Organizational identity was first introduced and conceptualized in 1985 by Albert & Whetten. According to this definition, organizational identity is considered as a set of comments of the members of an organization about the perceived properties of their organization. These properties include distinguishing characteristics and traits and the stability and continuity of central and axial properties of the organization (Puusa, 2006). The definition of Albert & Whetten (1985) of organizational identity in the recent two decades has been accepted by many authors as a dominant and common definition of this concept and many research works that have been conducted in this regard also depended on this definition (Dhalla, 2007).

Cheney (1982) determined three fundamental and key concepts regarding organizational identity: the first concept pointed to a strong internal and emotional attachment which was called feelings of solidarity (membership). The second concept was loyalty which meant attitudinal and behavioral support and protection for the organization and its values and goals. The third concept was the awareness of the existence of common properties with other members of the organization or perceptions of shared characteristics (similarity); i.e. the people in the organization feel that they have common goals and interests with other members of the organization (Cheney, 1982).

Also, in another research surveying papers and researches regarding identity and organizational relationships, Cheney provided more details about the concept of organizational identity and its different aspects and in executing this structure he pointed to three elements of membership, loyalty to the organization and similarity as fundamental elements and components of organizational identity (Cheney, 1983).

According to Hatch & Schultz organizational identity is a concept based on which the members of an organization consider themselves a part of the whole organization and not a

certain group or their own expertise or position and they like to be identified by those properties. Issues such as the level of loyalty to the organization and the managers of the organization, feeling pride by being a member of the organization, tendency to remain in the organization and defending the values of the organization inside and outside the organization are among the factors of identifying this identity (Hatch & Schultz, 2004).

Albert and Whetten (1985) argue that organizational identity is (a) what is taken by employees to be the central attributes of the organization; (b) what makes the organization distinctive and therefore unique from other organizations in the eyes of the employees; and (c) what is perceived by employees to be enduring or continuing, regardless of objective changes in the organizational environments (He and Baruch, 2009).

Organizational identity cause the members of an organization to be more committed and to be volunteer to engage in organizational activities, try to have perfect performance and play extra-roles in line with the goals of their organization (Gholipour & Amiri, 2009).

Organizational identity is important since it affects the performance and measures, explanation, interpretation and decision making of the members and managers of an organization. From a more concrete viewpoint, organizational identity influences management and members within an organization in several ways; from organizational leaders' actions and decision making regarding change initiatives, to members' interpretation of organizational events and actions. Moreover, organizational identity affects members' comparison processes and evaluation of strategies and actions as well. Also, the results obtained from several researches have shown that organizational identity has a deep impact on the process of changing of the organization and due to its positive and significant consequences it is considered as a competitive advantage for it (Ysen Lin, 2004).

### **Research background**

A behavior based on the properties of transformational leadership is one of the basic factors affecting some important attitudinal and organizational variables, including organizational identity, among the staff of the organization. In several national and foreign researches the existence of direct and indirect positive effects of transformational leadership style on the organizational identity of the staff have been evaluated and the relationship between each element and each of the three aspects of this organizational variable have been proved.

In a research on 553 personnel of Ilam Province Petrochemical Complex, Rezaee et al. showed that there was a positive and meaningful relationship between transformational leadership style and organizational identity of the members of that organization. In addition, the effect transformational leadership style and its elements on the organizational identity of the staff was a significant effect (Rezaee et al., 2014).

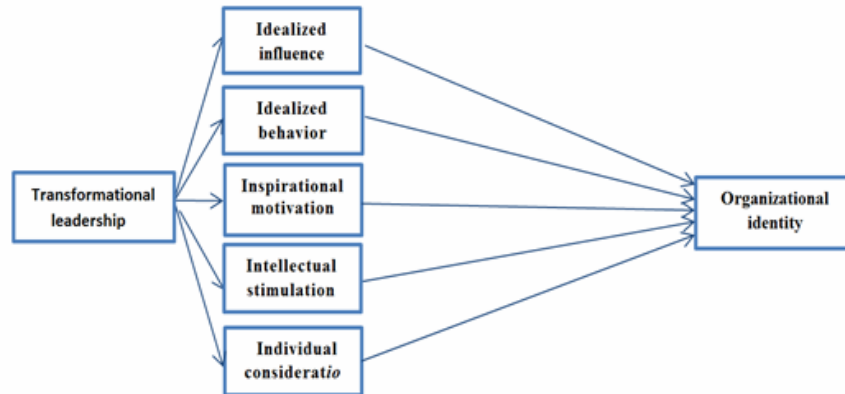
In a study on 1100 high school teachers in district 5 of west of Tehran, Salajeghe and Ahmadzadeh showed that transformational leadership had positive and meaningful effect on the organizational identity of the teachers and also organizational identity improved organizational commitment and organizational citizenship behavior. Also, the indirect effect of transformational leadership of the managers on job attitudes among the teachers, including organizational commitment and organizational citizenship behavior, as stronger than its direct effect (Salajeghe&Ahmadzadeh, 2014).

In a research on 1370 staff members of entrepreneurship organizations in 24 different branches in Khuzestan Province – Iran, Albonaiemi and Mahmoodi showed that transformational leadership style did not have significant effect on entrepreneurship behavior of the personnel of these organizations. However, transformational leadership style had meaningful effect on the organizational identity of the staff members. Also, the effect of organizational identity on the behavior of the personnel was reported to be positive and meaningful (Albonaiemi & Mahmoodi, 2016).

In a research on 300 staff member on different industries in a few provinces of China, Hu et al. showed that transformational leadership style had positive and meaningful effect on all aspects of the organizational identity of the staff members (Hu et al., 2015).

### Conceptual Model of the Research

Conceptual model of this research is shown in Fig. 1. In this model dimension of independent variable (transformational leadership) and dependent variable (organizational identity) were shown.



### Research Question and Hypothesis

The purpose of the study was to investigate the relationship between transformational leadership style and organizational identity of faculty members in state universities of West Azerbaijan Province, Iran.

In order to achieve the purpose of the study, the following research question was postulated:

Is there a significant relationship between transformational leadership style and organizational identity of faculty members in state universities of West Azerbaijan Province, Iran?

#### The main hypothesis of the research is:

There is a significant relationship between transformational leadership style and organizational identity of faculty members in state universities of West Azerbaijan Province – Iran.

#### The Sub-hypotheses of the research are:

There is a significant relationship between the idealized influence and organizational identity of faculty members.

There is a significant relationship between the idealized behavior and organizational identity of faculty members.

There is a significant relationship between the inspirational motivation and organizational identity of faculty members.

There is a significant relationship between the intellectual stimulation and organizational identity of faculty members.

There is a significant relationship between the individual considerations and organizational identity of faculty members.

In this research it has also been tried to answer the following question:

1- Is there a meaningful difference between the visions and opinions of the faculty members in the state universities of West Azerbaijan Province – Iran about the relationship and influence of transformational leadership style on the dependent variables in this research?

### Research Methodology

This study examined the relationship between transformational leadership and organizational identity of faculty members in state universities of West Azerbaijan Province – Iran. The design of the study was descriptive and correlational. The statistical population

consisted of the research was consisted of (formal and contractual) currently working in state universities of West Azerbaijani Province – Iran whose number was 765 when the research was being conducted. Among them, 178 were from Payam-e Nour University, 94 from Urmia Industrial University and 493 from National University and its subsidiaries in different cities of the province. Statistical sample size of the research was determined to be 256 people according to Morgan table who were selected by stratified sampling method from the statistical population. Since 300 questionnaires were distributed, data analysis was conducted based on 283 people using SPSS and LISREL software.

**Procedure and tools of data collection for the research:**

Questionnaires were used for collecting a part of basic information needed for this research. Standard questionnaires were prepared and used according to each studied variable (variables of transformational leadership and organizational identity).

**Multifactor leadership Questionnaire**

Multifactor leadership questionnaire (MLQ) was first used in the works of Bass in 1985 and, in addition to modification and completion, since then it has been tested in more than 1000 organizations in different countries (Moghali, 2003). These questionnaires, by combining three styles of transformational leadership, transactional leadership and laissez-faire leadership, puts the responders in the position where they mark what is closer to reality. In this research, for collecting data regarding transformational leadership, standard MLQ was used for which acceptable validities and reliabilities have been reported in many researches in recent years. MLQ questionnaire included 36 questions among which 20 items (4 items per subcomponent) measured dimensions of transformational leadership and 12 items (4 items per subcomponent) measured transactional leadership dimensions. In order to measure Laissez fair leadership there was 4 items. This questionnaire was prepared according to Likert's 5 point scale.

**Table 1: Cronbach's alpha coefficients for MLQ**

Element	Cronbach's alpha coefficient
Idealized influence	0.74
Idealized behavior	0.71
Inspirational motivation	0.82
Intellectual stimulation	0.87
Individual considerations	0.76
Contingent award	0.72
Active management-by-exception	0.85
Passive management-by-exception	0.76
laissez-faire leadership	0.73
Total questionnaire	0.96

**Organizational Identity Questionnaire (OIQ)**

Standard organizational identity questionnaire (OIQ) was first introduced and validated by Cheney in 1982 and has been widely used in national and foreign research works for investigating the three components of organizational identity. Basically, this questionnaire has 25 questions but in the factor analysis conducted by Vernon et al. in 2000, the number of the items of this questionnaire was reduced to 12(Mousavi and Farsani, 2012). Thus, the scale consisted of 12 items with responses anchored in 7 points (ranging from completely agree to completely disagree).

**Table 2: Cronbach's alpha coefficients for OIQ**

Element	Cronbach's alpha coefficient
Loyalty	0.83
Similarity	0.76
Membership	0.74
Total questionnaire	0.85

## Research findings

The results obtained from this research were analyzed in two different sections of descriptive and inferential statistics.

### A. Descriptive findings

In this section, descriptive indices of the research sample including frequency and frequency percentage were provided separately for each university for the variables of gender and academic rank of professors. Also, indices of mean and standard deviation as well as the results of investigating the normality of the result distributions were presented.

**Table 3: summarizes frequency of gender variable for each university**

Gender	Urmia University		Industrial University		Payam-e Nour University		Total Sample	
	frequency	Percentage	Frequency	percentage	frequency	percentage	frequency	percentage
Women	32	21.8	3	7.2	17	18.7	52	18.5
Men	116	78.2	43	92.7	82	81.3	231	81.5
Total	148	100	46	100	89	100	283	100

According to table 3, the number of women in Urmia University, Industrial University and Payam-e Nour University were 32, 3 and 17 and for men they were 116, 43 and 72, respectively, and in all among 283 studied samples 52 (26.5%) were women and 231 (81.5%) were men.

**Table 4: frequency of academic rank variable separately for each university**

Academic rank	Urmia University		Industrial University		Payam-e Nour University		Total Sample	
	Frequency	percentage	frequency	percentage	frequency	percentage	frequency	percentage
Professor	26	17.57	9	19.93	1	1.12	36	12.8
Associate Professor	49	33.11	16	34.38	21	23.6	86	30.3
Assistant Professor	73	49.32	21	45.69	58	65.17	152	53.8
Educator	0	0	0	0	9	10.11	9	2.3
Total	148	100	46	100	89	100	283	100

According to table 4, the number of professors was 26, 9 and 1 professors in Urmia University, Industrial University and Payam-e Nour University. The number of associate professors were 49, 16 and 21 and the number assistant professors were 73, 21 and 58 in the mentioned universities respectively. There were 9 educators in Payam-e Nour University. Totally, 283 samples were investigated among which 36 (12.8%) were professors, 86 (30.3%) were associate professors, 152 (53.7%) were assistant professors and 9 (2.3%) were educators

Table 5 shows the indices of mean, standard deviation, maximum scores of the tested research variables and the results of normality test for data distribution.

**Table 5: mean, standard deviation and the results of normality test for data distribution**

Variable	Minimum	Maximum	Mean	Standard deviation	Skewness	Kurtosis
Transformational leadership style	1.75	4.56	3.46	0.51	-0.69	0.51
Organizational identity	1.25	4.83	3.96	0.57	-1.36	2.90

According to table 5, the values obtained for the indices of mean, standard deviation, minimum and maximum scores of the tested research variables show proper distribution of the data. To investigate the normality of data distribution, Kline (2011) believes that in samples consisting of more than 100 people the results of Kolmogorov-Smirnov testis generally meaningful; therefore, this test was not suitable to be used in studying the normality of the variables in our research whose sample population was 283 people. He suggested that when the

sample volume is higher than 100 people, skewness and kurtosis were suitable for investigating the normality. Kline (2011) stated that if the absolute values of skewness and kurtosis of the variables were less than 1 and 10, respectively, it can be concluded that the variables had normal distribution. According to table 7, skewness indices of all variables were lower than 2 and their kurtosis indices were lower than 10 which shows the normality of data distribution.

### **B. Inferential statistics findings**

In this section, after being sure that the data distribution was normal, first the credit of the structure of the questionnaires of transformational leadership style and organizational identity were determined using confirmatory factor analysis method. Then, using Pearson correlation coefficient tests, the presence of a meaningful relationship between the independent variable (transformational leadership) and dependent variable (organizational identity) was investigated. In the following step, the relationship between the elements of transformational relationship and organizational identity among the faculty members was evaluated. Direct and indirect effects of transformational leadership style on the organizational identity among the faculty members was also analyzed using structural equation modeling method and the results obtained from each step was summarized in the corresponding tables.

#### **Confirmatory factor analysis of research questionnaires**

In order to determine the structures of transformational leadership style and organizational identity questionnaires, confirmatory factor analysis method was used. Characteristics of goodness of fit for final analysis of these questionnaires are summarized in table 6.

Confirmatory factor analysis of transformational leadership style questionnaires

**Table 6: fitness indices for transformational leadership style questionnaires**

Fitness indices	RMR	$\chi^2/df$	RMSEA	GFI	CFI	NFI	AGFI
Acceptance domain	<0.1	<3	<0.08	>0.9	>0.9	>0.9	>0.9
Calculated value	0.04	2.17	0.06	0.99	0.99	0.99	0.99

According to the results presented in table 6, the calculated value of  $\chi^2/df$  was 2.17. The values of  $\chi^2/df$  below 3 indicates suitable fitness of the model.

Also, the root mean square error of approximation (RMSEA) should be below 0.08 which was calculated to be 0.06 in the proposed model.

The value of root mean residues (RMR) should also be below 0.1 which was 0.04 in the proposed model.

The values of the statistical indices of AGFI, NFI, CFI and GFI should be above 0.9 and the values calculated for the proposed model were all above the determined value. Therefore, the data obtained from this research had proper fitness scale with factorial structure and this indicated the compliance of the questions of the questionnaire and different aspects of transformational leadership style.

Confirmatory factor analysis of organizational identity questionnaires

**Table 7: fitness indices for organizational identity questionnaires**

Fitness indices	RMR	$\chi^2/df$	RMSEA	GFI	CFI	NFI	AGFI
Acceptance domain	<0.1	<3	<0.08	>0.9	>0.9	>0.9	>0.9
Calculated value	0.02	2.08	0.07	0.99	0.95	0.95	0.91

According to the results presented in table 7, the calculated value of  $\chi^2/df$  was 2.08. The values of  $\chi^2/df$  below 3 indicates suitable fitness of the model.

Also, the root mean square error of approximation (RMSEA) should be below 0.08 which was calculated to be 0.07 in the proposed model.

The value of root mean residues (RMR) should also be below 0.1 which was 0.02 in the proposed model.

The values of the statistical indices of AGFI, NFI, CFI and GFI should be above 0.9 and the values calculated for the proposed model were all above the determined value. Therefore, the data obtained from this research had proper fitness scale with factorial structure and this indicated the compliance of the questions of the questionnaire and different aspects of organizational identity.

**Evaluation of the main hypothesis of the research:**

There is a significant relationship between transformational leadership style and organizational identity among the faculty members in state universities of West Azerbaijan Province – Iran.

In order to investigate the relationship between transformational leadership style and organizational identity, Pearson's correlation coefficient was used. Table 13 summarizes the results of this test.

**Table 8: the relationship between transformational leadership style and identity**

Independent variable	Dependent variable	Type of hypothesis	Pearson's correlation coefficient	Confirmation/rejection of the hypothesis
Transformational leadership style	Organizational identity	main	0.26**	Confirmed

\*\*p<0.01

According to Pearson's correlation coefficient in table 8, it can be concluded that there was a significant and positive relationship between the transformational leadership style and organizational identity at statistical level of 0.01.

Therefore, the main hypothesis of the research was confirmed and it can be said that there was a meaningful relationship between transformational leadership style and organizational identity among the faculty member of state universities in West Azerbaijan Province – Iran.

**Evaluation of the sub-hypothesis of the research:**

There is a significant relationship between the idealized influence and organizational identity of faculty members.

There is a significant relationship between the idealized behavior and organizational identity of faculty members.

There is a significant relationship between the inspirational motivation and organizational identity of faculty members.

There is a significant relationship between the intellectual stimulation and organizational identity of faculty members.

There is a significant relationship between the individual considerations and organizational identity of faculty members.

In order to investigate the relationship between different dimensions of transformational leadership style and organizational identity, Pearson's correlation coefficient was used. Table 13 summarizes the results of this test.



**Table 9: correlation matrix of different dimensions of transformational leadership and organizational Identity**

No.	Variables	1	2	3	4	5	6	7	8	9	10
1	Idealized influence	1									
2	Idealized behavior	0.53**	1								
3	Inspirational motivation	0.18**	0.38*	1							
4	Intellectual stimulation	0.22**	0.33*	0.68**	1						
5	Individual consideration	-0.09**	0.17*	0.44**	0.64*	1					
6	Contingent award	0.20**	0.22*	0.39**	0.66*	0.68**	1				
7	Active management-by-exception	0.23**	0.36*	0.51**	0.49*	0.41**	0.40*	1			
8	Passive management-by-exception	0.47**	0.30*	0.19**	0.03*	-	-	0.18	1		
9	laissez-faire leadership	0.40**	0.20*	-0.10	-	-	-	0.05	0.72*	1	
10	Organizational identity	0.10	0.22*	0.16**	0.24*	0.09	0.24*	0.15 **	0.13*	0.09	1

\*p<0.05, \*\*p<0.01

According to table 9 regarding the secondary goals of the research it can be concluded that there was a significant and positive relationship between the **Idealized** behavior, intellectual stimulation and inspirational motivation dimensions of transformational leadership style and organizational identity at 0.01 level. Therefore it can be said that there was a meaningful relationship between the **Idealized** behavior, intellectual stimulation and inspirational motivation dimensions of transformational leadership style and organizational identity among faculty members of state universities in West Azerbaijan Province – Iran.

**There was no significant relationship between Idealized influence and individual considerations dimensions of transformational leadership style and organizational identity. Therefore it can be said that there was no meaningful relationship between the Idealized influence and individual considerations dimensions of transformational leadership style and organizational identity among faculty members of state universities in West Azerbaijan Province – Iran.**

There was a significant relationship between the active management-by-exception and contingent award dimensions of transactional leadership and organizational identity at 0.01 level. Also, there was a significant relationship between the Passive management-by-exception dimension of transactional leadership and organizational identity at 0.05 levels.

Therefore it can be said that there was a meaningful relationship between the active management-by-exception, the **Passive management-by-exception** and contingent award dimensions of transactional leadership and organizational identity among faculty members of state universities in West Azerbaijan Province – Iran.

The relationship between laissez-faire leadership style and organizational identity was not significant. Therefore it can be said that there was no meaningful relationship between laissez-faire leadership style and organizational identity among faculty members in state universities in West Azerbaijan Province – Iran.

## Evaluation of the effect of transformational leadership style on organizational identity of faculty members

Stage one: designing statistical hypothesis

Transformational leadership style has a direct effect on the organizational identity of faculty members of state universities in West Azerbaijan Province – Iran.

Stage 2: Hypothesis test

Investigation of direct, indirect, total and variance effect of transformational leadership style on organizational identity was analyzed using structural equation modeling and the obtained results are shown in tables 12 and 13.

**Table 10: the results obtained from investigating the second hypothesis of the research**

No.	Hypothesis	Path coefficient t( $\beta$ )	t- statistics	significance level	Status
1	<i>Transformational leadership style has a direct effect on the organizational identity of faculty members of state universities in West Azerbaijan Province – Iran.</i>	0.16	2.66	0.008	Confirmed

According to table 10, since at error level below 0.01, t-statistics has the positive value of 2.66, it can be concluded that this relationship was meaningful. On the other hand, the value of path coefficient ( $\beta$ ) as calculated to be 0.16 which is a positive value, it can be said with 99% confidence that transformational leadership style had a significant and positive effect on the organizational identity among faculty members and the statistical hypothesis designed based on the direct effect of transformational leadership style on organizational identity was confirmed and it can be said that transformational leadership style had a meaningful and direct effect on the organizational identity among faculty members in state universities in West Azerbaijan Province.

**Table 11: direct, indirect, total and explained variance effects of the variables**

Path	Direct effect	Indirect effect	Total effect	Explained variance
From transformational leadership to organizational identity	0.16**	0.07**	0.23***	0.13

\* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

According to table 11, the direct effect of transformational leadership on organizational leadership at 0.01 error level was stronger than its indirect effect; transformational leadership predicted 13% of organizational identity variations.

### Response to the research question:

Is there a meaningful difference among the ideas and visions of faculty members of the universities in West Azerbaijan Province – Iran regarding the relationship and effectiveness of transformational leadership style on the dependent variable of the research?

Stage one: designing statistical hypothesis

$H_0$  hypothesis:

There is no meaningful difference among the ideas and visions of faculty members of state universities in West Azerbaijan Province – Iran regarding the type of relationship and effectiveness of transformational leadership style on the dependent variable of the research.

$H_0: \mu_1 = \mu_2$

$H_1$  hypothesis:

There is a meaningful difference among the ideas and visions of faculty members in state universities of West Azerbaijan Province – Iran regarding the type of relationship and

effectiveness of transformational leadership style on the dependent variable of the research.  
 $H_0: \mu_1 = \mu_2$

Stage two: Hypothesis test

In order to investigate the differences in the visions and ideas of faculty members in Urmia University, Industrial University and Payam-e Nour University regarding the relationship and effectiveness of transformational leadership style on their organizational identity, first the results which are shown in table 14 were obtained and then one-way ANOVA was used for their analysis.  $P < 0.05$  level was considered to reject zero hypothesis. Partial eta squared was used to investigate the extent of the effect. The value of partial eta squared (0.01) was below the little effect (0.04) and average effect (0.10) markers and above big effect marker. Before presenting multi-way ANOVA tests in table 15, the results obtained from M-box test was reported to investigate the equality of covariance matrix of the dependent variables among the groups.

**Table 12: mean of research variables for each university**

Variable	Urmia University	Industrial University	Payam-e Nour University
Transformational leadership style	3.61	3.55	3.48
Organizational identity	3.94	3.93	3.80

**Table 12: investigation of the assumption of homogeneity of covariance matrix**

M-box statistic	F	significance level
17.47	0.96	0.57

According to table 15, F statistics of M-box test (0.96) was not meaningful. Therefore it can be concluded that covariance matrices of the dependent variables were equal for the groups. Table 16 shows the results obtained from multi-way ANOVA analysis.

**Table 13: the results obtained from multi-way ANOVA analysis regarding the variables of the research in the groups**

Test	Value	F	Df1	Df2	P	Partial eta squared
Pilaei effect	0.03	0.60	14	550	0.86	0.01
Wilks lambda	0.97	0.60	14	548	0.86	0.01
Hotling effect	0.03	0.60	14	546	0.86	0.01
Biggest root	0.02	0.96	7	275	0.45	0.01

According to table 16, Wilks lambda statistics for the investigation of group differences in research variables was 0.03. The F item of this test (0.60) was not meaningful either. Therefore it can be said that there was no meaningful difference among the visions and ideas of faculty members in Urmia University, Industrial University and Payam-e Nour University.

To further investigate the differences, the results obtained from one-way ANOVA analysis are reported in table 17. Also, according to table 17 the partial eta squared showed that group membership explained only 1% of the variations in the dependent variable. Therefore, in this research group membership had a small effect on research variables. In other words the difference among the groups in the society was very small. 0.6

**Table 14: the results obtained from one-way ANOVA analysis for the differences among different groups in research variables**

Variable	SS group	SS error	MS group	MS error	F	P
Transformational leadership style	0.86	74.91	0.43	0.26	1.62	0.19
Organizational identity	1.15	120.59	0.57	0.43	1.34	0.26

According to table 17, F statistics were 1.62 and 1.34 for transformational leadership style and organizational identity, respectively. This shows that there was no meaningful difference among the ideas and visions of faculty members in Urmia University, Industrial University and Payam-e Nour University in the research variables.

## Results and discussion

The results obtained from the findings of this research showed that there was a positive and direct relationship between the transformational leadership style and the organizational identity of faculty members in state universities of West Azerbaijan Province – Iran ( $r=0.36$ ,  $p<0.01$ ). Accurate investigation of the results also showed that Idealized behavior dimension of transformational leadership style had stronger effect on the organizational identity of the faculty members of the mentioned universities compared to its other dimensions. It can be concluded that the more the managers of the state universities of the province have the properties of transformational leadership, the more significant positive effects can be observed in the visions and behaviors of faculty members and therefore their organizational identity would be stronger. Stronger organizational identity, this valuable scientific asset, strengthens their emotional attachment and dependency to the organization as well as their loyalty and commitment to the values and goals of the organization and improves their achievement and creates stronger motivations for more effort and increases the quality of their educational services in different scientific and cultural activities. The presence of a strong and integrated organizational identity in the educational organizations is an important competitive advantage by itself and is an important factor in the effectiveness of the educational organizations in achieving transcendent values and goals and help them efficiently play their important and productive roles as in the way of economic, social and cultural progress of this region of the country. In addition, according to the findings of this research, it can be predicted that the application of transformational leadership patterns in the state universities of this province can result in fundamental transformations in the structure, process and targeting of the educational organizations and increase the ability of these dynamic and effective social systems in interacting with their turbulent and changing environment. It is obvious that the achievement of such a goal by gaining a better understanding from the significant and obvious principles and properties of transformational leadership style and also by identifying environmental barriers and restrictions of the environment would allow the application of transformational leadership style among the state universities of West Azerbaijan Province – Iran. The relationships between the organizational identity of faculty members of the universities and transactional and laissez-faire leadership styles were also reported as positive and meaningful in this research. The importance of these leadership styles and the positive effects of their properties on the organizational identities of faculty members should also be considered by the managers and leaders of these universities and in appropriate situations; they should be used as supplements for the properties of transformational leadership.

According to the analytical results of the data obtained from this research (results of ANOVA and investigation of the mean values among the groups and other statistical tests), it was also determined that there was no meaningful difference among the visions and ideas of faculty members in state universities of the province regarding the application of transformational leadership style in the mentioned educational organizations and its positive effects on the organizational identities of faculty members.

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# ANALYZING SOCIAL EXCLUSION, DISCRIMINATION AND RACIAL SEGREGATION OF MUSLIM IMMIGRANTS IN THE EUROPEAN UNION

Ramona Birău<sup>1</sup>

## Abstract

*The primary objective of this research article is to investigate the implications of social exclusion, discrimination and racial segregation of Muslim immigrants in the European Union. Muslim immigrant terrorists represent a significant threat to public safety and implicitly to the values and principles of democracy which attest the identity itself of the European Union. Permanent immigration in the European Union countries is a global challenge considering the impact of social exclusion, marginalization, stigma, discrimination and racial segregation on Muslim immigrants. Despite the fact that certain developed countries of the European Union still attract massive waves of Muslim refugees, the attitude of indigenous citizens is increasingly skeptical about the opportunity of this phenomenon. Consistently, the opposition to Muslim migrants was significant in certain member states of the European Union.*

**Keywords:** social exclusion, Muslim immigrants, racial segregation, discrimination, European Union

**JEL Classification:** F0, J0, H0, O2

## 1. Introduction

The main objective of this research article is to rigorously investigate relevant aspects regarding social exclusion, discrimination and racial segregation of Muslim immigrants in the European Union. The recent massive immigration waves have divided the European population into two major antagonistic categories, ie pro and con illegal immigration. However, it is inevitable to raise a rhetorical question. What is the most efficient solution to illegal Muslim immigration in European Union? Patently, the radicalization of approaches can not provide an optimal perspective on Muslim immigration in European Union. The positive and negative effects of the Muslim immigration in European Union are very heterogeneous. The receiving country have a moral obligation to provide proper immigration policy in order to integrate Muslim immigrants. Nevertheless, a severe labor shortage can be alleviated precisely because of immigrants due to a massive but inexpensive labor force.

On the other hand, the association of Muslim immigrants with the imminent danger of terrorist attacks is a very controversial theory. In recent past, the Islamic State claimed responsibility for a very violent series of terrorist attacks. Certainly not all immigrants are terrorists but statistical data regarding terrorist attacks can not be ignored. Terrorism is a social-political and criminal phenomenon with dangerous and fulminant international impact. Serious terrorist attacks were committed in the most developed European Union countries but the analogy between Muslim immigration and the risk of terrorist attacks is not quite realistic. The particular causes of this issues are much more complex and require an exhaustive approach based on interdisciplinary methods.

## 2. Literature review

In recent past, various research studies have been conducted in order to provide a relevant insight on social exclusion, discrimination and racial segregation of Muslim immigrants in the European Union as well as in other states of the world. Verkuyten (2013) investigated relevant issues regarding discrimination against Muslim immigrants and suggested that sociological research should focus much more on the “distinction between

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person categories and ideological categories, and to political leadership”. Berg (2015) provided an interesting approach on immigration attitudes based on an elaborate review of the theoretical literature. Givens and Luedtke (2004) have conducted research on European Union immigration policy and provided a very documented perspective. Martin (2015) analyzed discrimination of Muslims in health care in the United States and provided a documented perspective. Berry (2001) has conducted a revealing review on the psychology of immigration in order to provide an optimal solution for better understanding of this complex phenomenon. Birău (2016) discussed issues on social integration of immigrants in European countries and highlighted the importance of awareness the link between immigration policies and radical Islamic terrorism. Khan and Ecklund (2012) investigated attitudes toward Muslim Americans subsequent the terrorist attacks in September 11, 2001, and suggested that “negative attitudes appeared to be specific rather than global”. Isani and Schlipphak (2017) investigated European Muslim attitudes toward the European Union using a two-step argument based on a transfer of satisfaction logic.

### **3. Theoretical approaches to the phenomenon**

For the purpose of this article, it is required a complex analysis on Muslim immigration effects in the European Union. Labour mobility is an important factor contributing to the prosperity of the European Union, especially in the case of certain developed and most industrial countries from Western Europe. European Union countries are vulnerable in the context of terrorist attacks, especially considering the free movement of persons. However, labor market policies influence the initial option of immigrant workers. Illegal immigration in the broadest sense, has a negative effect on indigenous workers in the European Union. Consequently, migration and immigration policies has to achieve a balance between poverty reduction, alleviate unemployment, counterterrorism, eradication of social exclusion and discrimination, increase the standard of living, health care and education access.

Muslim immigrant stereotypes are generally related to social exclusion, discrimination and racial segregation based on identification with the idea of terrorism. However, a clear demarcation must be made between the concepts of refugee and immigrant. The terrorist threat is a deep concern for the population of the European Union. However, the focus is especially on certain Muslim-majority countries such as Syria, Iran, Libya, Sudan, Iraq, Somalia and Yemen. It is very important to highlight the true religious, cultural and social background of Muslim immigrants in the European Union. The basic reasons are very complex and it is essential to be thoroughly analyzed in order to understand the fundamental differences between terrorists and Muslim immigrants or refugees who are not terrorists.

Synthesising, the concept of terrorism is by its inherent nature an eloquent explanation for the high rate of public opposition to Muslim immigration in many countries of the European Union. ISIS (Islamic State of Iraq and Syria), Afghanistan's Talibans, Osama bin Laden's al Qaeda, Muslim Brotherhood and many others are international Islamic terrorist groups. In other words, these terrorist groups are based on Muslims and their radical followers.

Despite government policies on social integration, unemployment rate is still high among Muslim refugee and immigrant communities in the European Union. The European Union's economic and social policies are very attractive to Muslim refugees given the poor conditions and severe poverty in their own country. Unfortunately, this attractive perspective encourage illegal immigration. The immigrant population considers the European Union a beneficial alternative taking into account the massive armed conflicts in their native areas.

### **4. Conclusions**

Analyzing social exclusion, discrimination and racial segregation of Muslim immigrants in the European Union represents a challenge of great current interest for



academics, policy makers and ordinary people. The increased immigration in the European Union is due to multiple causes with a significant negative impact, but the positive aspects should not be ignored. Despite criticism, immigration is an attractive alternative in the case of a labor shortage. A conceptual approach can provide an optimal solution for implementing sustainable social policies in order to integrate Muslim immigrants. In this sense, the distinction must be made between a refugee and an immigrant. However, social exclusion, discrimination and racial segregation of Muslim immigrants in the European Union is a sociological reality caused especially by terrorist attacks and other violent criminal acts against civilians.

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# FRAUD AND MICROFINANCE INSTITUTIONS IN NIGERIA

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## Abstract

*Micro financing has become one of the most portable sources for funding Small and Medium Scale Enterprises in Nigeria. However, the high rate of failed microfinance institutions in recent times has made fraud to become an issue for discuss in microfinance research in recent times. Anecdotal evidence shows that management tends to exonerate itself and rarely accept blame but shift blame to monitoring staffers when fraud cases are discovered in financial institutions. This study seeks to ascertain the roles of operation staff and management in fraud cases perpetrated by fraudulent staff in Microfinance Institutions in Nigeria. The study used a sample of ten registered microfinance banks that have network of branches nationwide. The study employed Ordinary Least Square and ANOVA to analysed data collected from field. The results show that management's lack of political will to implement fraud related policies, lack updated internal audit & internal control system and snob appeal behaviour of staffers are responsibility for high rate of fraud in microfinance institutions in Nigeria. The study also showed that fraud is more pronounced among branches in the city than those situated in rural areas. The study recommended that management should not be slow in implementing policies. The study also recommended that blood relations should not be allowed to work in the same microfinance institution. Finally the study recommended that minoring staff should watch the spending habits of their subordinates.*

**Keywords:** Fraud, Microfinance, Management and employee behaviour

## INTRODUCTION

Statistics reveals that more than 65% of businesses in Nigeria are Small and Medium Scale enterprises (SMEs). This sector is said to be the engine driver of most developing Economies like Nigeria. SMEs provide a reasonable percentage of employment opportunities in Nigeria. It is however dishearten that most SMEs die within their first five years of existence, while smaller percentage goes into extinction between the sixth and tenth year thus only about five to ten percent of young SMEs survive, thrive and grow to maturity ( Basile, 2012). Akwaja (2004) opines that lack of finance is one of the major factors responsible for the premature death of SMEs in Nigeria. Some scholars and accounting researchers pointed out that there is a need for the government's involvement in the financing of SMEs and to this effect many governmental programs like, National Poverty eradication, Program (NAPEP), Directorate for food road and rural infrastructure (DFRRI), People's bank of Nigeria and many others were initiated in the past. All these programs were initiated by the government and were geared toward providing financial assistance to SMEs. However the aforementioned programs were unable to solve the numerous financial challenges of SMEs in Nigeria and such the introduction of small financing came into the scene to cater for the financial needs of SMEs in Nigeria. The apex bank in the pass fifteen years has given operating license to over a hundred Microfinance institutions (MFIs). SMEs because of their nature have no collaterals to enable them obtain loan from commercial banks.

Microfinance Institutions (MFIs) deal with clients that operate in the informal sector who cannot access loan from commercial banks. Though the involvement MFIs has yielded some positive results, yet frauds in MFIs have posed serious threat on the long-term sustainability of the success story. Fraud is an impediment and has hindered the actualization of the provision of loan to the informal sector and broadening of financial inclusion drive. The negative effect of fraud is always overwhelming to both big and small MFIs. Researches show that high number of MFIs between 2000 and 2016 went under as result of fraud while some other downsize their operations due to the adverse effect fraud on their capital base.

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Dhitima (2013) opines that fraud flourishes in a setting that has multifaceted procedures and large quantity of un-systemic transactions. The author further reports that some factors responsible for fraud in the MFIs are weak corporate governance; poor accounting practices, procedures and policies; lack of client due diligence, weak internal control system; policies and procedures; perverted social values; slow and circuitous judicial process; and fear of negative publicity. Ogunleye (2004) further summarises the causes of fraud in MFIs into two broad categories: managerial lapses and employee caustic behavior. Mordi (2005) argues that employee and management are the key players in fraud and its preventions but often than not management refuses to take any responsibility when fraud is committed but look for areas where principles and procedure were violated and push the blame to monitoring personnel. Adeyemo (2012) also argues that most high profile fraud cases in MFIs were committed by employees that are connected to management either at regional level, zonal level or at the head office level. The perpetrators of these frauds happen sometimes to be the director's brother, director's in-law, regional manager's wife, zonal manager's sister mentioned but a few. This caliber of management-affiliated personalities are treated as 'sacred cow'. Anecdotal evidence shows that this set of persons pretend to be safeguarding the interest of management but look for the slightest opportunity to strike. On the contrary, Agyare and Aidoo-Buameh, (2014) argue that employee caustic behavior and lack of close observation by monitoring are major causes of fraud in MFIs in Nigeria . A good monitoring personnel or supervisor should be able to decipher fraud trends in his subordinate and take necessary action.

Kumar and Conteh ( 2016 ) are of the opinion that one of the major causes for the increased rate in occurrences of fraud in MFIs is lack of board capacity to understand internal control issues. Internal control is the central risk management function of the board but in most cases it is neglected either because of board's inability to understanding internal controls issues or because of compromise and lack of commitment of management to its role.

## **LITERATURE REVIEW**

### **Employee behavior and fraud**

Kumar and Conteh (2016) listed some common fraud cases that are perpetrated in MFIs as a result of staffers' caustic behavior and these include: Padding of receipt,/paying voucher, conversion of cash collected in the field, cash in vault malpractice, ghost loans, staff and customer collusion, kickback in administration of loan . These behaviors can further be explained by the fraud triangle theory and fraud diamond.

#### **The Fraud Triangle Theory**

This theory was propounded by Cressey (1987), it attempts to explain the factors that facilitate and stimulate a fraudster to commit fraud without blinking his eyes. These factor are categorized into three:

#### **Perceived Pressure**

Lister (2007) defines the pressure to commit fraud as "the source of heat for the fire. Hooper and Pornelli (2010) opine that pressure can be either a positive or a negative force. Fraud pressures can arise from financial problems, such as living beyond one's means, greed, high debt, poor credit, family medical bills, and many more. It may also arise from vices such as gambling, drugs, or an extramarital affair. Murdock (2008) also argues that pressure could be financial, non-financial, political and social. Political and social pressure occurs when a person feels and believes is a failure if he lives below certain standard because of his status or reputation. While financial pressure occurs when an individual has financial needs that are beyond his means.

Vona (2008) and Rasha and Andrew (2012) argue that personal and corporate pressures are the key motives for committing fraud. Chen and Elder (2007) document six basic classifications of pressure as, a transgression of obligations, personal problems, corporate

inversion, position achievement and relationship between employees. Albrecht et al. (2008) classified pressure into four groups namely: economic, vice, job-related and other pressures.

### **Perceived Opportunity**

This is defined as an environment or temporary circumstance that allows for the fraud to be committed, typically with little perceived chance of being caught or penalized. Windows of opportunity exist for wrongdoing when companies have poor internal controls, weak processes and procedures, unauthorized or unchecked access to assets by employees, or a lack of management review and oversight.

### **Rationalisation**

Rationalization of committing fraud is the most difficult condition to observe because it takes place in the mind of the perpetrator. Rationalization has to do with justifying the fraud. Since many fraudsters view themselves as honest, ordinary people and not as criminals, they have to come up with some reasoning to make the act of committing fraud more acceptable to them. Some common rationalization statements are “I will just take this money now and pay it back later,” “No one will notice,” or “I deserve this after all these years with this company.” Rationalization may include an employee/manager’s feeling of job dissatisfaction, lack of recognition for a job well done, low compensation, an attitude of “they owe me,” “I’m only borrowing the money,” “they would understand if they knew my situation,” “it is for a good purpose,” or “everyone else is doing it.”

Some fraudsters rationalize their behavior by reframing their definition of wrongdoing to exclude their actions. All three conditions must be present in varying degrees for fraud to occur. In understanding the psychology of the person committing fraud, it is important to first understand how the person is internally justifying the fraud.

### **The Fraud Diamond Model**

The fraud diamond model was propounded by Wolfe and Hermanson (2004). The theory added an element called capability into fraud components of the FTT. Wolfe and Hermanson (2004) argue that although perceived pressure might coexist with an opportunity and a rationalization, it is unlikely for fraud to take place unless the fourth element - capability is present. This implies that the potential perpetrator must have the skills and ability to commit the fraud. The fraud diamond model suggests that many frauds happened because the fraudsters have required skill to perpetrate the fraud. The diamond model postulated four observable traits and capabilities for committing fraud: authoritative position or function within the organization; capacity to understand and exploit accounting systems and internal control weakness; confidence of not being detected or if caught will get out easily, and; capability to deal with the stress created within the within an otherwise good person when she commits bad acts.

**Figure 2: the Fraud Diamond Model**



Kranacher, et al. (2010) combine fraud triangle model and diamond fraud to formulate a fraud ranking chart. The following are the ten most ranked factors as ranked by Kranacher, et al. (2010) : first, an overwhelming desire for personal gain; second, living beyond their means; third a close association with customers; four, high personal debt; fifth, feeling pay was not commensurate with responsibility; sixth ,excessive gambling habits(example, MMM and the like); seventh, a wheeler-dealer attitude; eighth, strong challenge to beat the system; ninth, undue family or peer pressure; tenth, no recognition for job performance.

### **METHODOLOGY**

The population for this study comprises all MFIs that have nationwide branches in Nigeria. The study employed simple random sampling to select ten MFIs from the population.

The study used both secondary and primary sources to extract information. The primary data were obtained by administering questionnaire to elicit information from staff in operation department while secondary data were obtained from monthly bulletin of the selected MFIs. Two hundred questionnaire were distributed of the aforementioned mentioned department.

This study used the Ordinary Least Square (OLS) regression technique to ascertain the determinants of frauds in MFIs in Nigeria. This relationship can written as: Fraud= f (Management related factors, Lack of updated internal, employee behavior)

Simple ANOVA test was performed to ascertain whether higher number of reported fraud cases in MFIs were committed by employees that are highly connected to management at various levels. ANOVA is also applied at ascertain whether MFIs branches in city are more prone to the fraudulent activities of fraudsters than those in rural area. The analysis for this research was conducted using Microsoft excel package.

### **DATA PRESENTATION**

**Table 1. Allowing family members to work in the same microfinance finance institution will give room for high rate of fraud high.**

<b>RESPONSE</b>	<b>NO</b>	<b>%</b>
AGREED	60	30
STRONGLY AGREED	80	40
UNDICIDED	-	-
STRONGLY DISAGREED	42	21
DISAGREED	18	9
TOTAL	200	100

Source: field survey 2017

Table 1 shows that 30% and 40% of respondents agreed that allowing family members to work in the same MFIs is give room for high rate of fraud while 21% and 9% of the respondents strongly disagreed and disagreed respectively.

**Table 2 .MFIs branches in rural area strictly monitor than those in the city**

<b>RESPONSE</b>	<b>NO</b>	<b>%</b>
AGREED	24	12
STRONGLY AGREED	106	53
UNDICIDED	-	-
STRONGLY DISAGREED	14	7
DISAGREED	56	28
TOTAL	100	100

Source: field survey 2017

Table 2 reveals that 53% and 12% of respondent strongly agreed and agreed that that MFIs branches in the area are strictly monitored than those in the city while 7% and 28% of the respondents strongly disagreed and disagreed

**Table 3. High profile frauds are often committed by staff that are to connected management**

RESPONSE	NO	%
AGREED	46	23
STRONGLY AGREED	94	47
UNDICIDED	-	-
STRONGLY DISAGREED	14	7
DISAGREED	46	23
TOTAL	200	100

Source: field survey 2017

Table 3 shows that 23% and 47% of respondents agreed and strongly agreed that high profile frauds often by staff that connected to management while 7% and 21% of the respondents strongly disagreed and disagreed that agreed that high profile frauds often by staff that connected to management.

**Table 4. High profile frauds occur more in MFIs branches in town than those in rural area**

RESPONSE	NO	%
AGREED	4	2
STRONGLY AGREED	78	78
UNDICIDED	-	-
STRONGLY DISAGREED	20	10
DISAGREED	20	10
TOTAL	200	100

Source: field survey 2014

Table show that 2% and 78% of respondents agreed and strongly agreed that high profile frauds occur more in MFIs branches in town than those in rural area while 20% of respondents strongly disagreed and disagreed that high profile frauds occur more in MFIs branches in town than those in rural area .

**Table 5 Fraudulent MFIs employees spend extravagantly**

RESPONSE	NO	%
AGREED	86	43
STRONGLY AGREED	34	17
UNDICIDED	-	-
STRONGLY DISAGREED	24	12
DISAGREED	56	28
TOTAL	200	100

Source: field survey 2017

Table 5 show that 43% and 17% of respondents agreed and strongly that fraudulent MFIs employees spend extravagantly while 12% and 28% disagreed that Fraudulent MFIs employees spend extravagantly.

**Table 6. Most MFIs do not have functional internal audit**

RESPONSE	NO	%
AGREED	68	34
STRONGLY AGREED	-	-
UNDICIDED	-	-
STRONGLY DISAGREED	78	39
DISAGREED	54	27
TOTAL	200	100

Source: field survey 2017

Table 6 shows that 43% of respondents agreed that .most MFIs do not have functional internal audit while 39% and 27% disagreed that . Most MFIs do not have functional internal audit

**Table 7 Fraudulent employees take advantage of loophole in internal control system**

RESPONSE	NO	%
AGREED	68	34
STRONGLY AGREED	78	39
UNDICIDED	-	-
STRONGLY DISAGREED	-	-
DISAGREED	54	27
TOTAL	200	100

Source: field survey 2017

Table 7 shows that 34% and 39% of respondents agreed and strongly fraudulent employees take advantage of loophole in internal control system while 27% of the disagreed with the statement

**Table 8: Partiality displayed by management when in handling fraudulent activities of employees related to core board members encourages other employees to commit fraud.**

RESPONSE	NO	%
AGREED	32	16
STRONGLY AGREED	100	50
UNDICIDED		
STRONGLY DISAGREED	40	20
DISAGREED	28	14
TOTAL	200	100

Source: field survey 2014

Table 8 shows that that 16% and 50% of respondents agreed and strongly agreed Partiality displayed by management when in handling fraudulent activities of employees related to core board members encourages other employees to commit fraud while 20% and 14% strongly disagreed that Partiality displayed by management when in handling fraudulent activities of employees related to core board members encourages other employees to commit fraud.

**Table 9. Weak management supervisory role in the banks daily operations is major cause of fraud in MFIs.**

RESPONSE	NO	%
AGREED	130	65
STRONGLY AGREED	20	10
UNDICIDED		
STRONGLY DISAGREED	40	20
DISAGREED	10	5
TOTAL	200	100

Source: field survey 2014

Table 9 shows that 65% and 10% of respondents agreed and strongly agreed that weak management supervisory role in MFIs daily operations is major cause of fraud in MFIs while 20% and 5% strongly disagreed and disagreed to the statement

### DATA ANALYSIS

**Table10. Analysis of variance result (ANOVA)**

Group	Sum	p-value	F-critical	F
Town	20	0.001	4.2	7.1
Rural	80			

Source: Researcher's computation

The analysis of variance reveals that 20% of the entire frauds committed in MFIs were in branches located in rural areas while 80% are committed by branches situated in the town. The P-value at 0.05 level of significant stood at 0.001 while F-value is 6.5. Since F-value of 7.1 is greater than F-critical of 4.2 it implies that reported cases of frauds are more pronounced in branches in the city than those in rural area.

**Table 11. ANOVA result**

Group	Sum	p-value	F	f-critical
Sacred cow	70	0.00	10	18.8
Others	30			

Source: Researcher's computation

The ANOVA result reveals that p-value has a value of 0.08 while the value of F is 10 at 0.05 level of significance. We rejected null hypothesis which states employees affiliated to management commit lesser fraud.

**Table 12. Correlation analysis**

	<i>FD</i>	<i>RTM</i>	<i>FPI</i>	<i>EB</i>
FD	1			
RTM	0.744254	1		
FPI	-0.15396	-0.20339	1	
EB	0.70824	0.022801	-0.03224	1

Source: Researcher's computation

Where:

FD = Reported fraud cases

RTM=Related to management

FPI= Fraud policies implemented to curb

EB= Employee behaviour



.The correlation results show that FD is positively correlated with RTM. This implies high number of connected with management increases as the number of reported fraud cases. FPI is negatively correlated with FD. This implies that failure to implement anti- fraud policies make number of reported fraud cases to increase. Finally the result shows that employees' extravagant behavior is positively correlated with FD.

### **CONCLUSION AND RECOMMENDATIONS**

The objective of this study is to find out the factors responsible for fraud in MFIs in Nigeria. Survey and experimental design were adopted. The results show that lack of updated and formidable internal control and internal audit system is responsible for the high rates of fraud occurrences in MFIs in Nigeria. The result also shows that higher number of frauds are committed by employee that are comrade to management or blood relations (that is, family friends, brother or in-laws) or core members of management term. Information gather from field revealed that this set of persons are treated like "sacred cow " hence monitoring staff are sometimes afraid to monitor them closely.

The results further show that management's lack of political will to implement anti-fraud related policies like not allowing husband and wife to work in the same MFIs, removing the seals on sacred cow and two years redeployment policy. Information gathered from the field reveal that redeployment is done based on sentiment. In addition, the results show that extravagant life style is one major factor that makes employees to commit fraud. When an employee lives beyond his means it is likely that employee perpetrate fraud if the opportunity is available.

The results finally show that fraud is more pronounced in bank branches in the city than those situated in rural areas. Internal auditor and other monitoring personnel concentrate more on branches in rural area because of the daily night allowance payable to staff working outside their domain.

The study recommended that immunity given to sacred cow should be removed. Management should implement anti-fraud policies without fear or favour. The study also recommended that blood relations should not be allowed to work in the same microfinance institution. Finally the study recommended that monitoring staff should watch the spending habits of their subordinates and intensify efforts to monitor branches in the city. .

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# INFLUENCE OF SMARTPHONE ATTRIBUTES ON STUDENT'S BUYING DECISION IN LAGOS STATE TETIARY INSTITUTIONS

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## Abstract

*The study was carried out to evaluate the influence of smartphone attributes on student's buying decision in Lagos State Tertiary Institutions. Smartphones have been instrumental to the rapid growth of telecommunications accessibility. However, empirical work on the combination of price, technology, design, image, and application attributes of smartphone is limited, particularly among students of tertiary institutions. Research design adopted was purely descriptive, employing cross sectional survey method in data collection. Data for the study were generated through the use of structured questionnaire and administered to a sample of 362 out of 3,792 students in selected tertiary institutions in Lagos. Data collected were analyzed using Multiple Regression Analysis. The results showed that all smartphone attributes considered in the study were found to be positively and significantly related to student's buying decision. Specifically, technology attribute has highest impact on student's buying decisions, followed by application and price attributes. The study concluded that technology, application and price are considered the most top three attributes that significantly influenced student's buying decision of smartphone. The study recommends that marketers should seek for core competence in technology with emphases in innovative features and application in the direction of achieving and sustaining competitive advantage and leadership.*

**Keywords:** Smartphone; Buying Decision; Tertiary Institutions

## 1. INTRODUCTION

The upsurge in the availability of smartphone in developing economies has greatly revolutionized the thinking and life-style of students in tertiary institutions.

Since the emergence of smartphone in Nigeria in the late 1990's, same has been found to have positively impacted the social, academic and economic lives of students in higher institutions and by extension increasing their knowledge globally and commitment to a serious academic pursuit based on smartphone attributes. (Mojaye, 2015).

The various and innumerable benefits of smartphones have accordingly made the product virtually indispensable amongst students resulting in technological orientation with attendants improved life style. (Lau, Lam & Cheung, 2016 & Mohan, 2014). Hence, Tan, Yeh, Chen, Lin and Kuo (2015) maintained in their studies that smartphone attributes will include the following important features: Price related features, technology related features, design related features, application related features and image related features.

Malasi (2014) further posited that firms work towards satisfying and meeting consumer's need through its various products attributes/features. More so, Lay-Yee, Kok-Siew and Yin-Fah (2013), confirms that smartphone features are merely more than just making phone calls and text messages, but its ability to have high speed internet accessibility, digital media and multimedia features such as videos, chatting, music and picture. More so, to be able to make use of small computer programs like installation Apps. E.t.c.

It is therefore very important for firms/marketers to anticipate, discover and identify the influential factors to deal with changing customer needs, taste and preference and the intense competition in the smartphone market. (Khan & Rohi, 2013).

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## 2. STATEMENT OF THE PROBLEM

The survival and growth of organizations today depends on the extent to which it is able to provide products and services that satisfy its numerous customers. Customers will feel satisfied with products that possess the requirements that lead to informed decision to make purchases one hand and if they are able to perform to expectations. On the other hand, this of course, the reason why Malasi (2012) argued that products and brand attributes are significantly important to consumers when making their purchasing decision.

Despite the pervasiveness of smartphone penetration in Nigeria, studies are very few and inadequate for understanding of smartphone attributes that influences buying decisions and most especially among students in Nigeria. This study is therefore intended to understand the influence of smartphone attributes on student's buying decision. Although, many researches and studies have been preliminarily carried out on factors that affect consumer choice of mobile phones. (Yeh, Chen, Lin & Kuo, 2015; Mokhlis & Yaakop, 2012; Sata, 2013; Malasi, 2012; Oghojafor, Ladipo & Rahim, 2012).

The studies cited above are considered to not have duly captured recent development in modern technology.

Thus, smartphone is importantly viewed as indispensable product whose performance function are judged based on such attributes such as technology, price, design, image and application. (Lau, Lam & Cheung, 2016; Mohan, 2014 & Tan, Yeh, Chen, Lin & Kuo (2015).

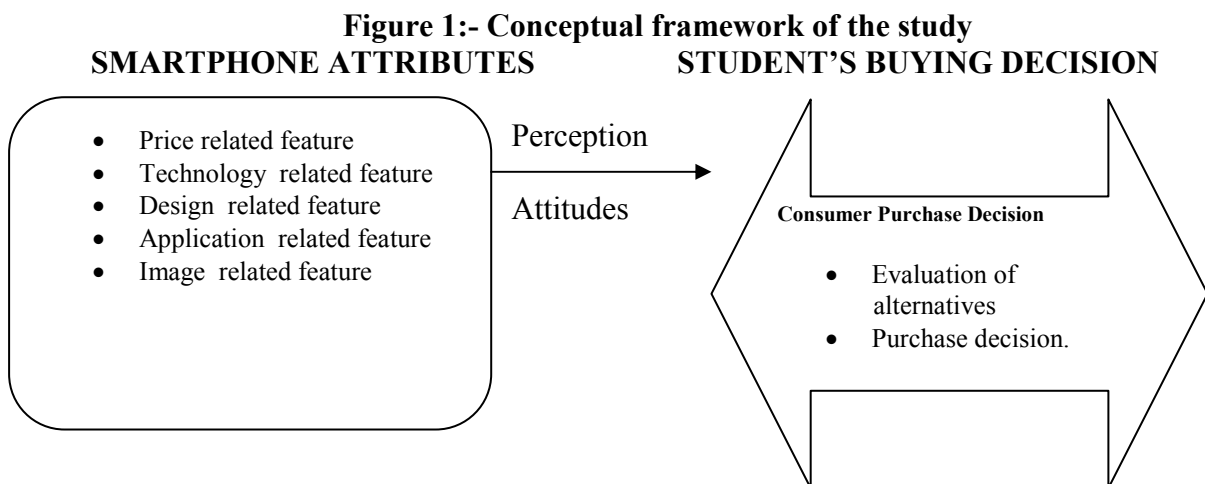
## 3. RESEARCH QUESTIONS AND HYPOTHESES

The study aim is to ascertain the influence of smartphone attributes on buying decisions among students in tertiary institutions. The specific objectives are therefore set to evaluate the following hypotheses:

- H<sub>0</sub>i:** There is no significant relationship between price related attribute and student's buying decision of Smartphone.
- H<sub>0</sub>ii:** There is no significant relationship between technology related attribute and student's buying decision of Smartphone.
- H<sub>0</sub>iii:** Design related attribute may not successfully affect students' buying decision of Smartphone.
- H<sub>0</sub>iv:** There is no significant relationship between application related attribute and student's buying decision of Smartphone.
- H<sub>0</sub>v:** Image related attribute will not affect student's buying decision of Smartphone.

## 4. LITERATURE REVIEW

### 4.1 Conceptual Framework



Source: Modified from Kotler and Armstrong (2012). Principles of marketing: 14<sup>th</sup> ed.

Why do we buy things?, how do we decide to buy what we already bought ?, how do we know where and when to buy these products ?. These are questions we do often ask ourselves. Hence, marketing professionals are curious to knowing the answers to these resounding questions. It is because, if they can get answers to these questions, then they will have better chance of creating and communicating products to potential buyers.

However, the decision consumer makes while buying product is the focal point marketers try to understudy, because consumers make different types of decisions in everyday life. And in order to withstand the competitive environment, it is important for firms to exercise much effort on researching consumer buying behavior and obtain detailed information on what consumers purchase, where they purchase, when they make their purchases and why they purchase. (Sabnam, 2016).

A buyer will usually pass through five different stages of problem recognition, information search, evaluation of alternatives, purchase decision and post purchase decision in order to reach his/her buying decision. That is, evaluate his/her needs, choose the best one according to his/her need and available resources and purchase it. But for the purpose of this study, it is assumed that students have passed through the first and second stage of the decision process by recognizing the need for using a smartphone, and are also well informed about this product. Hence, the students is left with the third and fourth stage of the decision process by evaluating the smartphone attributes based on their perception and attitudes towards the product, and thereafter make purchases.

This therefore encourages marketers in the smartphone industry to rather focus on the evaluation of alternatives, and purchase decision.

#### **4.1.1 Smartphone Attributes**

Buyers do not acquire products for the sake of the products, but for the utility/satisfaction provided by characteristics and functionality of the product's attributes. (Lancaster, 1966, Zhang, Rau & Zhou, 2015). However, many of the product characteristics that are important from the point of view of consumers as well as designers are neither physical nor objective.

In today's competitive market, the marketers are looking towards building a long term profitable business relationships with the customer. Because consumers use product attributes to evaluate a product in relation to the benefits they seek before intending to purchase the product. (Oghojafor, Ladipo & Rahim, 2012). (Shaharudin, Hassan, Mansor, Elias, Harun and Aziz (2010) also reported According to Kotler and Armstrong (2012) that marketing has gone through series and stages of marketing evolution. That is, from the production concept to marketing and societal concept. In marketing concept, the achievement of the overall organization goals depends on the extent of its customer satisfaction and how best the company delivers satisfactions better than its competing counterparts. From the marketing point of view, competitive advantage can be achieved through a series of intermediate objectives such as offering a distinctive product attributes. Furthermore, to increase the brand loyal customer base, it is suggested that an organization needs to create awareness and communicate the benefits of these attributes.

Smartphone is an electronic device that provides varieties of functions and usage with ease. Smartphone is a mobile device which is more than merely making and receiving phone calls, text messages, and voice mail. The basic feature of a Smartphone is the ability to have access to the internet and also to be able to access digital media such as picture, music and videos. Also, Smartphone needs to have the ability to make use of small computer programs called applications or apps (Karen, Han & Benjamin, 2013).

Attributes on the other hand, according to Oghojafor, Ladipo and Rahim (2012) in Peter and Olsen (1994) and Aaker, Batra and Myers (1992) categorized attributes into concrete

attributes and abstract attributes. A concrete attributes can be referred to as physical attributes because of its objective and tangible characteristics which can be assessed by using criteria such as colour and shape. While an abstract attributes is subjective and intangible, they cannot be easily measured and come inform of the product design, technology and operating system.

Thus, smartphone attributes will include features such as application, high gigabytes of storage, large screen and powerful processor. However, attributes can also come inform of touch screen, camera resolution functionality, WiFi, high resolution display, e.t.c.

Romariuk and Sharp (2003) thereby, suggested that firms should focus more on how many attributes/features the smartphone should be associated with. Which Tan, et al. (2015) maintained that smartphone attributes will include the following important features: Price, technology, design, application and image related attributes.

#### **4.1.2 Price Related Attributes**

Park, Wiriady, Surya and Putri (2014) quoting Mokhlis and Yaakop (2012) that Price has been noted to being a critical factor influencing student's buying decisions of smartphones product. Dziwornu (2013) further revealed that the buying decision of students purchasing mobile phone was mostly affected by price, as they are likely to associate the price charged in relation with the product quality. However in similar vein, studies have shown how prices affect smartphone purchases. (Sata, 2013; Park, Wiriady, Surya & Putri, 2014 & Mokhlis & yaakop, 2012). Malasi (2012) asserted that consumers will gladly buy products that have lower prices. Therefore, it can be rightly assumed that there is relationship between price and student's decisions of smartphones, particularly when affordability is considered

According to Tan et al. (2015) Investigated that price is influenced by fashion and values which in turn affects the smartphone Apps uni-directionally. Hence, customers do not view price in isolation when assessing whether the Smartphone is worth its value. Price is the odd-one of the elements in marketing mix, because it is the revenue generator. (Jobber, 2004). The price of a product is what the company gets back in return for all the effort that is put into production and marketing of the product. Therefore, we can rightly say that price is an important attributes that enhances product quality when other attributes available are limited. (Dodds & Monroe, 1985). Jacoby and Olson (1977) also dichotomized price into two: - Objective price (the actual price that is placed on a product) and perceived price (this is an encoded and assumed price of the consumer). Price no doubt influences evaluation and purchase decision.

#### **4.1.3. Technology Related Attributes**

Technology has revolutionalized the way and how we communicate with ourselves and even with ease. Seiler and beall (2005) states that technology has advanced so quickly. Digital cameras allow them to understand and share pictures of with others, members of the family and special events with friends all over the world. Technology plays an important and powerful role in human lives. It has an impact on society communication style/system, the interactions, the cross fertilization of ideas, learning and listening. However, studies have shown how technology attributes influences students buying decisions of evaluation and purchases. (Sata, 2013; Park, Wiriady, Surya & Putri, 2014 & Mokhlis & yaakop, 2012). Thus, it is the operating system (OS), availability of near field communication (NFC), data transmission method such as bluetooth, phone speed, ROM and storage capacity. In view of this, technology no doubt influences student's evaluation and purchase decisions.

#### **4.1.4. Design Related Attributes**

Another way to add customer value is through product design and style.

Some of the previous studies have mentioned that physical appearances of the mobile phones, including size, color, design, weight, and keyboard have major impacts on final

purchase decision for mobile phone. (Sata, 2013; Tan, Yeh, Chen, Lin & Kuo, 2015 & Mokhlis & yaakop, 2012). Research conducted by Yang, He, and Lee (2007) found out that Chinese counterparts intend more to impress themselves and others with their mobile phones' fancy design and appearance.

Companies however develop reputations for outstanding style and design. Kotler et al (2002) asserted that design is a wilder and broader concept than style and that style simply describes the appearance of a product. Because, design will offer one of the most potent tools for differentiating and repositioning product of all kinds. Therefore, good design in Smartphone will create and attract attention, improve product performance, cut production costs and give the product a strong competitive advantage in higher institutions and most especially in Lagos state. Smartphone attributes come inform of application, high gigabytes of storage, large screen (width and touch screen) and powerful processor, touch screen, camera resolution functionality, Wi-Fi, high resolution display. Attributes such as body design (shape, weight and dimension) can also define a design related attributes. In view of this, design no doubt influences student's evaluation and purchase decisions.

#### **4.1.5. Application Related Attributes**

Smartphones run on operating system (OS) that allows the installations of third party and vendor applications or "Apps". Most Smartphone OS' have their own dedicated Apps that are normally available from a portal for downloading, frequently referred to as an "App Store". (Uys, Mia, Jansen, Van der schyff, Josias, Khusu, Gierdien, Leukes, Faltein, Gihwala, Theunissen & Samsodien, 2012). Karen, Han and Benjamin (2013) reported that Smartphone make use of small computer programs called applications or Apps.

Smartphone Apps range from various apps like e-wallet, games, e-transact, Google stores, e-Book Readers, Navigation Software, Services providing news and weather feeds, to Apps allowing users to access internet services such as email, Wikipedia, YouTube, Face book and other social networking Apps. In view of this, application no doubt influences student's evaluation and purchase decisions.

#### **4.1.6. Image Related Features**

This is the brand, brand name, fashion or trendy to use. Brand name is another factor that influences students' evaluation and buying decision in the mobile phone markets. Research conducted by Karjaluo, Karvonen, Kesti, Koivumak, Pakola, Ristok and Salo (2005) found out that brand is one of the most influential factors that affect the purchase of mobile phone. In addition, they also found out that students rarely change their mobile phone brand due to the fact that it is much easier to stay with the same brand with familiar-user interface and menus. Thus, it is hypothesized that image affect consumers' evaluation and purchase decision.

Although firms provide the impetus to brand creation through marketing programs and other activities, ultimately a brand resides and is positioned in the minds of consumer. Kotler and Keller (2012) defines it as a name, term, sign, symbol, or design, or combination of them, which is used to identify the product offering of a seller and to differentiate them from those of competitors. Brand name being a compact form of communication may connote meanings such as brand image that consumers may consider critical in the choice of Smartphone.

Corporate name: When a company name is less well known and means little to consumers, it is likely that it would influence negative purchase intention since consumers may most likely have mixed perception of the company's products. (Idoko, Ireneus, Nkamnebe & Okoye, 2013, & Nelson, 2002).

Product quality: This is an essential component to consider when attempting to create an image for a brand and enhancing customer satisfaction, increasing customer satisfaction. (Lonial & Selimzaim, 2015).

Shaharudin et al. (2011) carried out a study on the relationship between product quality and purchase intention and identified that product quality is based on eight quality dimensions which includes: Performance, features, conformance, reliability, durability, serviceability, aesthetics, and Customer perceived quality. Studies have rightly shown that image attributes plays a major role in influences students buying decisions of smartphone. (Sata, 2013; Tan, Yeh, Chen, Lin & Kuo, 2015 & Mokhlis & yaakop, 2012).

## 4.2. THEORETICAL FRAMEWORK

### 4.2.1. Multi-Attributes Attitude Model

Fishbein's multi-attribute attitude model was mainly developed by Martin A. Fishbein in 1963, in which he stated that the attitude towards certain products will be reflected by the evaluation of important attributes, and then attitude can be assessed by measuring the evaluation of these attributes.

According to this model, attitudes are viewed as having two basic components, one is belief about the specific factors of an object and another is the overall evaluation about the specific factors of an object. It implies how an individual evaluates the importance of each attributes of the object in satisfying his/her needs.

This is formulated as follows:

$$A_o = \sum_{i=1}^n b_i \cdot e_i$$

Where  $A_o$  = person's overall attitude towards the object or product.

$b_i$  = the strength of one's belief about the attribute (i) or factor of that object /product.

$e_i$  = the performance rating of product attribute (i).

$n$  = number of important/salient product attribute.

This model helps to identify product strengths and weaknesses from customer's perspective and it also helps to determine if customers perceive the product as intended.

### 4.2.2. Stimulus - Response Model Of Buyer Behavior

Marketers need to understand the buying decisions of its consumers. Because, consumers make buying decisions every day and the main focal point of marketer's effort is knowing the buying decisions of consumers. (Kotler & Armstrong, 2012). Kotler, Armstrong, Saunders and Wong (2002) further stated that firms will use more of their resources than ever to study consumer's buying behavior. That is, looking for answer to question such as, "how do consumers respond to various marketing stimuli that the company might use"? However, knowing the answer to this question will create a great competitive advantage over its competitors.

Thus, firm utilizes various marketing efforts to influence the decision of consumers. The marketing stimuli, interprets the firms product offering, pricing, promotional effort and placing the product. Marketers use these stimuli to persuade consumers to buy smartphone. And the other stimulus, explains the economic, technological, political and the psychological factor that are likely to affect and influence the consumer when considering to buy smartphone. These stimuli presented before consumers by firms are however dealt with by the buyer's black box, which comprises the buyer's characteristics and the buyer's decision process. The marketers know nothing about the black box as it is a metaphor used for consumer's mind but firms can only predict what goes on inside the black box. After the buyer receives the stimuli and processes it, then consumers come up with an observable response of product choice, brand choice, purchase timing, purchase amount and purchase frequency. (Sabnam, 2016).



### **4.3. EMPIRICAL REVIEW**

Romariuk and Sharp (2003) suggested in their studies that firms should focus more on how many attributes the smartphone should be associated with. Whilst of course, Oghojafor, Ladipo and Rahim (2012) maintained in their study that attributes play vital role in the consumer decision making process since consumers evaluate and compare competitive product based on attributes, and that marketers use product attributes to differentiate between competing product. Besides from trends to develop a positioning strategy based on unique and relevant attributes. The study further informs that design has the most important attribute.

In view of this, Zhang, Rau and Zhou (2010) conceived that consumer perception and understanding of mobile phone product attributes are influenced by the following factors: common functions, appearance, multimedia functions, connectivity, personal information management functions, body design, brand & country, and product image. These factors can be used as basis for understanding product attributes and its influencing potentials/power.

A comparative study of Tan, Yeh, Chen, Lin and Kuo (2015) examined and maintained that product attributes will include the following important dimensions: Price, technology, design, application and image related features.

However, studies have proven that innovative product features and price are the most valued factors consumers take into consideration in their choice of Smartphone. (Mokhlis and Yaakop, 2012 & Sata, 2013).

According to Park, Wiriady, Surya and Putri (2014). They proposed that the multidimensional factors impacting the consumer choices of mobile phones have been investigated and analyzed through a plenty of studies over time and across the nations.

On the other hands, karjaluto et al. (2005) reported that price, brand, interface, and properties tend to be influential factors affecting the actual choice amongst mobile phone brands. Also, Ling, Hwang and Salvendy (2006) investigated college students to identify their preference of current mobile phone. The results of their survey indicated that the physical appearance, size and menu organization of the mobile phones are the most determinant factors affecting the choice of mobile phones.

Das (2012) conducted an empirical research based on survey method on factors influencing buying behavior of youth consumers towards mobile handsets in India. According to the study, a handset of reputed brand name, smart appearance, and with advanced value added features, pleasurability and usability; is the choice of young consumers.

Han et al. (2004) later carried out a user study on 65 design features of 50 different mobile phones. They developed regression models to link the design features to overall satisfaction and 'luxuriousness', 'attractiveness' and 'harmoniousness'. They found that a number of design features plays main role for enhancing satisfaction, such as phone size and weight, color, material, button shape and interface features.

More so, study conducted by Singh and Goyal (2009) found out that physical appearance, brand, value added features, and core technical features are more important than price to youngsters.

Ultimately, by exploring and reviewing various smartphone attributes impacting students decision of Smartphone, it is clear that these studies only show how smartphone affects students choices. However, studies are limited on smartphone attributes influencing student's evaluation and buying decisions in tertiary institutions, Lagos, Nigeria.

## **5. METHODOLOGY**

### **RESEARCH DESIGN**

The research design was based on descriptive research design, employing cross sectional survey method in data collection.

### 5.1. Population

The population of the study comprise of the following figure: University of Lagos with 3000 students and Federal College of Education (Tech.), Akoka with 792 students. Therefore, our total population (N) is 3,792 students

### 5.2. Sample Size/Selection

The study will be using a multi-stage sampling method. At the first stage, the faculty of business administration of the University of Lagos is considered, and the school of business education of the federal college of education, Akoka is also used. At the second stage, Yamane model was adopted to determine the sample size for this study.

$$n = \frac{N}{1+N(e)^2}$$

Where: n= Sample size

N= Total population

e = Sampling error

However, stratified sampling method which is a tool of probability sampling technique was used to select a total of 362 students and according to the Yamane formula.

Thus, a total number of three hundred and sixty-two (362) copies of questionnaire were administered to respondents, using multi-stage and random sampling methods.

## 6. STUDY INSTRUMENT

The data collection instrument was purely a structured questionnaire in the direction of multiple choice questionnaire type. It was subjected to test of reliability and validity. The validity was achieved by subjecting the instrument to a review across doctoral students and lecturers in University of Lagos. Whose contribution assisted in generating the final draft.

The reliability test was carried out through the instrument of cronbach alpha test , which yielded positive results of 7.28. See Appendix A.

Data analysis were carried out using descriptive and inferential statistics and more importantly multiple regression.

## 7. RESULTS AND DISCUSSION

The result of the analysis revealed that the majority of the respondent that partook in the survey was female students with 53.8 percent. And more so, the findings also revealed that the majority of this respondent is between the age brackets of 16 – 28 with 61.4 percent. The regression model adopted for this study is as follows:

### 7.1. Regression Model/Equation

$$SBD = \beta_0 + \beta_1 I + \beta_2 A + \beta_3 D + \beta_4 P + \beta_5 TRA$$

Therefore, if  $Y = \beta_0 + \beta_1 \dots$

$$\text{Then, } SBD = 3.051 + 0.022(I) + 0.445(A) + 0.131(D) + 0.348(P) + 0.753(TRA) =$$

Where SBD= Students buying decision

I = Image

A = Application

D = Design.

P= Price

TRA = Technology Related Attributes

$\beta$ = This is the regression coefficient which is computed by the regression tool.

$\beta_0$  = This is the regression intercept.

## 7.2. Hypotheses:

**H<sub>0</sub>:** Image, Application, Design, Price, and Technology Related Attributes will not significantly influence student's evaluation and buying decision of smartphone.

Focusing on the model summary in Appendix B, the multiple correlation coefficient 'R'(0.986) which is the correlation between the variables, while R square (0.972) indicates the amount of variance in the choice of smartphones by the attributes. In this case, smartphone attributes account for 97.2% of the variance in consumer choices of smartphones. And that the P (Sig.)  $0.000 < 0.05$  shows that a positive relationship existed between the students buying decision and smartphone attributes.

In addition focusing on the ANOVA table, the cumulative p-values of the regression results shows that  $p$  (sig)  $0.000 < 0.005$  and this affirm that the model significantly predicts student's buying decision of smartphone.

More so, the regression result shows that three out of five product attributes will contribute significantly to student's buying decision of smartphone. Therefore, it is evident from this result that technology:  $\beta=0.753$ ;  $t(327)=9.736$ , application:  $\beta= 0.445$ ;  $t(327)= 8.066$  and price:  $\beta= 0.348$ ;  $t(327)= 11.201$ . However, design:  $\beta= 0.131$ ;  $t(327)= 5.867$  and image:  $\beta= 0.022$ ;  $t(327)= 0.636$  was not significant has  $P > 0.05$ .

Thus, the ( $\beta=0.348$ ) further confirms that smartphone attribute of (Price) positively influence student's buying decision of smartphone and therefore implies that an increase in price will result into 34.8% increases in student's buying decision.

Technology positively influence student's buying decision of smartphone with a ( $\beta=0.753$ ), this implies that an increase in technology will cause 75.3% increase in student's buying decision of smartphone.

The ( $\beta= 0.131$ ) shows that design positively influence student's buying decision of smartphone and therefore implies that an increase in design attribute will cause a 13.1% increase in student's buying decision of smartphone.

Application shows a positive influence on student's buying decision of smartphone with a ( $\beta=0.445$ ), this implies that an increase in application will result into 44.5% increases in student's buying decision of smartphone.

Image Attributes positively influence student's buying decision of smartphone with a ( $\beta=0.022$ ), this implies that an increase in image will result into 02.2% increase in student's buying decision of smartphone.

However, the result showed that all smartphone attributes considered in this study will positively and significantly influence students buying decision of smartphone. Specifically, technology attribute has high impact on students buying decision of smartphone, followed by application and price attributes. The study concluded that technology, application and price are considered the most top three attributes that significantly influence students buying decision of smartphone.

## 8. Conclusion And Recommendations

Given the analogy in previous sections of this study, we can rightly say that marketing is fundamental importance to business organizations. Hence, there is need for us to study this function of business activity in details. And interestingly, the essence of marketing is to meet unmet needs through provision of products that satisfy the consumers.

This study is an assessment of the influence of smartphone attributes on student's buying decision in Lagos state tertiary institutions. The independent variables are Price, technology, design, application and image and the independent variable is student buying decision.

The population of study was students in two selected tertiary institution in Lagos State.

A total of 362 copies of questionnaire were administered to the students in this institutions, however, 327 questionnaires were retrieved from the respondent giving a response rate at 90.3 percent.

Inferential statistics such as correlation and multiple regression analysis were used to analyze the data.

The result showed that all product attributes considered in this study positively and significantly influence students buying decision of smartphone. Specifically, technology attribute has high impact on students buying decision of smartphone, followed by application and price attributes. The study concluded that technology, application and price are considered the most top three attributes that significantly influence students buying decision of smartphone.

Based on the analyzed data and the tested hypothesis of the research work, the following recommendations are considered to be useful to smartphone companies, managers and practitioners in the field of marketing.

The study recommends that marketers should focus on improving their technology in other to bring about innovative features and application, and more importantly adopt variety of price strategies while not neglecting the image and design attributes, as these were regarded as secondary attributes in determining consumers' choice of smartphones.

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## APPENDIX A - PILOT STUDY

**Table 1. Descriptive statistics and Reliability Test.**

**Scale: Product Attributes**

### Case Processing Summary

		N	%
Cases	Valid	17	85.0
	Excluded <sup>a</sup>	3	15.0
	Total	20	100.0

a. Listwise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.728	.725	30

## APPENDIX B – REGRESSION ANALYSIS

### Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	Image, Application, Design, Price, Technology <sup>b</sup>	.	Enter

a. Dependent Variable: students buying decision of smartphone

b. All requested variables entered.

### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986 <sup>a</sup>	.972	.968	.76562

a. Predictors: (Constant), Image, Application, Design, Price, Technology

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.792	5	3.358	85.729	.000 <sup>b</sup>
	Residual	188.162	321	.586		
	Total	204.954	326			

a. Dependent Variable: students buying decision of smartphone

b. Predictors: (Constant), Image, Application, Design, Price, Technology

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.051	.238		12.796	.000
	Price	.348	.037	.012	11.201	.001
	Technology	.753	.046	.232	9.736	.000
	Design	.131	.036	.050	5.867	.046
	Application	.445	.042	.063	8.066	.007
	Image	.022	.035	.035	.636	.125

a. Dependent Variable: students buying decision of smartphone

# WORK ENVIRONMENT AND EMPLOYEES' PRODUCTIVITY IN A COMPETITIVE BUSINESS ENVIRONMENT

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## Abstract

*Environmental changes and employees' comfort call for the attention of organisations to provide conducive work atmosphere to boost employees' level of productivity in the present day business cycle. This study aimed at examining the effect of work environment on employees' productivity at International Breweries, Ilesa, Nigeria. Other specific objectives are to; determine the impact of work environment on employees' productivity, to examine the relationship between work environment and employees' performance. Stratified sampling technique was used to select 205 employees from the organisation and data were gathered through structured Questionnaires. Pearson Correlation and Regression analysis were used to analysis the data. Based on the analysis, the result revealed an impact of 79% which means work environment has significant impact on employees' productivity. The result also showed strong correlation between work environment and employees' performance (89%). The findings reflected that employee' welfare, team collaboration, office/plant layout facility, adequate infrastructures, good working conditions and medical facilities affect employees' productivity positively. Therefore, it was recommended that organisations should strive to provide a satisfactory workplace environment for employees, build team work spirit among employees and provide medical facilities that will motivate them to increase their performances on continuous basis.*

**Key words:** Work Environment, Competitive Business Environment, Employee Productivity and Team Spirit Collaboration.

## Introduction

In today's competitive business environment, employees' comfort and welfares management on the job determined the level of their commitment and performance. Workplace environment has been recognized in today business environment as an important factor for measuring employees' productivity. Now a day's, no organisation can perform at peak levels unless each employee is committed to the organisation's objectives, and this can be done by putting the structure of work place environment in good order. Human Resource management is an integral part of the management process that requires close monitoring as the environment is changing on daily basis.

Business is full of risks and managers operates in an uncertainty environment and the ability of any organisation to respond successfully to the challenges posed by the present dynamic nature of economic situations will largely depend on how well the organisation can effectively and efficiently manage the human resources at its disposal. A well-managed organisation usually sees an average worker as the root source of quality and productivity gains, such organisations do not look to capital investment but to employees as the fundamental source of improving productivity. A satisfied, diligent employee is the biggest asset of an organisation.

Labour is generally regarded as the most dynamic of all the factors that are employed for the creation of wealth, having the potential to energize and serve as catalyst to all the other resources (Yesufu, 2000).

Today's work environment is different, diverse and constantly changing. Companies have come to realize the importance of comfort in the workplace environment, improving on functional ergonomic elements in order to retain quality personnel, increase productivity, and maintain a competitive edge. The workers are living in a growing economy and have almost

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limitless job opportunities and the pressure to attract and retain them has become a scary reality for most organisations. This combination of factors has created an environment where the business needs its employees more than the employees need the business.

According to Bole., Pellertier, and Lynch, (2004), when the employees' desire to work both physically and emotionally on their jobs, then their performance outcomes shall be increased. They also stated that by having a proper workplace environment, it helps in reducing the number of absenteeism and thus can increase the employees' performance which will lead to the increasing number of productivity at the workplace. However, a well manage employees engage maximally with the organisation to attain their goals, especially with their immediate environment. The outcome of managing the issue of workplace environment and employees' productivity is the major concern of this study.

Sometime employers of labour fail to really establish a clear link between the adequate provision of conducive work environment, consistence payment of salary and employees' performance. Payment of salary is a factor that needs to be monitored but work environment requires more attention. The work place environment in most organisations is unsafe and unhealthy. These includes poorly designed workstations, unsuitable furniture, lack of ventilation, inappropriate lighting, excessive noise, insufficient safety measures in fire emergencies and lack of personal protective equipment. People working in such environment are prone to occupational disease and it impacts on employees' performance. Thus productivity is decreased due to the workplace environment. It is a wide industrial area where the employees are facing a serious problem in their work place like environmental and physical factors.

There has been increase in the level of employees' low productivity as a result of environmental influence and based on the failure of management to provide a conducive workplace. Hence, this study intends to find out the effect of work environment on employees' productivity. The major questions are these; is there any significant relationship between work environment and employees' performance? What effect does workplace factors have on employees' productivity?

The results of this study would be significant in the sense that it would enable both the management and the labour union to understand better how to make the workplace environment more effective and conducive, to inspire the workers, increase and sustain productivity in a dynamic environment. Also, this study will be of immense benefit to policy makers in the human resource function of the organisation to maintain a close gap in term of conducive workplace factors and operations of their workers. This study focused on the effect of work environment on employees' productivity with special consideration on case study company, International Breweries, Ilesha, Osun State, Nigeria.

### **Literature Review**

A work environment can be identified as the place where employee works. Longman Dictionary of contemporary English(2003) defined work environment as " all the situation, events, people etc. that influence the way in which people live or work" while " work" is defined as " a job you are paid to do or an activity that you do regularly to earn money". The workplace environment includes all aspects which act and react on the body and mind of an employee .It can be described as the environment in which people are working and considered to be an important factor affecting performance. It is composed of all factors related to job and organisation, which influence the relationship between employees, their jobs and the organization. Organisations in order to boost productivity design work environment in a way that satisfies employees.

Akintayo (2006) referred to the immediate task and national environment where an organisation draws its inputs, processed it and returned the outputs in form of products or services for public consumption. The task and national environments include the supplier,

customer, stakeholders, socio-cultural, economic, technological, managerial and legal environment. Amir (2010) also stated that a physical workplace is an area in an organisation that is being arranged so that the goal of the company could be achieved. Haynes (2008), defined physical work environment as the working environment that consists of components that are related to the office occupiers' ability to physically connect with their office.

Kohun (1992), defined work environment as an entirety which comprises the totality of forces, actions and other influential factors that are currently and potentially contending with the employee's activities and performance. Work environment is the sum of the interrelationship that exists between the employees and the employers and the environment in which the employees work. The environment that people are required to work in have a significant impact on their ability to undertake the tasks that they have been asked to do. This can affect productivity and employee well-being. The key factors fall into two categories, those that are driven by procedures, protocols and management requirements and the factors that arise from premises, office or factory design.

Kochan (1980) considered environment in the economic context, social and technology context. It can be referred to as the surrounding of all situations, people event etc. that influence life. Thus, people who are working in a good environment exert greater effort to perform than those who work in an unhealthy environment.

Spector and Beer (1994) acknowledged that work environment cannot only affect commitment, competence and cost effectiveness but also have long term consequence for workers' well-being. Conducive work environment ensures the well-being of employees which invariably will enable them exert themselves to their roles with all vigor that may translate to higher productivity (Akinyele, 2010). This study dwell much on employee commitment, competence as a function of work environment.

An effective work environment management entails making work environment attractive, creative, comfortable, satisfactory and motivating for employees so as to give employees a sense of pride and purpose in what they do. The following are some of the tools used to manage work environment to improve productivity: Noise control, contaminants and hazard control, enhancing friendly and encouraging human environment, job fit, rewards, feedback, work environment modeling, creating qualitative work life concepts and making physical working conditions favourable (Cecunc,2004; Opperman,2002 and Elywood, 1996). An organisation that want to ensure employee productivity improvements will exploit the tools used for managing the work environment in which such employees work.

Working environment can be divided into two components namely physical and behavioural components. The physical environment consists of elements that relate to the office occupiers 'ability to physically connect with their office environments. The behavioural environment consists of components that relate to how well the office occupiers connect with each other and the impact the office environment have on the behaviour of the individual. According to Haynes (2008), the physical environment with the productivity of its occupants falls into two main categories: office layout and office comfort (matching the office environment to the work processes), and the behavioural environment represents the two main components namely interaction and distraction, these various issues of organisational environment influence employee's productivity.

#### **Characteristics of a Positive Work Environment**

A positive work environment makes employees feel good about coming to work, and this provides the motivation to sustain them throughout the day. The characteristics of a positive work environment include the following:

- ❖ Transparent and Open Communication

A transparent and open form of communication address the employees need to feel that what they have to say has value. It is what makes employees feel that they belong in the organization.

- ❖ **Work-Life Balance**

This has to do with making employee to feel balance between work and personal life will improve job satisfaction among employees because they will feel that they are not overlooking the other areas of their lives that are important to them than work.

- ❖ **Training and Development-Focused**

A training and development focused organization has a clear roadmap for training their employees to sustain and enhance the productivity of the organization as a whole.

- ❖ **Recognition for Hard Work**

Rewards are necessary to encourage certain behaviours in persons. When hard work is appropriately rewarded and duly recognized by the management, employees will naturally feel valued by the organization for what they put in. such mentality is healthy for the organization because employees will be willing to go extra mile without worrying about not getting anything in return.

- ❖ **Strong Team Spirit**

Employee belonging to a group and allow the group to work together as a team enhance the performance member. Collaboration towards achieving organisation goals enhances the organisation corporate performance and gives the employee sense of belonging.

### **Employees' Productivity**

Productivity is the basic mission of any organisation to provide the maximum welfare for its employees. Productivity is the measure of efficiency and effectiveness and as a means of improving the quality of life that is generic from achieving the highest output from the limited resources. Rolloos (1997) defined productivity as, "that which people can produce with the least effort". Productivity is also defined by Sutermeister (1976) as, "output per employee hour, quality considered". To management, it means increased profitability. To customer, it is better goods after costs. To marketing directors, productivity improvement increases the firm's competitiveness abroad by reducing the cost of goods sold in foreign market and to economist, it means an increase in country's standard of living field to gain in output per man-hour.

Cecunc (2004), referred to it as "an index expressed as the ratio of output over input (Weihrich & Koontz, 1994; Bedejan, 1987). Lambert (2005) opined that "labour productivity is rarely measured directly but inferred from changes in employees' attitude and behaviour such as organisational commitment, organizational citizenship behaviour and job satisfaction".

### **Benefits of Conducive Workplace Environment**

The benefits of creating a happy work environment for employees to work in cannot be overstated. Rather than ruling with iron fist, fostering an atmosphere of care and good vibes can have a major impact on the overarching way the business runs.

- ❖ **Employee Retention**

One of the biggest benefits is keeping employees engaged with their job. Stress and discomfort caused by oppressive working environment are of the leading causes for people to decline a promotion, leave their job or look for employment elsewhere.

- ❖ **Increased Productivity**

People are more likely to give themselves over to a company if they feel like their input is valued. Engaging with employees and encouraging compassion and collaboration is a much better way to push your employees to produce their best work

when compared to simply telling them what to do. When the workplace is happier and more compassionate, it becomes a nicer place to be. That is somewhere where people look forward to spending time rather than dreading every day. With everyone working towards the same goals, this will make work much happier and productive in the long run. However, most organisations can find a number of creative ways to keep their employees happy and productive which include:

- ❖ Offer room for growth  
Employees are unlikely to be happy if they continue to come to a job that offers no room for growth and advancement. They will be more likely to search for a new job.
- ❖ Creating a favourable workplace environment  
Employees are happier if they like where they work. Simple things such as reducing the length of meeting or playing music in the workplace or office can improve the morale of employees. Companies can also take simple steps such as providing food to employees in the workplace and recognizing employees after a job well done.
- ❖ Effective communicate  
It is vital to communicate with staff about the future. Communication with employees helps to alleviate any concerns they may have about their job since it helps workers feel happier and more secured at work. Organisations should make it clear that employees can communicate with you in any way, either in person, in an email or with a hand-written note.
- ❖ Give workers balance in their lives  
Balancing work life with home life may present a challenge for most workers, it presents an opportunity for organisations to keep their employees happy. Organisations that offer employees a balance between their work and personal lives to keep employees happy in their current jobs. To engage the workforce and remain competitive is no longer sufficient to focus solely on benefit. Today, top employers need to create an environment where employees feel connected to the business and have positive experience that is part of rich and fulfilling life.

## **Theoretical Framework**

### **Person-Environment Fit Model**

This model suggested that the match between a person and their work environment is key in influencing their performance. It is necessary that employees attitude, skills, abilities and resources match the demands of their job, and that work environments should meet workers' needs, knowledge and skills potential. Lack of fit in either of these domains can cause problems and the greater the gap or misfit between the person and their environment, the greater the strain as demands exceed abilities, and need exceeds supply (Sonnetag & Frese, 2003). These strains can relate to lower productivity and other work problems (French, Caplan & Harrison, 1982). Defence mechanisms such as denial, reappraisal of needs and coping also operate in the model to try and reduce subjective misfit (Buunk, deJonge, Ybema & deWolff, 1998).

Lazarus (1991) stated that the Person-Environment fit model represented an advance in thinking but that the concept of fit between the person and the environment is treated as static with emphasis on stable relationships rather than the changing process of action and interaction in work contexts. Buunk et al. (1998) stated that empirical support for the theory is limited.

### **User Satisfaction Model**

This is one of the most prevalent theoretical models, which has guided explicitly or not the majority of studies of environmental effects on productivity to date. This model questions users on whether or not they 'like' or 'dislike' one or another environmental feature, whether they are 'satisfied' or 'dissatisfied' with their workspace, and if they have a preference for an

existing or future environmental feature. According to this model, as most interior office configurations resemble each other, workers' lists of likes and dislikes tend to be predictable and there is a continuous report with genuine surprise that occupants dislike high noise levels, lack of natural light, shortage of parking spots, slow elevators and so on. Widespread use of this approach has given an exhaustive knowledge of workers preferences without yielding much concrete information about functional measures of worker productivity. Moreover, carefully-designed workspaces all over the globe have been submitted to 'evaluation' characterized by whether or not users 'like' them – a poor and unsupported criterion often causing unnecessary condemnation of a well-intentioned office design. This is particularly evident in situations where workers have moved into new and unfamiliar workspace, as their likes and dislikes inevitably relate to the known and familiar and has little to do with whether or not the new environment works.

### **Adaptation and Stress Model**

This theory assumes that adverse environmental condition causes stress at the point at which users are not able to adapt, or can only adapt with difficulty. It provides an important formulation of the long-term relationship between people and their environment. In the context of worker productivity, environmental adaptation behaviour is a useful (positive) outcome measure, as is evidence of stress (negative) when adaptation behaviour fails.

Thus, the theory states that an effective and supportive environmental design does not mean users make no adaptation to the environment, but keeps the need for such behaviour within comfortable boundaries. A variation on this approach is the concept of environmental competence. This model postulates user competence as an outcome measure: successful environments enable people to function to the best of their ability with the skills they have, however is limited (Pastalan, 1983). Unsuccessful environments create insurmountable problems for users and confine them within their physical or mental limitations.

User satisfaction model explains the likes and dislikes of an employee. These likes and dislikes tend to affect the productivity of an organisation. According to this model, employee dislike high noise level, lack of natural light, shortage of parking space etc. Therefore, the environment in which an employee finds himself will determine the workplace productivity.

However, the adaptation and stress model provides an important formulation of the long term relationship between people and their environment. This theory assumed that adverse environmental condition causes stress at the point at which employees are not able to adapt. Workers in an organisation can only work and adapt well under a conducive environment which is stress free..

This study support User Satisfaction Model because it guides explicitly or not the majority of studies of environmental effect on productivity to date. It questions users on whether or not they like or dislike one or another environmental feature, whether they are satisfied or dissatisfied with their workplace and if they have a preference for an existing or future environmental feature.

### **Empirical Studies**

#### **Work Environment and Employees Productivity**

Ajala (2012) in a research titled “The effect of workplace environment on workers welfare and productivity” analyzed the influence of workplace environment on workers welfare and productivity in government parastatals of Ondo State, Nigeria. The study adopted the descriptive survey research design of the ex-post facto type. The random sampling technique was used to select 350 respondents. A structured questionnaire with three sub-sections was used to collect data that were analyzed with mean values and simple percentages.

The result showed that workplace features and good communication network at workplace has effect on worker's welfare, health, morale, efficiency, and productivity.

A research conducted by Akinyele (2009), titled "Influence of work environment on workers' productivity", primary data was used through structured questionnaires with closed ended questions. T-test was used to test the research hypotheses and respondents were randomly selected. The result indicated that employees' productivity problems are within the work environment and that bad working conditions contribute to low productivity.

Bruce (2008) study showed that workplace distractions cut employee productivity by as much as 40%, and increase errors by 27%. Also, Moloney (2011) citing Loftness study of 2003 confirmed the importance of natural light and air (ventilation) to worker productivity. The study showed a 3-18% gain in productivity in buildings with day-lighting system.

Brenner(2004) in a work place index survey conducted for steel case itemized what employees want and perceived to help their productivity in the work environment as better lighting, creative methods for assessing space, personalization, more impromptu meeting for work well done and involvement in the decision that impact their day to day lives at work. An organisation that want to ensure employee productivity improvements will exploit the tools used for managing the work environment in which such employees work. An effective work environment management entails making work environment attractive, creative, comfortable, satisfactory and motivating to employees so as to give employees a sense of pride and purpose in what they do. The following are some of the tools used to manage work environment to improve productivity. Noise control, contaminants and hazard control, enhancing friendly and encouraging human environment, job fit, rewards, feedback, work environment modeling, creating qualitative work life concepts and making physical working conditions favourable (Cecunc, 2004; Opperman,2002; Elywood, 1996).

### **Work Environment and Employee Well-Being**

Stellman, Klitzman, Gordon, and Snow, (1987) explore the relationship between visual display terminal usage, physical work environment perceptions and employee well-being. They found that all-day visual display terminal users experienced higher levels of job and physical environment stressors than part- time users. They also reported that the incidence of musculoskeletal strain and job dissatisfaction is highest amongst all-day terminal users. A closely related factor to environment, work design was also found to affect employee well-being in the workplace..

Bruce (2008) found that reduction in workplace noise reduces physical symptoms of stress by as much as 27% and performance of data-entry workers increased with a 10% improvement in accuracy. Similarly, good ventilation and room temperature increased productivity and reduces stress in workers.

Hameed and Amjad (2009) in a survey of 31 bank branches showed that comfortable and ergonomic office design motivates the employees and increased their performance substantially. Hameed and Amjeed (2009) survey found that accomplishing daily task with dim light by employees causes eyestrain, headaches and irritability. Due to these discomforts employees performance are greatly reduced.

Also, Moloney (2011) citing Loftness study of 2003 confirmed the importance of natural light and air (ventilation) to worker productivity. The study showed a 3-18% gain in productivity in buildings with day-lighting system. Chandraseker (2011) also confirmed that unsafe and unhealthy workplace environment in terms of poor ventilation, inappropriate lighting, excessive noise etc. affect workers' productivity and health.

## **METHODOLOGY**

### **Research Design**

Research design is a systematic plan for collecting data in order to provide answers to specific questions. It is a plan, structure, and strategy of investigation which guides the collections

and analysis of data in a piece of research. Descriptive research design was used in this study since the aim is to determine the effect of work environment on employee productivity.

### Study Population

The population of this research study is described as the total number of employees working in International Breweries, Ilesha, Osun state which is about 420 employees. (Nigerian Stock Exchange, 2013).

### Sample and Sampling Techniques

In this study, stratified random sampling technique was used to select the sample size from a population 420 employees. According to Israel (2013), as cited in Cochran 1963, the sample size can be determined using the formula:

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = Sample size, N= Population size, e= Level of Precision.  
Since N = 420, e = 0.05

$$\text{Therefore, } n = \frac{420}{1 + 420(0.05)^2}$$

$$n = 205$$

The sample size for this research study however, is 205 and at least 205 staff must be sampled.

### Data Collection Instrument

The research instrument used was structured questionnaire. Questionnaire forms the heart of the research as it is administered directly to the respondent within the sample area in form of sample, clear and direct question which elicit the required response to the needed information for the researcher. The questionnaire was divided into three sections. The first section focused on obtaining information on personal data while the second and third sections contained the real questions meant for the objectives of the study. Five questions were framed in the first section while six questions were drafted each for second and third sections respectively.

Distribution of the questionnaire was by personal contact with the employees and one week was given for proper reflection on the questions and completion of the questionnaire. The personal contact affords the researcher the opportunity of getting information from sources and gave chance for proper interpretation of some questions to the respondents and gave them the confidentiality of their responses. 216 copies of questionnaire were correctly filled and returned. This was used for the analysis in this study.

### Method of Data Analysis

In analyzing and assessing the effect of work environment on employee productivity. The study employed regression, correlation analysis to measure the level of relationship between the variables.

### Test of Hypotheses

#### Hypothesis 1

**Ho:** there is no significant relationship between Work environment and Employees' Performance

**Table 1 Correlation Analysis of Work environment and Employees' Performance**

		Work Environment	Employees' Performance
Work Environment	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	216	
Employees' Performance	Pearson Correlation	.886**	1
	Sig. (2-tailed)	.000	
	N	216	216

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Table 1 depicts that the variables was statistically significant at 99% confident limit and the variables relate to one another in positive direction. The table shows that there is a positive relationship between Work environment and Employees' Performance, (about 89%) This means that there is strong positive correlation between Work environment and Employees' Performance. Therefore, the study rejects Ho, and concluded that there is positive significant relationship between Work environment and Employees' Performance.

## Hypothesis 2

**Ho:** Environmental Factors in the workplace does not affect employees' productivity relatively.

**Table 2.0 Analysis of Relative effects of Work Environmental Factors on Employees' Productivity**

<b>( Coefficients of Variables Measured)</b>						
<b>Model</b>		<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>T</b>	<b>Sig.</b>
		<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
<b>1</b>	(Constant)	-.444	.113		-3.937	.000
	Employees' Welfare	.751	.023	.754	2.189	.012
	Office / Plant Layout Facility	.066	.042	.064	14.042	.042
	Adequate Infrastructures	.347	.040	.353	8.583	.000
	Good working condition	.100	.024	.086	4.101	.000
	Medical Facilities	.070	.024	.073	2.973	.003
	Team Spirit Collaboration	.701	.028	.755	2.412	.000
<b>a. Dependent Variable: Employees' Productivity</b>						

Source: Author's computation (2016)

The results in the Table 2 shows the relative effects and contributions of each of the predictor variables. The model indicates that, standardized beta coefficients (.754, .701, .353, .086, .073 and .064) Employees' Welfare, Team Spirit Collaboration, Adequate Infrastructures, Good working condition, Medical Facilities and Office/Plant Layout Facilities affect Employees' Productivity in order of their importance and contribution respectively.

The result shows among the factors, the variable with the strongest significant effect is Employees' Welfare (.754), while the least effect factor is Office/Plant layout facilities (.064) The implication is that Employees' Productivity has been greatly affected by Employees' Welfare, Adequate infrastructures in the organization among other factors. All the variables are statistical significant ( $P < 0.05$ ). The study therefore reject Null hypothesis and concluded that Environmental Factors in the workplace does affect employees' productivity relatively.

## Discussion of Findings

From the data analysed, data shows that workers will put in their best to improve productivity and growth of the organisation when the workplace environment is conducive. The study showed that the employees/workers that are working under convenient environment will increase their performances. Factors like welfare, team spirit collaboration and provision of medical facilities, adequate infrastructures, good working conditions, physical design of offices and environmental conditions will influence employees' productivity.

It was discovered that any satisfied worker/employee will increase his or her performances in the workplace because most of the respondents declared that any employee who is dissatisfied with his or her workplace environment is bored to increase his/her efforts and performance. According to the employees, welfare and medical facilitate effective productivity.

In addition, employees' improve performance when they are comfortable in the workplace. A good working facility in an organisation enables employees to put in more effort and thus increase productivity. Majority of the respondents also agreed that workers



welfare should be a paramount issue of concern to the management. Ensuring the well-being of employees can contribute to more excellence and healthy competition.

Hence, it would be concluded that the organisation will perform better when the employees are comfortable with their workplace environment.

### **Conclusion**

In view of these findings, the study concluded that there is a clear relationship between work environment and employees' productivity; good working conditions can motivate workers' performance. However, conducive work environment include, increase productivity, lower labour turnover rate, higher morale and reduced cost as it increases productivity, and promote goal congruence. Inconvenient workplace environment increases low productivity and poor quality in all aspect of operations.

Also, satisfied worker/employee will increase his or her performances in the workplace because most of the respondents declared that any employee who is dissatisfied with his or her workplace environment is bored to increase his/her efforts and performance. The empirical results indicated that there is a clear relationship between workplace environment and employees productivity at International Breweries, Ilesha. The results derived showed that employees are more productive when they are satisfied with their workplace environment. Employees can be motivated through provision of welfare and medical facilities, adequate infrastructures, more so good working condition in an organisation will promote employees' performance and show positive attitude to work.

### **Recommendations**

In any organisation, work environment is a very sensitive and important issue not only to employer but also to the employees. Therefore, the ability of the organisation to attract and retain employees to be productive depends on the conduciveness of the workplace environment. Poor working conditions as well as poor office/plant layout is a constant source of frustration to the employees which result to decrease productivity

Therefore, it is recommended that organisation should strive to introduce a satisfactory workplace environment to employees. Workers should be allowed to participate in the affairs of the organisation (team spirit work. More so, employees' welfare and medical facilities should be made available, employees needs facilities that will motivate them to increase their performances and the management should ensure the provision of adequate facilities which should be provided without any fair of favour or bias mind. Welfare facilities should be tailored in line with medical facilities in order to motivate employees to put in their best and at the same time, organisation should strive towards equity in the administration of welfare and medical facilities.

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# IMPACT OF MONETARY POLICY REGIMES ON PERFORMANCE OF COMMERCIAL BANKS IN NIGERIA

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## Abstract

*This paper examined the impact of monetary policy Regimes on Performance of commercial banks in Nigeria. The paper used Descriptive and Ex-post Facto Research Design. It utilized time series data collected from Central Bank of Nigeria Bulletin. The study was divided into SAP Period (1986-1999) and Post SAP Period (2000 -2013). Eight Research Questions and eight Hypotheses were raised for the study. Regression and Pearson Product Moment Correlation technique were used to analyse the data collected while t-test statistic was employed in testing the hypotheses. Monetary Policy Rate was the independent variable while Total Assets Value, Deposit Mobilization, Loans and Advances and Credit to the Private Sector were the dependent variable in different regression equations. The study discovered that Monetary Policy Regimes during the SAP Period did not have significant impact on the Total Assets Value, Deposit Mobilization, Loans and Advances and Credit to the Private Sector. However, the study discovered that Monetary Policy Regimes during the Post SAP Period had significant impact on the Total Assets Value, Deposit Mobilization, Loans and Advances and Credit to the Private Sector respectively. The paper recommended that policy makers should administer the Monetary Policy Instruments to ensure they are effective in generating and invigorating the level of economic activity desired in the banking industry.*

**Key Words:** Monetary Policy, Bank, Performance and Credits

## Introduction

Commercial Banks are custodians of depositor's funds and operate by receiving cash deposits from the general public and loaning them out to the needy at statutorily allowed interest rates (Ngure, 2014). In a country where the financial sector is dominated by Commercial Banks, any failure in the sector has an immense implication on the economic growth of the country. This is due to the fact that any bankruptcy that could happen in the sector has a contagion effect that can lead to bank runs, crises and bring overall financial crisis and economic tribulations (IMF, 2001).

Banks play a major role in the economy through their economic function of financial intermediation that performs both a brokerage and a risk transformation function (**Hara, 1983**). Commercial Banks as financial Intermediaries perform financial intermediation function of mobilization and allocation of funds from the economic surplus (lenders) to the economic deficit unit (borrowers). This function is directly linked with banks profitability which encourages economic growth. According to **Wainaina (2013)**, profitability of banks has relationships with growth and development of the economy.

Deposit money banks are the most important savings and mobilization of financial resources and allocating them to productive investment and in return promote their performance **Victor (2013)**.

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Interest rate however plays a vital role in how a bank makes money (Haye, 2013). Hualan (1992) found that interest rate is one of the most important factor that affect the bank financial performance. Interest rates are the reward paid by a borrower (debtor) to a lender (creditor) for the use of money for a period and they are expressed in a percentage, per annum (pa) to make them comparable. Interest rate are also quite often referred to as the price of money. Corb (2012) described interest rate as an economic tool used by the Central Bank to control inflation and boost economic development. Therefore poor decisions on an interest rate regime could spell doom for the financial system and the economy as a whole. Interest rate is a monetary policy tool used by the Central Bank of Nigeria to adjust the lending rates of financial institutions. Giovanni (2006) argued that high interest rate set by the Central Bank means that the other financial institution will have to charge high because they are all profit oriented. In Nigeria, since the inception of interest rates deregulation in 1986, the government has pursued a market-determined Interest rate regime, which does not permit a direct state intervention in the general direction of the economy (Adebisi and Babatope, 2004). Rasheed (2010) states that Nigerian economy saw different interest rates for different sectors in 1970's through the mid 1980 (regulated Regime). Preferential interest rates were therefore applied to encourage priority sectors such as agriculture and manufacturing.

The establishment of the African Banks Corporation (ABC) now First Bank and establishment of other banks gave rise to the emergence of lending activities of banks. The lending practice of the colonial banks which granted loans discriminately to foreigners gave rise to the agitation of indigenous banks. This was not without its attendant challenges. The government thereby introduced a regulated interest rate regime. The introduction of SAP thereby relaxed many of the stringent procedures. Okafor (2011) identified five major reform cluster periods namely; pre and post-Independence era (1958-1969), indigenization era (1970-1976), Okigbo Committee era (1977-1985), SAP era (1986-1999), and Democracy or fourth republic era (2000-2010). However the banking is presently regulated by the Banks and other Financial Institutions Act (2004 as amended). In light of this, the study tends to highlight the impact of interest rate regime on the banks performance in Nigeria during the SAP era (1986-1999), and Democracy or fourth republic era (2000-2010) and make comparison.

Nigerian Commercial Banks dominate the banking industry. Their loans and credits form a major share of the total credit to the private sector. However, they still face major issues in relation to government regulations, institutional difficulties and other inherent related risks. This study therefore intends to identify the impact of the monetary policy tools on the performance of the banking industry. This would be of great assistance to the regulators in forming a favorable interest rate regime that would meet the macro economic objectives in Nigeria.

## **Review of Related Literature**

### **Conceptual Framework**

#### **Interest Rates**

Gilchris, (2013) states that although it is difficult to determine the direction of the relationship between interest rates and profitability, studies confirm that interest rates instability affects Commercial Banks' financial performance while other studies give contradictory findings. The Central banks also lends Commercial Banks funds. Money borrowed from the Central Bank is to be repaid at a particular interest rate (Monetary Policy Rate). This makes Interest rate a powerful government regulatory tool for determining other interest rates in the banking industry. Hualan (1992) stated that interest rate is one of the most important factor that affects the bank financial performance. (Corb, 2012), argued that interest rate is an economic tool used by the Central Bank to control inflation and to boost economic development. (Ngugi, 2004), explained that low interest rates and small spread promote economic growth in big ways hence encouraged. Crowley (2007) and Ngunre

(2014) defined interest rates as the price a borrower pays for the use of money they borrow from a lender (financial institution) or fee paid on borrowed assets. Sayedi (2013) expressed interest rate as the percentage rate over a period of one year. Karl et al., (2009) posits that interest rates are derived from macroeconomic factors which agree with Irungu (2013) that interest rates are major economic factors that influence the economic growth in an economy. Inflation and inflationary expectations can press interest rate upward which affects lending rates resulting to reduce credit demand and lending ability of Commercial Banks (Keynes, 2006). Irungu (2013) states that interest rate is the price of money. Interest rates can either be nominal or real. Nominal interest rate can be measured in naira terms, not in terms of goods. The nominal interest rate measures the yield in naira per year, per naira invested while the real interest rate is corrected for inflation and is calculated as the nominal interest rate minus the rate of inflation (Pandey, 1999).

### **Bank Profitability and Financial Performance**

The profitability of a bank is determined by interior and exterior determinants (Sattar, 2014) which agrees with (Ongore, 2013; Al-Tamini et al., 2010). The interior determinants are called micro or bank specific determinants of profitability because they are initiated from bank accounts like balance sheet or profit and loss account. While on the other hand, the exterior determinants are the variables which are not in the control of banks' management such as monetary policy interest rates. Chen et al. (1986) explained that these macroeconomic factors are significant in explaining firm performance (profitability) and subsequent returns to investment. Gilchris, (2013) agrees that the financial performance is commonly measured by ratios such as Return on Equity, Return on Assets. There are many different mathematical measures to evaluate how well a company is using its resources to make profit (Irungu, 2013). Financial performance can be measured using the following techniques; operating income, earnings before interest and taxes, net asset value (Gilchris, 2013). Irungu (2013) described financial performance analysis as the process of identifying the financial strengths and weakness of the firm by properly establishing the relationship between the items of the balance sheet and profit and loss account. It's the process of identifying the relationship between the component parts of financial statements to ascertain an organization position, performance and prospects. Financial performance analysis can be undertaken by management, owners, creditors, investors (Chenn, 2011). Quarden (2004) argued that financial performance analysis helps in short term and long term forecasting and growth and can be identified with the help of financial ratios such as asset Utilization/efficiency ratios, deposit mobilization, loan performance, liquidity ratio, leverage/financial efficiency ratios, profitability ratios, solvency ratios and coverage ratios can be used to evaluate bank performance (Bekant, 2011). The performance of banks gives direction to shareholders in their decision making (Panayiotis et al., 2006). Wainaina, (2013) says the effect of macroeconomic factors in other sectors of the economy will always affect the banking sector and what goes on in the banking sector will affect the other sectors of the economy. Chen et al., (1986) maintains that these macro-economic factors are significant in explaining firm performance (profitability) and subsequent returns to investors. Gilchris (2013) agrees that financial performance is commonly measured by ratios such as return on equity, return on assets, return on capital, return on sales and operating margin. A firm has several objectives but profit maximization is said to be paramount among these (Damilola, 2007; KPMG, 2005; Raheman and Nasr, 2007). Profit is a tool for efficient resources allocation because it is the most appropriate measure of corporate performance under competitive market conditions (Pandey, 2005). Conceptually profit connotes the excess of revenue generated by a firm over its associated costs for an accounting period. Operationally the term profit is imprecise, as many variants exist. The term profit could refer to profit before tax, profit after tax, gross profit, net profit, profit per share, return on assets, among other variants (Damilola, 2007;

Pandey, 2005). This imprecision has often posed decisional challenges to researchers who must select an appropriate variant to proxy profitability. However, the most commonly used variants as appropriate measure of profitability include Gross operating profit, Net operating profit, Return on Assets (Deloof, 2003; Teruel and Solano, 2006; Lazaridis and Tryfonidis, 2005; Raheman and Nasr, 2007). According to Okafor (2011) the profitability performance also can be accessed from both book value and market value perspectives.

#### **Effect of Interest rate on Financial Performance**

Financial performance is an indicator of how profitable a company is relative to its total assets (Irungu, 2013). Financial performance can be measured by Return on Asset (ROA). ROA is measured by dividing the net income by average total assets. Return on Assets formula looks at the ability of a company to utilize its assets to gain a net profit (Kiarie, 2011). Both the IMF report and Federal Reserve paper suggests possible effects of interest increases to net interest margin, balance sheet structure and values of interest sensitive assets and liabilities. If there is a steeping of the yield curve, the net interest margin would be expected to increase. Higher interest rate can result in slower economic growth and development because of high capital costs and defaults by individuals and firms who borrow from banks (Papa, 2014). Interest rates impact bank earnings through net interest margins/ net interest income which is a key factor driving bank earnings and stock performance (Hayes, 2013). When rates rise, banks NIM/NET 11 tend to decline and vice versa. Interest rates are also a key driver of loan yields (Hayes, 2013). Loan yields are generally from market interest rate. Higher rates at a measured pace are generally a positive for banks given the uplift to asset yield, deposit margin, along with generally improving macro conditions. Unexpected movements in rates and the yield curve can be negative for banks balance sheet, more specially, result in unrealized losses in accumulated other comprehensive income.

#### **Theoretical Framework**

The Theoretical framework is guided by the work of Bekaert (1998) which tries to analyze the influence of interest rates on bank performance. This section considers theories such as loan Pricing theory, firm characteristic theory, theory of multiple lending, the signaling approach, credit market theory, classical theory of interest.

#### **Loan Pricing Theory**

Banks cannot always set high interest rates. Banks should consider adverse selection and moral hazard because it is difficult to determine the borrower type at the start of the banking relationship (Stiglitz and Weiss, 1981). If interest rates are too high, it might cause adverse selection problems because only high risk borrowers are willing to borrow. Once they receive the loans they may develop moral hazard behavior since they are likely to take highly risky projects (Chodecai, 2004)

#### **Loanable Funds Theory**

This theory synthesizes both the monetary and non-monetary impact of the problem (saving and investment process) (Wensheng, et al., 2002). It assumes that interest rates are determined by supply of loanable funds and demand for credit. It recognizes that money can play a disturbing role in the saving and investment processes and thereby causes variations in the level of income. The theory suggests that interest rates equate the demand and supply of loanable funds. Loanable funds are the sum of money supplied and demanded at any time in the money market. Loanable funds theory has implications on banks savers and borrowers and each side is well compensated at equilibrium, Interest rate should be structured in a way every party feel comfortable (Emmanuelle, 2013)

#### **Empirical Review**

Gertler and Gilchrist (1994) conducted a study that specifically looked at how bank business lending responds to monetary policy tightening. They found that banks' lending does not decline when policy is tightened. They concluded that the entire decline in total lending comes



from a reduction in consumer and real estate loans. In contrast to Gertler and Gilchrist (1994) study, Kashyap and Stein (1995) found evidence that banks' lending may respond to a tightening of monetary policy. They found that when policy is tightened, both total loans and business loans at small banks fall, while loans at large banks are unaffected. The differential in the response of small banks may indicate they have less access to alternative funding sources than large banks and so are less able to avoid the loss of core deposits when policy is tightened.

Amidu and Wolfe (2008) examined the constrained implication of monetary policy on bank lending in Ghana between 1998 and 2004. Their study revealed that Ghanaian banks' lending behavior is affected significantly by the country's economic support and change in money supply. Their findings also support the finding of previous studies that the Central Bank prime rate and inflation rate negatively affect bank lending. Prime rate was found statistically significant while inflation was insignificant. Based on the firm level characteristics, their study revealed that bank size and liquidity significantly influence bank's ability to extend credit when demanded.

Gavin (2010) studied the factors affecting banking sector interest rate spread in Kenya. The study sought to investigate the factors responsible for interest rate spread in Kenya Commercial Banks. The study adopted a descriptive and quantitative research design on a sample of 15 Commercial Banks in Kenya which accounted 85 percent of all the loans disbursed between 2002 and 2009. The study used secondary data obtained from the banking survey publication. The study found out that capital adequacy ratio, treasury bills rate and discount rate have a significant impact on interest rate spreads.

Ngugi and Kabubu (1998) studied financial sector reforms and interest rate liberalization. It aimed at exploring the sequencing and actions taken in the liberalization process in Kenya. The study investigated the interest rate levels, spreads and determining factors as an indicator too financial performance in response to the process. The sample size was 20 banks in Kenya. The data source included the Central Banks reports. It found that the financial system was still characterized by repression factors such as negative interest rates, inefficiency and underdeveloped financial markets.

Felicia (2011) studied the determinants of Commercial Banks' lending behavior in the Nigerian context. The study aimed to test and confirm the effectiveness of the common determinants of Commercial Banks' lending behavior and how it affects the lending behavior of Commercial Banks in Nigeria. The model regressed the Commercial Banks loan advance with other determinant variable such as Volume of Deposits (Vd), Investment Portfolio (Ip), Lending Rate (Ir), Stipulated Cash Reserve Ratio (Rr) and Liquidity Ratio (Lr) for the period 1980-2005. The model hypothesizes there is a functional relationship between the dependent and independent variables and were found to have a significant relationship.

Nwakanma (2013) examined the impact of interest rate reform on the financial intermediation function of the Commercial Banks in Nigeria using the dummy variables approach to Chow test for structural stability. The cointegration and error correlation model were used to capture both the long run and the short run dynamics. The empirical results reveal that though the intermediation function of the Commercial Banks has significantly improved as a result of the deregulation of interest rates, it has not translated into improved standard of living of the populace as the incidence of poverty is still on the increase. Also the results show that lending rates do not influence demand for domestic credits in Nigeria unlike deposit rates which proved to be a major determinant for the amount of credit extended by the Commercial Banks. They concluded that though interest rates deregulation has improved credit extension to the domestic economy, the link between interest rates, domestic credit extension and economic growth is not automatic. They recommended a partial deregulation of interest rates that will ensure concessionary interest rates to the productive sector of the economy.

Udeh (2015) examined the impact of monetary policy instruments on profitability of Commercial Banks in Nigeria using the Zenith Bank Plc experience. The study utilized



descriptive research design using time series data collected from published financial statements of Zenith Bank Plc and Central Bank of Nigeria Bulletin from 2005 to 2012. The study used Pearson Product Moment Correlation technique to analyze the data collected while t-test statistic was employed in testing the hypotheses. They discovered that cash reserve ratio, liquidity ratio and interest rate did not have significant impact on the profit before tax of Zenith Bank Plc. However, minimum rediscount rate was found to have significant effect on the profit before tax of the bank. The paper concluded that a good number of monetary policy instruments do not impact significantly on profitability of Commercial Banks in Nigeria

Okoye and Eze (2013), examined the impact of bank lending rate on the performance of Nigerian Deposit Money Banks between 2000 and 2010. It specifically determined the effects of lending rate and monetary policy rate on the performance of Nigerian Deposit Money Banks and analyzed how bank lending rate policy affects the performance of Nigerian deposit money banks. The result confirmed that the lending rate and monetary policy rate have significant and positive effects on the performance of Nigerian deposit money banks. The implication of this is that lending rate and monetary policy rate are true parameter of measuring bank performance. The results agreed with Udeh (2015) that minimum rediscount rate was found to have significant effect on the profit before tax of the bank.

Enyioko (2012) examined the performance of banks in Nigeria based on the interest rate policies of the banks. The study investigated 2 Nigerian banks. Regression and error correction methods were used to analyze the relationship between interest rate and bank performance. The study found that interest rate policies have not improved the overall performances of the banks significantly.

#### **Methodology**

The research design employed Descriptive and Ex-post facto Research Design. Descriptive research design method helps in gathering information about the existing status of the phenomena in order to describe what exists in respect to variables. According to Coopers and Schindler (2008) descriptive studies are more formalized and typically structured with clearly stated hypotheses or investigative questions. This method is used because it addresses the objective of the study in investigating the relationship between the variables of the study. (Kothari, 2008). A census design was also applied where all the Commercial Banks were studied. A census is a collection of information from all units in the population or a complete enumeration of the population. A census design is used where the population is small and manageable (Mugenda&Mugenda, 2003). Regression and correlation analysis was used to determine the relationship between Monetary Policy Interest Rate and Performance of Commercial Banks. The study used time series data.

#### **Analysis and Discussion**

**Research Question 1a: Did Monetary Policy Interest Rate have any significant impact on financial performance of Commercial Banks during the SAP period.**

**Table 1a. Showing the Regression Analysis between Monetary Policy Interest Rate and Total Asset Value of Commercial Banks during the SAP period (1986-1999)**

#### **Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	232.346	355.541		.653	.526
MONETARY POLICY RATE (%)	4.766	22.296	.062	.214	.834

a. Dependent Variable: TOTAL ASSET VALUE (^b)

**Source: Research Findings**

The model developed from the coefficient in Table 1 is;

$$TAV_{sap} = f(MPR)$$

Therefore the regression Model

$$TAV_{sap} = \alpha + \beta(MPR) + \epsilon$$

Therefore;

$$TAV_{sap} = 232.346 + 4.766(MPR)$$

This model explains that MPR has a positive coefficient (4.766) and therefore an increase in MPR would likely lead to an increase in Total Asset Value. It explains that an increase in 1percent MPR would likely increase Total Asset Value by 4.766 (Billion Naira). However, the relationship shows a weak (not significant) correlation of 0.062or 6.20%. The relationship is also not significant at a 5% and 10% probability level as evidenced by the student t test. Also P-Value (0.834) > 0.05 shows the relationship is not significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the SAP Period had no significant impact on banking performance in Nigeria.

**Research Question 1b. Did Monetary Policy Interest Rate have any significant impact on financial performance of Commercial Banks during the P-SAP period.**

**Table 1b. Showing the Regression Analysis between Monetary Policy and Total Asset Value of Commercial Banks for the Post SAP Period (2000-2013)  
Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	30.128	6.188		4.869	.000
MONETARY POLICY RATE	-1.644	.493	-.679	-3.332	.005

a. Dependent Variable: TOTAL ASSET VALUE (P-SAP) (N'tr)

The model developed from the coefficient in Table 2 is;

$$TAV_{p-sap} = f(MPR)$$

Therefore the regression Model

$$TAV_{p-sap} = \alpha + \beta(MPR) + \epsilon$$

Therefore;

$$TAV_{p-sap} = 30.128 - 1.644(MPR)$$

This model explains that MPR has a negative coefficient (-1.644) and therefore an increase in MPR would likely lead to a decrease in Total Asset Value. It explains that an increase in 1percent MPR would likely decrease Total Asset Value by 1.644 (Trillion Naira)

The relationship shows a strong, significant correlation of 0.679 or 67.9%. Also P-Value (0.005) < 0.05 shows the relationship is also significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the Post SAP Period had a significant impact on banking performance in Nigeria.

**Research Question 2a. Did Monetary Policy Interest Rate have any significant impact on Deposit Mobilization of Commercial Banks during the SAP period.**

**Table 2a. Showing the Regression Analysis between Monetary Policy Interest Rate and Deposit Mobilization of Commercial Banks for the SAP Period (1986-1999)**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	106.787	159.573		.669	.516
	MONETARY POLICY RATE (%)	2.194	10.007	.063	.219	.830

a. Dependent Variable: DEPOSIT MOBILIZATION (^b)

The model developed from the coefficient in Table 1b is;

$$DpM_{SAP} = f(MPR)$$

Therefore the regression Model

$$DpM_{SAP} = \alpha + \beta(MPR) + \epsilon$$

Therefore;

$$DpM_{SAP} = 106.787 + 2.194(MPR)$$

This model explains that MPR has a positive coefficient (+2.194) and therefore an increase in MPR would likely lead to an increase in Deposit Mobilization. It explains that an increase in 1percent MPR would likely increase Deposit Mobilization by 2.194(Billion Naira)

The relationship shows a weak correlation of 0.063 or 6.3%. Also P-Value (0.830) > 0.05 shows the relationship is not significant at a 5% probability level.

Therefore, from our analysis, we conclude that MPR during the SAP Period had no significant impact on Deposit Mobilization in Nigeria.

**Research Question 2b. Did Monetary Policy Interest Rate have any significant impact on Deposit Mobilization of Commercial Banks during the P-SAP period?**

**Table 2b. Showing the Regression Analysis between Monetary Policy and Deposit Mobilization of Commercial Banks for the Post SAP Period (2000-2013)**

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	16490.014	3876.270		4.254	.001
	MONETARY POLICY RATE P	-889.342	310.753	-.637	-2.862	.014

a. Dependent Variable: DEPOSIT MOBILIZATION (^b)

Source: Research Findings

The model developed from the coefficient in Table 2b is;

$$DpM_{P-SAP} = f(MPR)$$

Therefore the regression Model

$$DpM_{P-SAP} = \alpha + \beta(MPR) + \epsilon$$

Therefore;  $DpM_{P-SAP} = 16490.014 - 889.342 (MPR)$

This model explains that MPR has a negative coefficient (- 889.342) and therefore an increase in MPR would likely lead to a decrease in Deposit Mobilization. It explains that an increase in 1percent MPR would likely decrease Deposit Mobilization by 889.342 (Billion Naira). The relationship shows a strong correlation of 0.637 or 63.7%. Also P-Value (0.014) >

0.05 shows the relationship is significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the Post SAP Period had a significant impact on Deposit Mobilization in Nigeria.

**Research Question 3a. Did Monetary Policy Interest Rate have any significant impact on Loans and Advances of Commercial Banks in Nigeria during the SAP period?**

**Table 3a. Showing the Regression Analysis between Monetary Policy Interest Rate and Loans and Advances of Commercial Banks in Nigeria for the SAP Period (1986-1999) Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	139.095	146.148		.952	.360
	MONETARY POLICY RATE (%)	-1.602	9.165	-.050	-.175	.864

a. Dependent Variable: LOANS AND ADVANCES (N'b)

The model developed from the coefficient in Table 3a is;

$$LAd_{SAP} = f(MPR)$$

Therefore the regression Model

$$LAd_{SAP} = \alpha + \beta(MPR) + \epsilon$$

$$\text{Therefore; } LAd_{SAP} = 139.095 - 1.602(MPR)$$

This model explains that MPR has a negative coefficient (-1.602) and therefore an increase in MPR would likely lead to a decrease in Loans and Advance. It explains that an increase in 1percent MPR would likely decrease Loans and Advance by 1.602(Billion Naira). However, the relationship shows a weak correlation of 0.05 or 5.0 percent (%). Also P-Value (0.864) > 0.05 shows the relationship is not significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the SAP Period had no significant impact on Loans and Advance of Commercial Banks in Nigeria.

**Research Question 3b: Did Monetary Policy Interest Rate have any significant impact on Loans and Advances of Commercial Banks in Nigeria during the P-SAP period.**

**Table 3b. Showing the Regression Analysis between Monetary Policy Interest Rate and Loans and Advances of Commercial Banks in Nigeria during the P-SAP Period (2000-2013) Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	13542.636	2484.501		5.451	.000
	MONETARY POLICY RATE P	-745.898	199.178	-.734	-3.745	.003

a. Dependent Variable: LOANS AND ADVANCES (^b)

Source: Research Findings

The model developed from the coefficient in Table 3a is;

$$LAd_{P-SAP} = f(MPR)$$

Therefore the regression Model

$$LAd_{P-SAP} = \alpha + \beta(MPR) + \epsilon$$

$$\text{Therefore; } LAd_{P-SAP} = 13542.636 - 745.898(MPR)$$

This model explains that MPR has a negative coefficient (-745.898) and therefore an increase in MPR would likely lead to a decrease in Loans and Advance. It explains that an increase in 1percent MPR would likely decrease Loans and Advance by 745.898(Billion Naira). The relationship shows a very strong (significant) correlation of 0.734or 73.4 percent. Also P-Value (0.003) < 0.05 shows the relationship is significant at a 5% probability level. Therefore, from our analysis, we conclude that MPR during the P-SAP Period had significant impact on Loans and Advance of Commercial Banks in Nigeria.

**Research Question 4a. Did Monetary Policy Interest Rate have any significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP period.**

**Table 4a. Showing the Regression Analysis between Monetary Policy Interest Rate and Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period (1986-1999)**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	410712.585	196843.041		2.086	.082
MONETARY POLICY RATE (%)	-10746.522	11763.553	-.349	-.914	.396

a. Dependent Variable: CREDIT TO THE PRIVATE SECTOR (N'm)

The model developed from the coefficient in Table 3a is;  $CrP_{SAP} = f(MPR)$

Therefore the regression Model  $CrP_{SAP} = \alpha + \beta(MPR) + \epsilon$

Therefore;  $CrP_{SAP} = 410712.585 - 10746.522(MPR)$

This model explains that MPR has a negative coefficient (-10746.522) and therefore an increase in MPR would likely lead to a decrease in Credit to the Private Sector. It explains that an increase in 1percent MPR would likely decrease Credit to the Private Sector by 10746.522(Million Naira). However, the relationship shows a negative and weak correlation of 0.349 or 34.9 percent. Also P-Value (0.396) > 0.05 shows the relationship is not significant at a 5% probability level.

Therefore, from our analysis, we conclude that MPR had no significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

**Research Question 4b. Did Monetary Policy Interest Rate have any significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the P-SAP period.**

**Table 4b. Showing the Regression Analysis between Monetary Policy Interest Rate and Commercial Banks' Credit to the Private Sector in Nigeria during the P-SAP Period (2000-2013)**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15561.541	3087.421		5.040	.000
MONETARY POLICY RATE	-862.572	247.513	-.709	-3.485	.005

a. Dependent Variable: CREDIT TO PRIVATE SECTOR (N'b)

The model developed from the coefficient in Table 4b is;  $CrP_{P-SAP} = f(MPR)$

Therefore the regression Model  $CrP_{P-SAP} = \alpha + \beta(MPR) + \epsilon$

Therefore;  $CrP_{P-SAP} = 15561.541 - 862.572(MPR)$

This model explains that MPR has a negative coefficient (-862.572) and therefore an increase in MPR would likely lead to a decrease in Credit to the Private Sector. It explains that an increase in 1percent MPR would likely decrease Credit to the Private Sector by 862.572(Billion Naira). However,the relationship shows a negative and strong(significant) correlation of -0.709or 70.9 percent. Also P-Value (0.005) < 0.05 shows the relationship is significant at a 5% probability level.

Therefore, from our analysis, we conclude that MPR had a significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

### **Discussion of Result**

The study sought to determine the impact of monetary policy regimes on bank performances during the SAP and Post SAP era. The study found;

1. That MPR had no significant impact on banking performance in Nigeria during the SAP Period.

2. That MPR had no significant impact on Deposit Mobilization in Nigeria during the SAP Period.

3. That MPR had no significant impact on Loans and Advance of Commercial Banks in Nigeria during the SAP Period.

4. That MPR had no significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

This study agrees with Udeh (2015) who found that a good number of monetary policy instruments do not impact significantly on profitability of Commercial Banks in Nigeria. The findings however agreed with Enyioko (2012) that interest rate policies have not improved the overall performances of the banks significantly.

### **Findings**

The study however found;

1. That MPR during the Post SAP Period had a significant impact on banking performance in Nigeria.

2. That MPR during the Post SAP Period had a significant impact on Deposit Mobilization in Nigeria.

3. That MPR during the P-SAP Period had significant impact on Loans and Advance of Commercial Banks in Nigeria

4. That MPR had a significant impact on Commercial Banks' Credit to the Private Sector in Nigeria during the SAP Period.

The findings of this study also agrees with Okoye and Eze (2013) who found out that lending rate and Monetary Policy rate have significant and positive effects on the performance of Nigeria Deposit Money Banks.

### **Recommendation**

Based on the findings of the study the following recommendations are put forward. First, that Monetary Policy Rate as a policy instrument alone may not be effective in generating and invigorating the level of economic activity desired in the banking industry. Also, policy makers should administer the Monetary Policy Instruments to ensure they are effective in generating and invigorating the level of economic activity desired in the banking industry.

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# CAUSES THAT LED TO AN INADEQUATE IMPLEMENTATION RATE OF THE URBAN DEVELOPMENT PROJECTS IN THE NORTH-WESTERN REGION OF ROMANIA IN THE PERIOD 2007-2013 AND THE OBJECTIVES SET FOR 2014-2020

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## Abstract

*Starting from local and urban development concepts, cities become competitive through the implementation of large-scale projects that are financially supported by regional operational programs.*

*The present study proposes an analysis of the inadequate implementation rate of urban development projects, highlighting the main problems encountered with the implementation and development of these types of regional projects for the Regional Operational Program 2007-2013, taking into account the data provided by the regional bodies regarding some counties in the North-West region of Romania.*

*Thus, the problems identified during the implementation of the projects are highlighted, problems generating the main effects on the inadequate pace of adoption of the projects, for which, for the period 2014-2020, the authors, as recommendations, propose solutions to accelerate the rate of implementation of future regional projects.*

**Key Words:** *local development, urban development, competitiveness, sectoral operational program*

**Jel Classification:** *A10, A23, B40*

## 1. INTRODUCTION

**Local development** [1] is the activity of economic expansion, in a certain area or administrative-territorial locality, which leads to raising the degree of the welfare of the inhabitants at the local level. It has as its main objective to raise the locality, the region, to a higher degree of financial prosperity and social welfare by creating the economic and financial levers necessary for the business environment to develop along with the integration into local businesses of the indigenous population, greater efficiency in using available resources and implicitly the development of the private sector that generates the largest share of the regional GDP.

**Urban development** [2] it is the form of local development that concentrates its financial means on its economic pole, namely the **city, the locality, the region**, pole that is the starting point of its regional development, where local prosperous businesses are gradually developing, leading to an increase in the social and economic welfare index.

It can be concluded that "*any act adopted or issued by the autonomous local authorities on the development of the territorial community will have to be in line with the legal provisions in the field covered by the measure.*" [3]

**Dragoş Dincă, Cătălin Daniel Dumitrică and Teodora I. Bitoiu**[4], in the analysis carried out regarding the **8 development regions of Romania**, concludes that "*from the perspective of the local administration, there are several discrepancies between the development regions, both in terms of quantity and quality of administrative acts.*

*Thus, a possible administrative-territorial regionalization would be auspicious but in a formula that does not take into account the eight regions that currently exist, as there is no good communication and collaboration between the research entities and public authorities at county, town and commune level, let alone joint research.*"

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## 2. THE MANAGEMENT ORGANIZATION OF THE URBAN DEVELOPMENT PROJECTS IN NORTH WEST REGION OF ROMANIA

The *Regional Development Council* is the deliberative body that coordinates the regional development process within the *Northwest Development Region* of Romania. It consists of the county councilors of the 6 counties in the region (*Maramureș, Satu Mare, Sălaj, Cluj-Napoca, Bistrița Năsăud and Bihor*) and one representative of the local municipal, town and communal councils. The Council has the following main tasks:[5]

- ✓ *analyzes and decides the regional development strategy and programs;*
- ✓ *approves regional development projects;*
- ✓ *presents proposals to the Council for the establishment of the Regional Development Fund<sup>3</sup>;*
- ✓ *approves the criteria, priorities, allocation and destination of resources of the Regional Development Fund;*
- ✓ *monitors the use of the funds allocated to the North-West region from the National Fund for Regional Development;*
- ✓ *monitors compliance with regional objectives;*

### 2.1. THE REGIONAL OPERATIONAL PROGRAM (P.O.R.) 2007-2013

*P.O.R. 2007-2013*[6] is the strategic document that implements elements of the National Development Strategy of the National Development Plan (P.N.D.) and contributes, together with the other operational programs (e.g. *Sectoral Operational Program Transport Infrastructure, Sectoral Operational Program Increase of Economic Competitiveness, etc.*) at achieving the objective of the *National Regional Development Strategy and of the National Strategic Reference Framework, namely to reduce the disparities of economic and social development between Romania and the development average of EU member states.*

The Regional Operational Program is aimed at the **8 development regions of Romania**, established in compliance with the EC Regulation no. 1059/2003 on the establishment of a common statistical classification system for territorial units.

*The strategic objective* of the program is “*to support an economic, social, sustainable and balanced territorial development of all regions of Romania, according to specific needs and resources, with a focus on supporting the sustainable development of urban growth poles, improving the business environment and basic infrastructure in order to make the regions of Romania, especially the least developed, attractive places for investment*”[7]

In order to achieve the overall objective of regional development, the strategy aims at achieving the following specific objectives:[8]

- *increasing the economic and social role of urban centers through a polycentric approach to stimulate a more balanced development of the regions;*
- *improving the accessibility of the regions and, in particular, the accessibility of urban centers and their links with surrounding areas;*
- *increasing the quality of the social infrastructure of the regions;*
- *increasing the competitiveness of the regions as business locations;*
- *increasing the contribution of tourism to the development of the regions;*

### 2.2. THE ANALYSIS OF THE DEGREE OF IMPLEMENTATION OF THE URBAN DEVELOPMENT PROJECTS IN THE NORTH-WESTERN REGION OF ROMANIA DURING THE PERIOD 2007-2013 AND THE METHODOLOGY USED

The method of research that was used was the descriptive method by analyzing the data and information provided by the Ministry of Public Funds in Romania, data which were extracted from the reports on the implementation of European funds during the period 2007-2013. Thus, according to the *annual implementation reports of development projects for the*

period 2007-2013 [8], progress has been made to a lesser extent than expected, in terms of attracting EU funds for the urban development of the *North-West region of Romania*. Thus, according to the table below:

**Table no. 1 Indicators used and stage of implementation during the period 2007-2013[9]**

<i>AP/DMI<sup>1</sup></i>	<i>PROGRAM INDICATOR</i>	<i>TYPE</i>	<i>ESTIMATED BY SIGNED CONTRACTS</i>	<i>REALIZED BY FINALIZED PROJECTS</i>	<i>TARGET POR 2007-2013</i>	<i>DEGREE OF ACHIEVEMENT BY COMPLETED PROJECTS</i>
<i>Urban development</i>	<i>Urban development – PIDU</i>	<i>O</i>	<i>95</i>	<i>0</i>	<i>30</i>	<i>0%</i>
	<i>Urban development – Urban infrastructure</i>	<i>O</i>	<i>331</i>	<i>68</i>	<i>60</i>	<i>113%</i>
	<i>Urban development – Business infrastructure</i>	<i>O</i>	<i>24</i>	<i>24</i>	<i>15</i>	<i>13%</i>
	<i>Urban development – Social infrastructure</i>	<i>O</i>	<i>138</i>	<i>45</i>	<i>25</i>	<i>180%</i>
	<i>Inhabitants benefiting from the implementation of projects</i>	<i>R</i>	<i>8,061,340</i>	<i>5,137,522</i>	<i>400,000</i>	<i>1.284%</i>
	<i>Companies established in regional and local growth poles</i>	<i>R</i>	<i>329</i>	<i>13</i>	<i>400</i>	<i>3%</i>
	<i>Urban development – Jobs created</i>	<i>R</i>	<i>1,793</i>	<i>226</i>	<i>1,500</i>	<i>15%</i>
<i>Energetic efficiency</i>	<i>Apartments rehabilitated to increase energy efficiency</i>	<i>O</i>	<i>2,836</i>	<i>0</i>	<i>46,920</i>	<i>0%</i>
	<i>Total energy savings for rehabilitated apartments</i>	<i>R</i>	<i>12</i>	<i>0</i>	<i>256</i>	<i>0%</i>
<i>Road infrastructure</i>	<i>Rehabilitated county road (km)</i>	<i>O</i>	<i>2,482</i>	<i>1,171</i>	<i>1,080</i>	<i>108%</i>
	<i>City streets rehabilitated (km)</i>	<i>O</i>	<i>282</i>	<i>111</i>	<i>420</i>	<i>26%</i>
	<i>Ring roads constructed (km)</i>	<i>O</i>	<i>87</i>	<i>22</i>	<i>219</i>	<i>10%</i>
	<i>Increased traffic of goods transported or transited (%)</i>	<i>R</i>	<i>NA</i>	<i>NA</i>	<i>10</i>	<i>NA</i>
	<i>Increased passenger traffic (%)</i>	<i>R</i>	<i>NA</i>	<i>NA</i>	<i>10</i>	<i>NA</i>

It is noticed that by the end of **2013**, in the field of urban development, by finalizing the 1,681 projects financed from the POR, only 226 jobs were created from the target of 1500, representing a degree of achievement of only 15%, and none of the integrated urban development plans of the proposed target of 30 have materialized, accounting for 0%.

<sup>1</sup> ”regarding the notion of **AP** we refer to **public authority**, regarding the concept of **PIDU** we refer to the **integrated urban development plan** and the concept of **DMI** we refer to the **major field of intervention**”

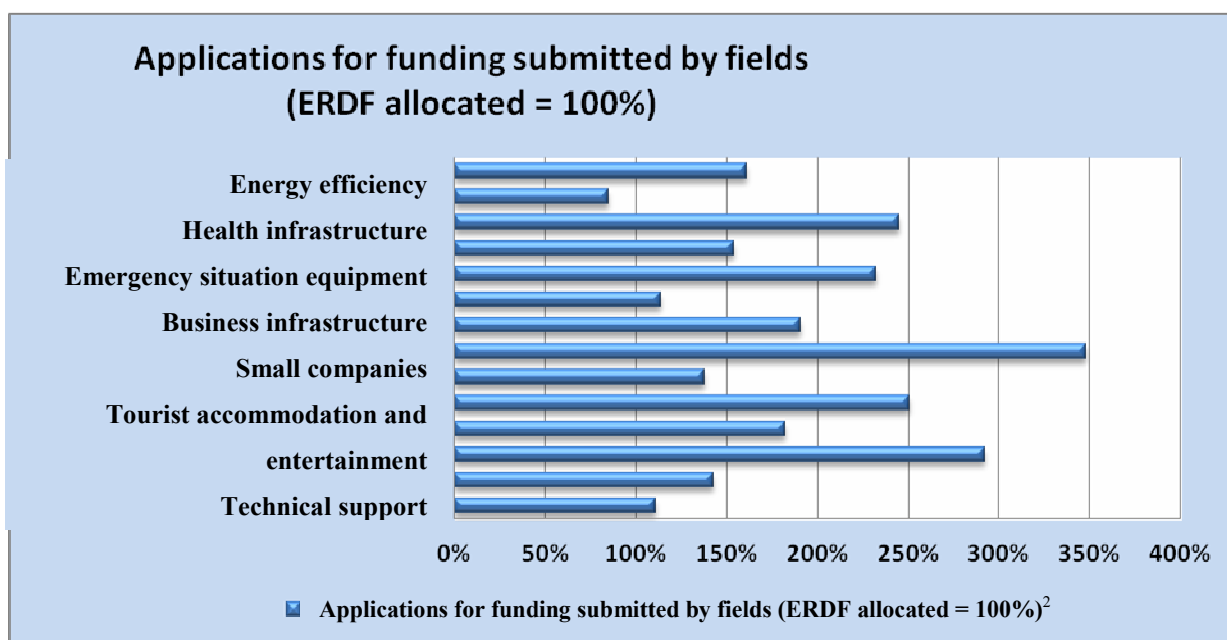
Since the launch of the POR negative values have been registered regarding the energy efficiency field (e.g. rehabilitated apartments register 0%), as well as in the field of road infrastructure, where "modest" values were recorded, respectively construction of ring roads - only 10%, city streets 26% etc.

**Table no. 2 Funds allocated for the period 2007-2013**[10]

Priority axis	Payments made by AMPOR <sup>1</sup> to beneficiaries (Euro)			
	Prefinancing	Refunds		Total payments
		EU contribution	State budget	
<b>AP 1: Urban development</b>	86,505,336	283,313,284	78,084,119	447,902,739
<b>AP 2: Road infrastructure</b>	251,129,306	311,810,217	68,468,465	631,407,987
<b>AP 3: Social infrastructure</b>	105,936,226	224,793,117	49,055,534	379,784,876
<b>AP 4: Business environment</b>	25,974,571	250,910,620	16,626,583	293511,775
<b>AP 5: Developing and promoting tourism</b>	68,904,939	160,917,138	18,972,797	248,794,875
<b>AP 6: Technical support</b>	15,044,104	36,843,403	15,745,447	67,632,953
<b>Total</b>	<b>553,494,481</b>	<b>1,268,587,779</b>	<b>246,952,945</b>	<b>2,069,035,205</b>

Concerning the allocated funds for the six priority axes, it can be noticed that the highest value was allocated to the road infrastructure, i.e. 30.51%, followed by the urban development with 21.64%, social infrastructure 18.35%, business environment 14.18%, development and promotion of tourism 12.02%, and technical support 3.26%.

The largest amount was allocated to the rehabilitation of transport routes, while tourism was very poorly promoted, even if there is the possibility of capitalizing and attracting funds for a broad development.



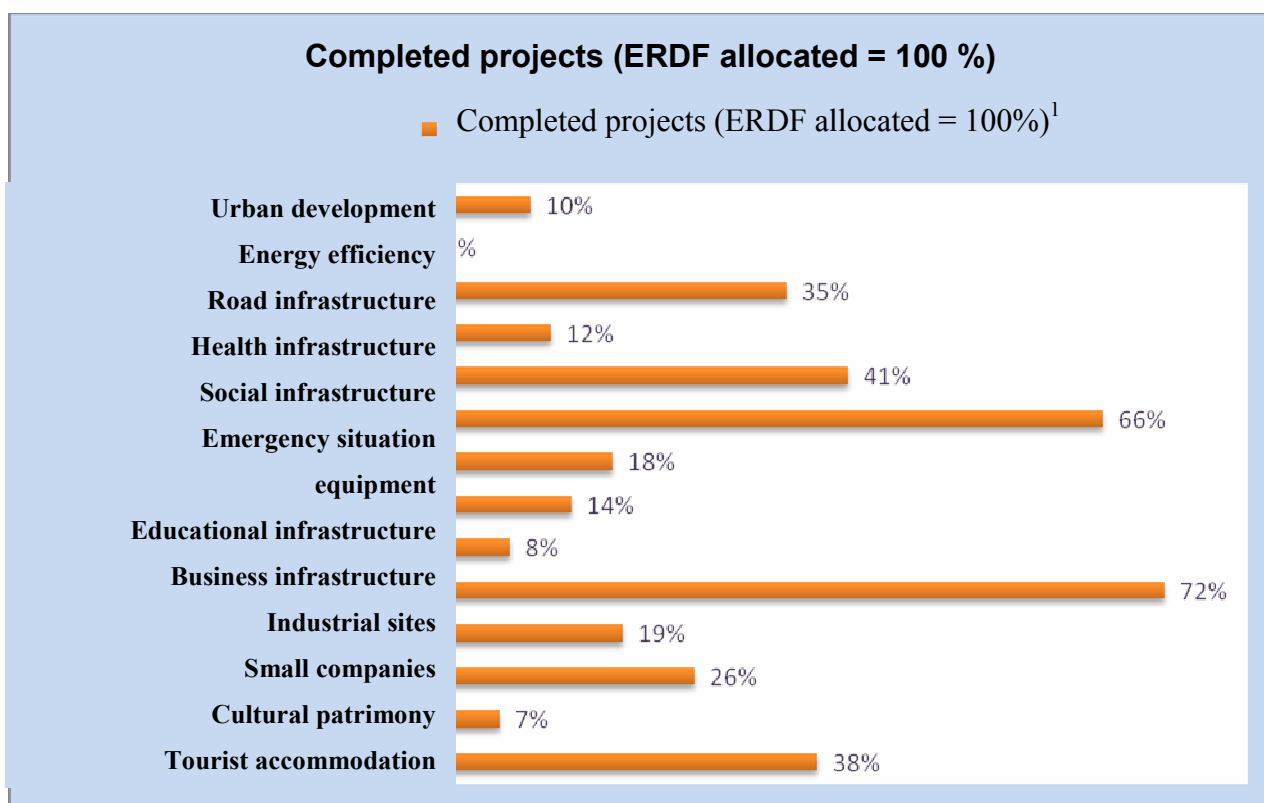
**Figure no. 1. Requests for funding submitted for the period 2007-2013**[10]

<sup>1</sup> "regarding the notion of AMPOR we refer to the Managing Authority for the Regional Operational Program"

<sup>2</sup> "regarding the notion of ERDF, we refer to the European Regional Development Fund"

As regards the submission of applications, it can be observed that the business infrastructure has the highest degree of implementation of 348%, following the economic development in different environments, both in production, services, urban and rural areas, by capitalizing each element identified as bringing profit, promoting the area, and also modernization, employment, reduction of the unemployment rate, professional retraining and diminishing travel to other cities in order to have a job.

Social infrastructure is a key element towards a better, prosperous environment, equal access to education, health care, social security, uniformity of distribution of progress within different groups, equal access to various basic opportunities in the sustainability of social development with 232% of applied applications.



**Figure no. 2 The level of contracting of community funds by domains in the period 2007-2013<sup>[10]</sup>**

*PRIORITY AXIS 5 - Development and promotion of tourism (budget, Key area of intervention 5.1 and 5.2 - EUR 62.58 million and Key area of intervention 5.1 - Restoration and sustainable valorisation of cultural heritage and creation / modernization of related infrastructures.*

*The open call for projects for domain 5.1 was launched on 14 March 2008 and the budget allocated to the domain for the period 2007-2013 was 25.30 million euro. Key area of intervention 5.2 - Creation, development, modernization of tourism infrastructure for capitalizing on natural resources and increasing the quality of tourism services.*

*The open call for applications for domain 5.2 was launched on 29 April 2008 and the budget allocated to the domain for the period 2007-2013 was 37.28 million euro. The*

<sup>1</sup> "regarding the notion of ERDF, we refer to the **European Regional Development Fund**"

*project application was initially suspended on 19.12.2008, and on 23.10.2012 the project submission was reopened.*

*Thus, it can be noticed that in the area of urban development only 10% of the projects were finalized, on the basis of the amounts allocated by the European Regional Development Fund, thus registering a lower degree than the established target.*

### **2.3. THE MAIN PROBLEMS ENCOUNTERED REGARDING THE IMPLEMENTATION OF THE REGIONAL PROJECTS OF THE PERIOD 2007-2013**

The most significant problems during the development of these urban development projects, by the representatives of the business environment and of the public institutions, are:

- *staff shortage;*
- *poor staff motivation from a financial point of view and career development potential and acquiring new skills;*
- *fluctuation of staff - from one job to another according to the company's need;*
- *difficulty of technical evaluation of projects due to reduced competencies at the level of evaluators;*
- *lack of staff with IT skills;*
- *lack of guides and good practices;*
- *bureaucracy of the system;*
- *rigidity of project implementation parameters;*
- *delayed calls (compared to the announced deadlines);*
- *poor quality of submitted projects;*
- *low skills of beneficiaries;*
- *long project evaluation duration;*

With all these inconveniences, by **P.O.R. 2007-2013**, according to *Priority Axis no. 1*, large investments were made, covering the *street network, public transport, investments that created access to the tourist area of Cluj County*, as well as the growth and access of investors in the business area, thus accessing **17 projects**, the total value of the projects being **590,308,585 lei**, of which the non-reimbursable amount is **387 million lei**.

For the city of **Oradea**, under the Integrated Urban Development Plan, a number of **6 projects** have been contracted, focusing on integrated urban development, targeting areas related to road, tourist and social infrastructure, leading to a sustainable development of the city, with a total value of the implemented projects worth **129 million lei**, of which the amount of **99 million lei** is the amount of non-refundable financing.

At the same time, for the city of **Baia Mare** - urban development pole with an inter-county polarizing role attracted through the implementation projects the sum of **73 million lei**, representing non-reimbursable financial support. And the total value of the projects was **101 million lei**, thus signing a number of **8 financing contracts**, out of which, by the end of October 2015, four were completed.

### **3. THE REGIONAL OPERATIONAL PROGRAM (P.O.R.) 2014-2020**

**P.O.R. 2014-2020[11]** is one of the programs by which Romania will be able to access European structural and investment funds from the European Regional Development Fund (ERDF) in the current programming period.

It is managed by the POR Managing Authority within the Ministry of Regional Development and Public Administration and was adopted by the European Commission (EC) on June 23, 2015.

The new proposals are designed to strengthen the strategic dimension of policy and to ensure that EU investment is geared to the long-term European growth and jobs objectives in line with the *Europe 2020 strategy*.

To help achieve the objectives of the **Europe 2020 Strategy** [12] on smart, sustainable and inclusive growth, the new regulations target the following **objectives**:

- ✓ *strengthening research, technological development and innovation;*
- ✓ *improving access and use, as well as increasing the quality of information and communication technologies;*
- ✓ *improving the competitiveness of small and medium-sized enterprises, the agricultural sector and the fisheries and aquaculture sector;*
- ✓ *supporting the transition to a low-carbon economy in all sectors;*
- ✓ *promoting adaptation to climate change, prevention and risk management;*
- ✓ *protecting the environment and promoting the efficient use of resources;*
- ✓ *promoting sustainable transport systems and removing bottlenecks in major network infrastructures;*
- ✓ *promoting employment and supporting labor mobility;*
- ✓ *promoting social inclusion and combating poverty;*
- ✓ *investment in education, skills and lifelong learning;*
- ✓ *strengthening institutional capacity and efficient public administration.*

Within these regulations, new types of instruments are proposed for the 2014-2020 period, respectively:

- ✓ *a **joint action plan** representing a "group of projects implemented under the responsibility of the beneficiary, as part of the operational program or programs"*
- ✓ ***local development under the responsibility of the community**, which is "achieved through local development strategies on integrated and multisectoral areas, being placed under the responsibility of the community, of local action groups made up of representatives of the local socio-economic interests of the public and private sectors"*

Under the **POR 2014-2020**, for the **North-West development region of Romania**, until 30.12.2016, projects were submitted on the following priority axes [13]:

- *Axis 2 - Improving the competitiveness of small and medium enterprises with investment priority 2.1, 329 projects with a requested value of 217 million lei, all projects are in selection and have an allocation / region coverage ratio of 143.8%;*
- *Axis 3 - Supporting the transition to a low-carbon economy with investment priority 3.1 A, 50 submitted projects with a requested value of 131 million lei, out of which 28 projects were rejected and 22 projects are in the selection and have An allocation / region coverage percentage of 23.5%;*
- *Axis 5 - Improvement of the urban environment and preservation, protection and sustainable valorisation of cultural heritage - having investment priority 5.1, 52 submitted projects with a requested amount of 608 million lei, of which 14 projects were rejected and 38 projects are in the selection And have an allocation / region coverage ratio of 265.6%, and on the investment priority 5.2, 9 submitted projects with a requested value of 78 million lei, of which 2 projects were rejected and 7 projects are in the selection and have An allocation / region coverage ratio of 97.5%;*
- *Axis 6 - Improvement of the regional infrastructure infrastructure - having the investment priority 6.1, 8 submitted projects with a requested value of 895 million lei, of which 3 projects were rejected and 5 projects are in the selection and have a percentage allocation allocation / region Of 130.45%;*
- *Axis 7 - Diversification of local economies through the sustainable development of tourism - having investment priority 7.1, 6 submitted projects with a requested value of 90 million lei, of which 1 projects were rejected and 5 projects are in selection and have a percentage allocation allocation / Region of 115.8%;[14]*



#### 4. CONCLUSIONS

During **2007-2013** there were some inconsistencies in the *management system for structural instruments, control systems at the level of managing authorities and structural instruments at the level of ministries*.

One element that led to a low implementation of projects was the **human resource**, starting from the fact that *their number was rather low, less prepared and the bureaucracy of the institutional and financial system was not motivated to apply for these projects with a high volume of work, a high degree of responsibility, and thus led to an oscillating fluctuation of human resources experienced in fund management*.

A major problem was the **preparation of the financing file**, noting that the staff did not have the necessary experience or specialized firms were not contracted, which led to the rejection of the files because many beneficiaries overestimated the financial and technical implementation capacity. Other problems encountered in implementing the projects were:

- ✓ *instability of the legislative framework;*
- ✓ *rigidity of project implementation parameters;*
- ✓ *very long evaluation of submitted projects, formal communication;*
- ✓ *long repayment time;*
- ✓ *refusal of some banks to finance the project until the reimbursement is received;*
- ✓ *slowing down the information process as they had to be physically;*
- ✓ *the lack of specialization courses and, last but not least, lack of adequate software;*

However, by implementing the **1,681** [13] projects finalized by the end of 2013, 661 received funding, 538 were completed, with a concentration of 130,24% and an absorption of 70,44 %, EUR 522.19 million allocated to the region and EUR 367 million payments made.

Financing applications have been submitted in percentage of 203.4%, of which 112.9% have been approved, 104.7% have been signed, of which 45.9% have been paid and 41.5% have been received from the EC. Only 21.7% remain to be completed in the next contract period, and in the middle of 2014 the rate of debt recovery was 84.4%, projects which resulted in the following:[15]

- *122 signed urban development projects;*
- *over 200,000 inhabitants benefiting from the 29 urban development projects;*
- *10.3 km rehabilitated / upgraded urban streets;*
- *218 km of rehabilitated / upgraded county roads;*
- *10 rehabilitated and equipped medical units;*
- *1800 people are cared for every day, 12 mobile units in the rural area and 8 in the urban area in addition to the 241 existing ones;*
- *28 social centers, 46 schools;*
- *2 rehabilitated / updated university campuses, 10 business infrastructures;*
- *over 1500 jobs created, 8 completed cultural heritage rehabilitation projects and 6 tourism infrastructure projects;*

For the period **2014-2020**, the following development axes are considered:

- ✓ *intelligent economic growth: developing an economy based on knowledge and innovation;*
- ✓ *sustainable economic growth: promoting a more resource efficient, greener and more competitive economy;*
- ✓ *inclusive growth: promoting a high-employment economy ensuring economic, social and territorial cohesion;*

Thus, we consider as solutions to solving the aforementioned deficiencies, and implicitly to increasing the degree of implementation of regional projects, **supplementing the specialized personnel, achieving higher financial motivation of the employees, identifying methods for detecting the career development potential of the specialists, the acquisition of**

*new professional skills, stricter regulations on the high fluctuation of the specialized personnel, the development of guidelines for application, constant updates of the management system, of the web sites, the elimination of delays in the elaboration of guides for applicants, reducing the evaluation period for projects and reimbursement requests.*

In order to improve the current situation it is also necessary to carry out *an analysis of the beneficiaries' options on sustainable impact and an outsourcing of evaluation services, the development of vocational training programs, but also the creation of an online newsletter system to be transmitted frequently to the subscribers with the information relevant to the implementation.*

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