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SPU SRIPATUM UNIVERSITY
UNIVERSITY of GREENWICH
LINCOLN UNIVERSITY Te Whare Wānaka O Aoraki

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Welcome Address from President, Sripatum University

Welcome to the third volume of International Journal of Management, Business, and Economics (IJMBE). IJMBE is dedicated to increasing the depth of the subject across business disciplines with the ultimate aim of expanding knowledge of the subject. The IJMBE is a thrice peer-reviewed journal published by Graduate College of Management, Sripatum University; University of Greenwich; and Lincoln University.

In retrospect, Sripatum University, one of the oldest and most prestigious private universities in Thailand, was established in 1970 by Dr. Sook Pookayaporn by the name " Sripatum College." The name "Sripatum" meaning "Source of Knowledge Blooming like a Lotus" was conferred on the college by Her Royal Highness the Princess Mother. In 1987, the college was promoted to university status by the Ministry of University Affairs, and has since been known as Sripatum University. The university's main goal is to create well-rounded students who can develop themselves to their chosen fields of study and to instill the students with correct attitudes towards education so that they are enthusiastic in their pursuit of knowledge and self-development.

To strive to be among the best, this third volume of the IJMBE is therefore instrumental for the most important academic growths to extend a high quality tradition in the education field to the world. The journal welcomes the submission of manuscripts that meet the general criteria of significance and scientific excellence, and will publish original articles in basic and applied research, case studies, critical reviews, surveys, opinions, commentaries and essays. It is hoped that this inaugural issue will set a new benchmark in terms of academic publications. Through the support of our Editorial and Advisory Boards, I hope this journal could provide academic articles of the highest quality to all readers.

Dr. Rutchaneeporn Pookayaporn Phukkamarn
President, Sripatum University

Welcome Address from Dean, Sripatum University

It is appropriate to celebrate the continuity of an exciting and esteemed journal. The IJMBE will serve and provide a forum for exchange of ideas among business executives and academicians concerned with Management, Business, and Economics issues. With the rapid evolution of corporate business from international to global in recent years, general business has been one of the areas of greatest added complexity and concern for corporate managers. The IJMBE will be an academic journal combining academic inquiry and informed business practices. It will publish empirical, analytical, review, and survey articles, as well as case studies related to all areas of Management, Business, and Economics. A sentiment often expressed by practitioners is that academic research in general may not be addressing the most relevant questions in the real world.

It is fair to say that the IJMBE will publish high-quality applied-research papers. Nevertheless, studies that test important theoretical works and shed additional light on the issue with some business implications will also be solicited. Each submitted paper has been reviewed by several members of the IJMBE international editorial board and external referees. On the basis, we would like to thank all of them for their support with review process of submitted papers.

I cordially invite papers with theoretical research/conceptual work or applied research/applications on topics related to research, practice, and teaching in all subject areas of Management, Business, and Economics, or related subjects. I welcome paper submissions on the basis that the material has not been published elsewhere. The ultimate goal is to develop a journal that will appeal to both management and business practitioners. I expect the IJMBE to be an outstanding international forum for the exchange of ideas and results, and provide a baseline of further progress in the aforementioned areas.

Dr. Vichit U-on
Dean, Graduate College of Management,
Sripatum University

The Editors

Editor-In-Chief

Dr. Ungul Laptaned is an Assistant Professor in the Graduate College of Management, Sripatum University. He graduated with a Ph.D. in 2003 from the University of Nottingham, United Kingdom in the field of Manufacturing Engineering and Operations Management. Ungul has published over 60 proceedings and journal papers; for instances, Industrial Engineering Network, Asia Pacific Industrial Engineering and Management, International Association of Science and Technology for Development, Operations and Supply Chain Management, Intelligent Manufacturing System, Business and Information, etc. He served as a program chair and a steering committee for several domestic and international conferences. He was a journal editor of International Journal of Logistics and Transport, and Thai Researchers' Consortium of Value Chain Management and Logistics Journal, and has consulted for several public organizations and industrial firms on logistics and supply chain management such as Thailand Research Fund, Phitsanulok Province, Public Warehouse Organization, Amatanakorn Industrial Estate, Wyncoast Industrial Park, Iron and Steel Institute of Thailand, Chacheongsao Province, JWD Infologistics Co., Ltd., Kerry Distribution (Thailand) Co., Ltd., TKL Logistics and Supply Chain Co., Ltd., and Ministry of Transport (Thailand).

Associate Editor

Dr Ioannis Manikas holds a Bachelor in Agriculture and a Master of Science in the field of logistics from Cranfield University. He holds a PhD from the Department of Agricultural Economics in AUTH and his primary interest includes supply chain management, logistics and agribusiness management. Dr Manikas has conducted research for projects regarding supply chain modelling, development of IT solutions for agrifood supply chain management and traceability both in Greece and the UK. He has a wide experience in the elaboration of research proposals under FP6, FP7, and Eurostars-Eureka funding mechanisms; lifelong learning oriented programmes such as Leonardo; and Interregional development programmes such as Interreg III and Interreg IV. His work as a self employed project manager and consultant in the agrifood sector includes the design and development of regional operational programmes; analysis of regional needs and respective development policies focused on rural and food production; definition of funding areas and financing resources; definition of strategic goals for regional development and formulation of respective performance monitoring systems; and assessment (ex-ante, on-going, ex-post) of the implementation of EC and national funding mechanisms in national and regional levels.

Guest Editor

Dr. Gilbert Nartea is an Associate Professor in the Faculty of Commerce, Lincoln University, New Zealand. Dr. Nartea graduated a Master's Degree from New England and a Ph.D. from Illinois, USA. He is a senior lecturer in Finance. His teaching interests are in the area of investments, futures and options, and finance, futures and options. The area of research interests area asset pricing, investment management, decision-analysis and risk management, and microfinance and poverty alleviation. He has published several papers in such journals as of Property Investment and Finance, International Journal of Managerial Finance, Asian Journal of Business and Accounting, Australian Journal of Agricultural and Resource Economics, Pacific Rim Property Research Journal, Review of Applied Economics, Review of Development Cooperation, American Journal of Agricultural Economics, and Journal of the American Society of Farm Managers and Rural Appraisers.

Foreword

Welcome to the 2nd issue of the 3rd volume of International Journal of Management, Business, and Economics (IJMBE), the Editors received a number of papers from different countries such as Georgia, Iran, Malaysia, South Africa, Thailand, Turkey, and United Arab Emirates. The received papers encompassed many areas of marketing, banking, economics, insurance and risk management, industrial and operation management, strategic management, and international and global business management. After the review process, a total of ten manuscripts were selected for publication.

In the first article, entitled *"Do South African Bond Investors Care about Corporate Governance Issues*" conducted by *Anganile Asukile and Akios Majoni*. The study shows that in an emerging market setting characterised by high levels of institutional ownership and block holdings, the strength of corporate governance systems does is not incorporated into the bond prices. The study is based on a sample of 61 bond issues listed in South Africa over the period 2003-2013. Using multiple linear regression, this paper did not find a significant relationship between the level of institutional ownership and the number of independent directors with the cost of debt proxies of bond yields and credit ratings. These findings contradict the notion that bondholders in general care about corporate governance issues, as determined in developed markets.

The second article is authored by *Erekle Pirveli*, and named as *"Financial Information Quality across the Capital Markets Positioned at Different Levels of Development*". This research project by investigating the second degree relation between the extent of capital market development and the quality of financial information aims to explore the uncharted territory and help investors in formulating more precise predictions on the quality of financial information in less developed capital markets. The extent of capital market development is a significant driver of the quality of financial information, and that the driving power increases as we switch from more towards less developed capital markets. This is because in less developed capital markets such as Georgian stock exchange in addition to low demand on financial information and poor investor protection, for a limited accounting and audit profession and therefore an inferior understanding of accruals-based transactions which markedly worsen the quality of financial information.

The third paper is examined by *Fatollah Keshavarz Shal and Firoozeh Arjmand Derou*. Their paper is entitled "*Socio-Economic Factors Affecting Spatial Planning of Entrepreneurship in Rural Area (Evidence from Masal County, Iran)*". Entrepreneurship is of vital importance in villages and is regarded as a step towards rural development. The socio-economic factors affecting spatial planning of entrepreneurship were analyzed in the villages of Masal city by a descriptive survey in 2015. The statistical society was composed of three groups of people involved in rural entrepreneurship planning in Masal (N = 1513) out of which 483 people were sampled by Cochran's general formula. The main tool of the study was a questionnaire used for data collection. It was designed on the basis of different theories of entrepreneurship as well as the organizational insights of Global Entrepreneurship Monitor.

The forth article deals with marketing issues. This paper is authored by *Isaac Wahito, Akios Majoni1, and Lucian Pitt*, and is entitled "*Choice of Divestiture Method in South Africa: Spin-Off or Sell-Offs*". This study investigates a company's characteristics that may determine whether to sell-off or spin-off. The empirical findings from logistic regressions and mean comparison t-tests, using a sample of 63 spin-offs and 81 sell-offs in South Africa from 1995 to 2013 are as follows. First, companies in financial distress, with high capital expenditure, high leverage and with a high return on equity choose to divest through a sell-off. Second, large parent companies and with a large number of business segments also choose to sell-off in order to refocus on core business lines. Third, spin-offs are preferred if the unit size is large and performing well in order to be independent. Finally, this study does not find evidence for hypothesized corporate governance factors such as the director's equity ownership and CEO/board chair office to be possible determinants of the choice of divestiture method.

Article number five is entitled "*Worldwide Tourism's Economic, Ecological and Social Sustainability as a Core Concern and Responsibility in the New Millennium: An Evaluation of the Triple Bottom Line Approach*", and is examined by *Konrad Gunesch*. This paper reveals the framework, application and usefulness of the triple bottom line approach for reflecting, assessing and reporting on economic, ecological and social sustainability. These are areas of core concern and responsibility for the global travel and tourism industry. It outlines the conceptual development of the sustainability argument and of the triple bottom line approach along the new millennium, and across global political key events and official reports, declarations and guidelines, culminating in the 2015 United Nations Climate Change Conference.

In the sixth article, entitled “*Declining Partnership in Islamic banking: A Jurisprudential-Economic analysis*”, is written by *Mostafa Shahidinasab and Fateme Seifollahi*. This paper tries to discuss the Jurisprudential and Economic possibility of using Declining Partnership, as a new financial instrument, in the context of Islamic banking. The results, derived based on an analytical-explorative approach, show that this instrument is Shariah-compliant and in addition, it is economically suitable for Islamic banks; especially when it is compared with others similar Islamic finance instruments like Ijarah Muntahia Bittamlik (leasing) and instalment sale (hire purchase).The findings of this paper may contribute to the available literature in the field of Islamic banking and can help Islamic banks in country-wide Islamic banking systems (like Iran) and even dual banking systems (like Malaysia) to strengthen their banking activities with Islamic instruments.

The seventh article is conducted by *Nor Asiah Omar*, and is entitled “*The Impact of Severity of Halal Violation and Recovery Satisfaction on Consumer Boycott*”. The research explores the effect of psychological contract violation (PCV), recovery satisfaction and severity of halal violation on product boycott. A total of 317 questionnaires was collected amongst customers that were aware and/or had experienced the violation of a halal product in Malaysia. PLS-SEM structural equation modelling was used to examine the model. The results of this investigation showed that recovery satisfaction, severity, and PCV are important factors in influencing product boycott. The contribution of this study is evident as the resulting outcomes can serve as guidelines for managers to design recovery action towards halal violation.

Article number eight is written by *Rutchaneeporn Pookayaporn Phukkamarn*, and is entitled “*Market Penetration for Private Universities in ASEAN Countries under AEC*”. The author suggested that international education in Thailand is an important factor for the economy. To acquire new perspective students from overseas, it was the key challenge and attempt of harmonization of multicultural way in private universities. The research study presented was the implication of AEC affecting on private universities’ educational system to penetrate a new market. The objectives of this research study were to: 1) attempt to discover whether private universities engaged in marketing activities to facilitate their enrollment, and 2) criticize a marketing plan including marketing environmental analysis, SWOT analysis, marketing objective/strategy, and marketing implementation to open and seek new market opportunities of perspective students under AEC.

The ninth article is conducted by *Sayed Abbas Mosavian and Mostafa Shahidinasab*, and is entitled “*Pathology of Microfinance in the Banks of Iran: Lessons to Design Islamic Microfinance System in Iran*”. The main purpose of this study is to investigate pathology of this behavior of banks that can be typically the first step in way of designing Islamic microfinance system. Obtained results from this study obtained using Delphi method and analytical-descriptive method show that Moral hazard, high cost of supervision, lack of appropriate collateral, diversion of credits, strategic default, low yields and lack of resources are the most important damages of microfinance in Iranian banks.

Last but not the least, the article entitled *“Human Capital, Globalization, and Brain Drain*” is examined by *Yeşim Kubar and Ayşe Esra Peker*. The migration of the scientists and professionals at high quality from developing countries to developed countries especially attracted attention after 1960 and became a subject of scientific research and discussions. Developed countries keeping the natural resources and labor force reserves transfer the superior brain power that is necessary for them to develop from developing countries. In this study, the definition, importance causes, dimensions, of the concept “brain drain”, which became a current issue in 1960s, and increasingly accelerated in the last century; which countries were affected from it too much; and the policies and applications toward preventing brain drain were aimed to be explained.

It is hoped that you will enjoy reading these articles and that they will generate responses and discussions that will help advance our knowledge of the field of Management, Business, and Economics. The Editors and the Editorial Board of the IJMBE would like to welcome your future submissions to make this journal your forum for sharing ideas and research work with all interested parties.

Ungul Laptaned
Editor-In-Chief

Ioannis Manikas
Associate Editor

Gilbert Nartea
Guest Editor

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Do South African Bond Investors Care about Corporate Governance Issues

by

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Do South African Bond Investors Care about Corporate Governance Issues

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Abstract

The study shows that in an emerging market setting characterised by high levels of institutional ownership and block holdings, the strength of corporate governance systems does is not incorporated into the bond prices. The study is based on a sample of 61 bond issues listed in South Africa over the period 2003-2013. Using multiple linear regression, this paper did not find a significant relationship between the level of institutional ownership and the number of independent directors with the cost of debt proxies of bond yields and credit ratings. These findings contradict the notion that bondholders in general care about corporate governance issues, as determined in developed markets.

Keywords: Corporate Governance, Institutional Ownership, Independent Directors, Bond Yields, Credit Ratings

1. Introduction

This study investigates whether bondholders are concerned about corporate governance issues. Prior studies on this subject can be categorised along three dimensions, depending on the dependant variables used. The first group of studies used bond yields as the dependent variable (e.g. Anderson et al. 2004; Klock et al, 2005; Cremers et al, 2007; Funchal et al, 2008), while Ashbaugh-Skaife et al (2006), Weber, (2006), Durate et al (2008), Opperman (2009) used credit ratings and Bhojraj and Sengputa, (2003) examined both bond yields and credit ratings. Overall, the studies found corporate governance issues to have a significant effect on bond ratings and yields. They found that effective corporate governance practises to have an effect in lowering bond yields and attracting higher or better credit ratings. However, the majority of these studies focussed on developed markets, most notably the United States of America (USA). Relatively little research focused on emerging markets, specifically South Africa. The study by Opperman (2009) is the only exception, as it the only study which focused on South Africa.

Given the uniqueness of South Africa in terms of the institutional setting and corporate governance systems, examining the subject in South Africa might yield different results in relation to those reported from developed countries like USA, where the majority of prior studies focused on. The corporate governance system in South Africa is guided by the King III code, which was introduced in 2010 to supersede the King II of 2002. The King III code is based on the "comply or explain" principle and it places great emphasis on considering the interests of, not only shareholders but all stakeholders of the company including customers, employees, the environment and bondholders. On the other hand the USA corporate governance system follows a statutory approach to corporate governance, guided by the Sarbanes-Oxley Act (SOX). The guidelines of these corporate governance codes, the SOX and King III, and the institutional settings in these two countries differ in ways that affect how bondholders react to corporate governance issues. For example the King III requires the board to have a majority of non-executive directors while the Sarbanes-Oxley Act does not give a recommendation on the proportion of non-executive directors (IOD, 2010). In addition, the bond markets from USA and other developed countries are characterised by relatively larger, more liquid and more efficient bond markets as compared to emerging markets (Viviers et al., 2008).

This study examines whether bondholders in South Africa care about corporate governance issues. To achieve this objective, we answer the following research question, what is the relationship between corporate governance and bond yields in South Africa; secondly, what is the relationship between corporate governance and credit ratings. Our study is similar in spirit to the one by Opperman (2009). However, our study is unique in several aspects. The study by Opperman (2009) is based on the King II guidelines, while this study analyses corporate governance issues from a King III perspective. Opperman (2009) studies the relationship between corporate governance and the cost of capital in the 20 largest listed companies in South Africa using credit ratings as the proxy for the cost of debt. This study uses a larger sample size of 61 companies. In addition we use both bond yields and credit ratings as proxies of cost of debt. The approach in this study also differs with regard to the measures of corporate governance. Opperman (2009) uses the G-Index designed and developed by Abdo and Fisher (2007) as a broad measure of corporate governance disclosure. This is similar to the governance index constructed by Gompers et al., (2003) which was used by a number of prior studies in developed countries (Klock et al., 2005; Cremers et al., 2007; Durate et al., 2008; Funchal et al., 2008). However, the G-Index has the disadvantage of averaging out all the corporate governance components and as such there is no way to tell which of the components has the most influence. In our study, we would like to see the impact of two specific and important components of corporate governance as opposed to using the G-Index.

The contributions of this paper can be summarized along three dimensions. (i) we confirm the findings of Opperman's (2009) and we show that in a developing country such as South Africa, where the bond market is relatively smaller, illiquid and less efficient (Adelegan & Radzewicz-Bak, 2009; Mu, Phelps & Stotsky, 2013), bond investors do not care about corporate governance issues. We find that there is no relationship between corporate governance and the cost of debt financing implying that bondholders do not care about corporate governance issues. This is a contradiction to the results reported from developed markets like the USA (Ashbaugh-Skaife et al., 2006; Weber, 2006; Durate et al., 2008) (ii) we add to the South African literature by focussing on two widely used measures of corporate governance which include institutional ownership and the proportion of the board that consists of independent directors. The impact of these two variables on bond yields and credit ratings have never been investigated in South Africa. (iii) We add to the literature by focusing on a setting which is unique in terms of corporate governance codes and principles.

Next, Section 2 discusses the theoretical framework of the study. Section 3 describes the sample and data used and outlines the research methods used. Section 4 reports and analyses the results. Finally, Section 5 concludes.

2. Theoretical framework

Bondholders should be concerned about corporate governance issues because they have the potential to affect their ability to recoup their investment from the bond issuer. Weak corporate governance systems imply poor monitoring of the managers, which consequently results in agency problems like, opportunistic behaviour and misallocation of company resources by management, investing in unprofitable investments with a short term focus in an attempt to increase the size of the firm and their personal compensation (Adams, 1994). The overall impact of the problems is to impair a firm's financial position, thereby increasing the probability of default by the company and consequent losses for the bondholders (FitchRatings, 2004).

On the other hand, strong governance structures imply improved, improved monitoring and to reduced agency problems. This reduces the probability of default, consequently reducing risk and bond yields (Bhojraj and Segupta, 2003). If a company has good corporate governance practices in place, this would decrease the probability of default and therefore give provide bondholders and credit rating agencies with a positive perception of its ability to pay its debts.

3. Empirical evidence and hypothesis development

Prior studies that investigated how bond investors react to corporate governance issues can be categorised into two. The first strand defined corporate governance using a composite measure (G-Index) of several variables like proportion of independent directors, board size, and ownership structure and shareholder rights. The second strand didn't use a composite measure but they analysed the subject using single and individual variables.

3.1 Studies that used a Governance-Index (G-Index) as a corporate governance measure

Klock et al. (2000), Durate et al. (2000), Ashbaugh-Skaife et al., (2006), Abdo and Fisher, (2007), Funchal et al., (2008) Opperman (2009) investigated the relationship between corporate governance factors and the reaction of bond investors. These studies used the G-Index as their measure for corporate governance. The G-Index is a broad measure of corporate governance that averages out a various number of corporate governance components into an index. Prior studies that used this approach in measuring corporate governance all found that there is a relationship between corporate governance and the cost of debt capital. These studies found that there is a negative relationship between the corporate governance and bond yields and a positive relationship between corporate governance and credit ratings. Although these studies all used the G-Index, they used different components of corporate governance to make up the index for their specific studies.

The study by Ashbaugh-Skaife et al., (2006) used the G-Index developed by Gompers et al., (2003) as the independent variable. They include financial transparency, number of block holders, board independence, board stock ownership, board expertise and CEO power as some of the components that make up the index for their study. They find a positive relationship between credit ratings and the corporate governance. Their study shows that governance mechanism implemented in a company will be beneficial to bondholders. These findings are similar to the study by Anderson et al., (2004) which includes board independence, board size and audit committee size and meeting frequency as some of the components that make up their index. They equally find that corporate governance as measured by their index has a positive relationship with credit ratings and also show that it has a positive relationship with bond yields.

Funchal et al., (2008) in their study investigate the manner in which corporate governance is related to both bankruptcy law and the companies cost of debt financing. They used the Brazilian Corporate Governance Index (BCGI) and included governance measures on the basis of disclosure, ownership structure, board composition and shareholder rights as the components that made up their index. Funchal et al., (2008) concluded that dimensions of the BCGI had influential power and directly impacted the levels of commitment from management. This increased commitment from management would thus lead to reduced agency costs which has an impact on the cost of debt financing (Jensen, 1976). Thus, they found that that better corporate governance results in a lower cost of debt and generally relates to firms with higher amounts of debt.

A study by Klock et al., (2005) considered a governance index that is comprised of antitakeover provisions and shareholder protection provisions to examine the extent to which bondholders care about corporate governance issues. Their study segmented the based on companies with strong antitakeover provisions which are in the form of management having stronger rights as compared to shareholders. On the other hand, they had data based on companies that had weak antitakeover provisions in which case shareholders had stronger rights compared to management. In a similar study, Cremers et al., (2007) investigate the extent to which the impact of strong shareholder governance on bondholders depended on the nature of the governance mechanisms that a firm had in place. Their study was focussed on shareholder control and takeover defences as components of their governance index to investigate the manner in which bondholders are affected by different governance mechanisms. They attempted to show how shareholder governance is related to bond risk and how bond yields are affected by the governance mechanisms a firm has in place.

Klock et al., (2005) found that companies with strong antitakeover provisions and hence corporate governance mechanisms in place are associated with a lower cost of debt whereas companies with weak antitakeover provisions are associated with a higher cost of debt. This suggests that bondholders care about antitakeover provisions and view them as beneficial to their interests although they are unfavourable to shareholders. Cremers et al., (2007) equally found that shareholder control is associated with high yields if the firm is exposed to takeovers and low yields if protected from takeovers. They find that the likelihood of takeovers is increased with stronger shareholder control which is coupled with weaker takeover defences. Hence, they suggest that strong shareholder governance increases the risk of takeovers as well as the concerns of bondholders. Although literature shows that a number of prior studies have used the G-index as their measure of corporate governance, its use has been widely criticized (Donker and Zahir, 2008).

The G-Index is designed as a broad measure of corporate governance and has a number of drawbacks. One of the major disadvantages of using the G-Index is that it averages out the various components of corporate governance that make up the index thereby diminishing their effect (Abdo and Fisher, 2007). The index further makes it difficult to distinguish the specific effect that one of the individual components of corporate governance has leaving the particular effect it has unknown. Ashbaugh-Skaife et al., (2006) in their study evaluate a broader set of governance variables in contrast to Bhojraj and Sengupta (2003) who restrict their analysis to a limited set of variables. They acknowledge that using a broader set of governance variables as a measure of governance is less definitive compared to using a limited set of variables.

3.2 Studies that used a single and individual corporate governance variables

A couple of studies have used individual corporate governance variables in their studies as a measure of corporate governance (Sengupta, 1998). Institutional ownership and the number of independent directors have been widely investigated as to the influential role they play in corporate governance. These variables have been used as part of the components that make up the G-Index of some prior studies and have also been used independently as a measure of corporate governance in some studies. Research has shown that these two factors play a vital role and are the most influential in reducing both agency risk and information risk through their monitoring of managements actions.

Studies which considered institutional ownership as a measure of corporate governance show that it would lead to a decrease in agency risk and consequntly bond yields (Klock et al., 2005; Cremers et al., 2007). Bhagat and Bolton, (2008) argue in favour of active monitoring hypothesis' which says institutional owners have the incentive to attentively monitor the performance of the companies they are invested in due to their large stockholdings. Cremers et al., (2007) focussed on the control that institutional owners have with regards to take over defences. Their study finds that lack of institutional ownership and control exposes companies to hostile takeovers which leads to higher bond yields. On the other hand, the presence of institutional ownership and control leads to lower bond yields as the company would be protected and shielded from any attempts of hostile takeovers. McDaniel (1986) also finds that institutional ownership decreases the likelihood of takeovers and shows how bondholder covenants reduce this risk

Other studies used the number of independent directors as a proxy of corporate governance. Literature suggests that independent directors provide the most effective monitoring and control of a firm in that the independent directors contribute their expertise objectively (Klein, 2002). The effective monitoring by independent directors would reduce the influence of long standing directors as well as CEO's that also serve as the chairman of the board and with this lead to lower bond yields. Sengupta, (1998) used the proportion of independent directors and found it to exhibit a negative relationship with cost of debt (Sengupta, 1998). The studies highlight that companies with a larger number of independent directors would provide better control and monitoring over management leading to more efficient and effective decisions by management. This would increase the performance of the company and make it more profitable which would be rewarded with lower cost of debt financing hence lower bond yields (Kyereboah-Coleman, 2007).

From the above discussion, empirical evidence from prior studies is shows that the better the corporate governance the lower the bond yields and the higher the credit ratings. Hence we hypothesize the following:

H1: There is a negative relationship between good corporate governance and bond yields

H2: There is a positive relationship between good corporate governance and credit ratings

4. Data and research methods

4.1 Data

The study covers a 10-year sample period from 2003-2013. Our data set includes corporate governance variables, bond yields and credit ratings. For bond yields and credit ratings we collect details of bonds listed on the Bond Exchange of South Africa, over the sample period. Our initial data collection yielded a total of 7617 different types of bonds. To be consistent with prior studies (e.g Hibbert et al 2011; Avramov, Jostova & Philipov 2007) we focus on fixed rate bonds. After eliminating all bonds with additional features like collability, floating rates and inflation linked bonds, we remain with a final sample of 105 bonds. We then dropped 44 bonds which had no credit ratings, to remain with a final sample of 61 companies

We use two measures of corporate governance, institutional ownership and the proportion of independent directors, as done by Bhojraj and Sengupta (2003). Data on corporate governance variables was collected from Bloomberg database and Inet-BFA database and was based on information from the annual reports published during 2003-2013.

4.1.1 Dependant variables

In this study we use both the bond yield spread and credit ratings as proxies for the cost of debt and these are our dependent variable. We used both these proxies to ensure the robustness of our results. The bond yield spread is computed as the difference between the yield of a corporate bond and the yield of a comparable government bond. We match the maturity periods of corporate bonds and treasury bonds. Average daily bond yield data for SA government bonds was collected from the South African Reserve Bank website. The yields are grouped for different bonds depending on the term of the bond with rates for 3-5 years, 5-10 years as well as 10 years and longer.
The credit ratings variable represents the ratings obtained from the Global Credit Ratings Company (GCR) using their International Long Term Debt Rating Scale. GCR is the leading emerging market focussed ratings agency, rating the full spectrum of security classes. Not all the companies in our sample had GCR credit ratings available nor other credit rating agency ratings. For ease of use we convert the ratings symbols to numerical values using the methodology of Klock et al., (2005). Triple A rated bonds (AAA) are assigned a value of 18 and LD/DD bonds are assigned a value of 1.

4.1.2 Independent variables

This paper is consistent with Bhojraj and Sengupta (2003) in using two widely used measures of corporate governance, institutional ownership and the proportion of independent directors. Institutional ownership (InstOwn) is calculated as percentage of shares held by institutional owners while the proportion of independent directors (IndepDir) is calculated as the number of non-executive directors to the total board size.

4.1.3 Control Variables

Our control variables include firm and bond specific variables that affect credit ratings and bond yields, these were drawn from prior studies. We control for the following; firm size measured as natural log of market capitalisation (Klock et al., 2005); firm profitability, measured as the return on assets (Klock et al., 2000); leverage, measured using the using the long-term debt to total assets ratio as at the calendar year ending 31 December 2014 (Klock et al., 2005); firm volatility, measured as the standard deviation of stock returns. We also control for bond specific variables which include bond convexity, duration, bond maturity and seniority.

4.2 Empirical Models

To determine the relationship between the bond yield as a proxy for the cost of debt and the measures of corporate governance. In order to test the hypothesis developed, we apply a linear regression model. The regression models used are as follows:

Equation 1

We use equation one below to test the first hypothesis, which states that there is a negative relationship between good corporate governance and bond yields.

BYield = B0 + B1 (InstOwn) + B2 (IndepDir) + B3 (FirmSize) + B4 (ROA) + B5 (Leverage) + B6 (Volatility) + B7 (SGrowth) + B8 (LoanSize) + B9 (Convexity) + B10 (Duration) + B11 (Maturity) + B12 (Senior) + e (1)

Equation 2

The second equation, shown below, test the second hypothesis which states that there is a positive relationship between good corporate governance and credit ratings.

CredRat = B0 + B1 (InstOwn) + B2 (IndepDir) + B3 (FirmSize) + B4 (ROA) + B5 (Leverage) + B6 (Volatility) + B7 (SGrowth) + B8 (LoanSize) + B9 (Convexity) + B10 (Duration) + B11 (Maturity) + B12 (Senior) + e (2)

Where BYield is the bond yield Spread, CredRat is the credit rating, InstOwn is institutional qwnership, IndepDir is independent directors, ROA is firm profitability, SGrowth is the sales growth and LoanSize is the loan size over the period of the study.

The two regression where run using STATA, the first with bond yields as the dependent variable and the second with credit ratings as the dependent variable. The control variables for the firm-specific and security-specific categories were consistent in both our regressions.

5. Research findings

5.1 Descriptive Statistics

Table 1 below presents a statistical description for the variables used in our analysis. We measure the mean, median, standard deviation for the dependent variables: Bond yield spread (BYield) and Credit Ratings (CredRat); the governance measures: institutional ownership (InstOwn) and independent directors (IndepDir); the firm-specific measures: size (FirmSize), profitability (ROA), leverage, volatility, sales growth (SGrowth); and security specific measures: loan issue (LoanSize), duration, convexity, maturity and debt seniority.

Table 1 Descriptive Statistics for the dependent variables, governance measures and control variables

Variable	Mean	Median	Std. Deviation	Min	Max
Dependent Variables:					
BYield	4.571	1.937	4.876	-0.018	7.970
CredRat	10.967	10	2.008	9	17
Governance Measures:					
InstOwn	76.793	83.897	25.887	2.401	142.613
IndepDir	60.484	61.541	15.442	33.332	91.667
Firm-Specific Measures:					
FirmSize	29.813	29.659	1.034	28.496	32.587
ROA	8.971	6.905	11.612	-4.664	77.986
Leverage	4.567	2.522	4.772	1.038	19.515
Volatility	30.701	27.991	8.905	20.215	62.382
SGrowth	15.492	9.782	29.469	-4.083	217.241
Debt-Specific Measures:					
LoanSize	19.388	19.807	2.102	12.429	23.342
Duration	3.419	3.473	1.132	1.832	5.527
Convexity	15.570	14.043	10.273	4.2474	37.920
Maturity	13.541	9	14.043	3	91
Senior	0.408	0	0.495	0	1

Table 1 above shows that there is slightly more variability in the credit rating variable than in the bond yield variable, with the mean credit rating being higher than the mean bond yield. From the table, we see that the mean bond yield spread is about 4.6% and the mean credit rating is about 11. The wide range in credit ratings implies that South African companies are considered to be significantly different with regard to their probability of defaulting on loans. The variation of the bond yield has a range of about 8 with a standard deviation of about 4.9.

The data reveals a mean and median for institutional ownership of about 77% and 84% respectively and a mean and median for the percentage of independent directors of about 60% and 62% respectively. The lowest percentage of independent directors was about 33% with a maximum of about 92% which indicates that a majority of the companies in the sample lie within a range of having a good number of independent directors on their boards.

A correlation matrix was created as shown in Table 2 below to assist us with assessing the degree of relationship that exists between the dependent variables and the governance measures, firm-specific variables and security-specific variables. The results do not show any significant linear relationships between the dependent variables and the governance measures nor the firm-specific and security-specific measures.

5.2 Regression Analysis

In conducting our analysis, we run two regressions: the first regression was run with bond yields as the dependent variable and the second used credit ratings. The independent variables in the two regressions were institutional ownership and the proportion of independent directors.
The coefficients of the slopes for each variable are displayed on Table 3 below together with their p-values in brackets for each of the two regressions. The R-squared which measures the goodness-of-fit for each regression is also displayed on the table.

Table 3 Regression Output

	Dependent	Variables
	BYield	CredRat
Constant	24.759	11.787
	(0.007)	(0.213)
Governance Measures:		
InstOwn	0.013	-0.004
	(0.262)	(0.737)
IndepDir	-0.002	0.027
	(0.918)	(0.184)
Firm-Specific Measures:		
FirmSize	-0.708	0.341
	(0.016)	(0.264)
ROA	0.017	-0.015
	(0.616)	(0.672)
Leverage	-0.014	-0.015
	(0.829)	(0.831)
Volatility	0.001	0.031
	(0.997)	(0.414)
SGrowth	0.005	0.004
	(0.685)	(0.779)
Debt-Specific Measures:		
LoanSize	-0.041	0.208
	(0.752)	(0.132)
Duration	0.067	1.564
	(0.957)	(0.233)
Convexity	-0.005	-0.164
	(0.972)	(0.256)
Maturity	0.019	-0.021
	(0.322)	(0.285)
Senior	-0.022	-1.33
	(0.971)	(0.044)*
R Square:	21.68%	18.19%

*Significant at the 10% level
**Significant at the 5% level

Neither of the two corporate governance measures; institutional ownership or independent directors have a statistical significant relationship with each of our cost of debt proxies; bond yields and credit ratings. The coefficients of the corporate governance measures were insignificant showing that investors do not care about corporate governance issues and this is contrary to the theory that bondholders would not be concerned about the effect that unfavourable governance mechanisms have on their investments and interests. The results are consistent with between the corporate governance measures and the cost of debt which is consistent with the Opprman's (2009) which also focused on South Africa. However our findings differ from the findings of prior papers in developed countries (Anderson et al., 2004; Klock et al., 2005; Cremers et al., 2007; Funchal et al., 2008; Ashbaugh-Skaife et al., 2006; Weber, 2006; Durate et al., 2008; Bhojraj and Sengputa, 2003) which all found a significant relationship between corporate governance and the cost of debt. The consistent results from the two South African studies vis-à-vis the contradictory results from developed countries confirms the need to analyse this subject from different geographical perspective. This is in light of different institutional settings, bond market settings in terms of size, liquidity and efficiency, different corporate governance codes, all of which affect how bondholder react to corporate governance issues.

6. Conclusion

This paper investigated the relationship between corporate governance and bond yields; and corporate governance and credit ratings. Corporate governance variables are represented by institutional ownership and the proportion of independent directors. The sample was drawn from South African companies listed on the JSE over the period from 2003-2013. We found no evidence of a significant relationship between the corporate governance measures and the cost of debt which is consistent with Opprman's (2009) study. These results suggest that bondholders in South Africa do not care about corporate governance issues.The findings contradict with those of prior papers from developed countries (e.g Anderson et al., 2004; Klock et al., 2005; Cremers et al., 2007; Funchal et al., 2008; Ashbaugh-Skaife et al., 2006; Weber, 2006; Durate et al., 2008; Bhojraj and Sengputa, 2003) which all found a significant relationship between corporate governance and the cost of debt. They reported a significant negative relationship between the implementation of better measures of corporate governance and the costs of debt capital, in the form of lower bond yields and higher credit ratings. The principles and codes governing corporate governance differs across countries, this has the effect on the weight that bondholders in these different markets place on the corporate governance measures and practices implemented by companies. The difference in the size and efficiency of the markets affect the speed and the extent to which bondholders respond to corporate governance, in inefficient markets the effect may not be not reflected at all (Rossouw, 2005). The South African bond market is relatively small, illiquid and inefficient while the bond markets from developed markets like USA are relatively large, more liquid and efficient.

We recommend that further studies look into why bond investors in emerging markets do not care about corporate governance issues in South Africa. It is intuitively expected that bond investors should care about corporate governance issues as theory and prior studies in developed countries show that they do. Thus, our results were counter-intuitive and therefore potentially contentious. In circumspect, it may well be that bond investors in developing countries do in fact care about corporate governance issues but that the inefficiency and size of the bond market fails to incorporate these effects into the results obtained. One of the limitations of our study was the sample size used and we thus recommend future research to use a bigger sample.

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Financial Information Quality across the Capital Markets Positioned at Different Levels of Development

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Abstract

Financial reporting only enters the calculations of many in terms of its technical functionality. A more rigorous exploration, however, helps to conceptualize it as an integral component of business operations, market dynamics, and the economy in general. This research project by investigating the second degree relation between the extent of capital market development and the quality of financial information aims to explore the uncharted territory and help investors in formulating more precise predictions on the quality of financial information in less developed capital markets. The extent of capital market development is a significant driver of the quality of financial information, and that the driving power increases as we switch from more towards less developed capital markets. This is because in less developed capital markets such as Georgian stock exchange, we expect, in addition to low demand on financial information and poor investor protection, for a limited accounting and audit profession and therefore an inferior understanding of accruals-based transactions which markedly worsen the quality of financial information.

Keywords: Financial Information, Quality, Capital Markets

1. Introduction

On the surface, financial reporting only enters the calculations of many in terms of its technical functionality. A more rigorous exploration, however, helps to conceptualize it as an integral component of business operations, market dynamics, and the economy in general. Financial reporting embodies a deep utility as pertains to the creation of overall welfare as investors base their investment decisions on the reported financial information (Zimmermann and Werner 2013). While the early wave of 19th century on disclosure regulation focused on the mandatory preparation of financial statements based on historic cost, a new wave of thinking started on the premise that financial reporting's primary goal is the information of existing and potential investors on the value of the enterprise. There is a consensus that high quality decisions on the allocation of capital improve the overall performance of an economy (King and Levine 1993; Levine and Zervos 1996; Meser et al. 2015; Stulz 2000) and that investors need to base their decisions on reliable financial information (Akerlof 1970; Bhattacharya et al. 2003; Biddle and Hilary 2006; Biddle et al. 2009; Black 2001; Bradshaw et al. 2004; Dechow and Schrand 2004; Pirveli and Zimmermann 2015; Rajan et al. 2000; Steier, 2009; Verdi 2006). However, it is by no means clear how investors are best informed about the value of their investment. This may be done by high quality financial statements, but how the reliability of financial information varies across capital markets positioned at different levels of development still remains to be elusive.

2. State of Research in the Field

The process and resulting substance of financial reporting is contingent on numerous environmental factors (Ball et al. 2000; Daske et al. 2008), of which, the extent of capital market development stands as one of the most topical (Ali and Hwang 1999; Pirveli 2014; Soderstrom and Sun 2007). Ball and Shivakumar (2005: 4), while analyzing UK public and private firms, argue that a market's demand for financial information constitutes one of the strongest incentives in the reporting process. Likewise, Teoh et al. (1998) state that capital market incentives importantly determine the quality of financial numbers by affecting accounting choices, particularly accruals choices. Academics hypothesize that the relation between the extent of capital market development and the quality of financial information is positive. The underlying recognition is that strong capital markets are capable of gathering large pools of investors who formulate a demand on representative financial data and push corporate managers to be diligent in the reporting process. That is, at the strong capital markets corporate managers are under concomitantly higher degrees of pressure to provide sensible financial information (Dechow and Schrand 2004). Accounting empiricism (e.g., Ball et al. 2003; Burgstahler et al. 2006; Dechow and Skinner 2000; Leuz et al. 2003) also assists the hypothesis on a positive link between the two. E.g., by using proxies for earnings smoothing and accruals manipulation of non-financial industries across 31 countries, findings by Leuz et al. (2003) suggest a positive relationship between the extent of capital market development and accounting quality – evident in terms of decreased engagement in earnings management (also see: Ali and Hwang 1999; Burgstahler et al. 2006).

3. Research Gap

While the positive relation between the extent of capital market development and financial information quality is known, it is by no means clear whether this positive relation increases or decreases as we shift our analysis from more towards less developed capital markets and/or vice versa. Understanding such relation would help investors to more precisely formulate their estimations on the trustiness of financial information provided at various capital markets. This is of particular for the investors at less developed capital markets where due to data unavailability/unreliability and limited research capacity reasons the existing knowledge on the quality of financial information is inferior and investors are unaware at what extent to rely on them. For example, Georgian Stock Exchange as one of the last developed capital markets worldwide is barely able to attain investors' attention and this is considerably driven by the existing ambiguity on the trustiness of the reported financial information (Pirveli and Zimmermann 2015). This research project by investigating the second degree relation between the extent of capital market development and the quality of financial information aims to explore the uncharted territory and help investors in formulating more precise predictions on the quality of financial information in less developed capital markets.

4. Research Design

Analyzing quantitative data will be the corner stone of the project. At a first stage, a capital market development (CMD) ranking will be established for a large number of capital markets. The work will cover 106 capital markets for which the data on stock market properties (size and liquidity) is available at the World Bank database. Consistent to the prior literature (Demirgüç-Kunt and Levine 1996; La Porta et al. 1997; Zimmermann and Werner 2013), market size and liquidity, as crucial building blocks in assessing the extent of capital market development, will serve as proxies to understand how big is a capital market and whether the size is further met by the intensity of trading. As next, the work will identify five country subgroups named as advanced (top 5 countries in the CMD rating), developed (top 5 countries of the 75th percentile in the CMD rating), developing (top 5 countries of the 50th percentile in the CMD rating list), underdeveloped (top 5 countries of the 25th percentile in the CMD rating list) and undeveloped (bottom 5 countries in the CMD rating) capital markets. The Georgian Stock Exchange as one of the least developed stock markets worldwide (see: Pirveli and Zimmermann 2015) will be grouped within the last subgroup. Detailed market and financial firm-level data of the JSC companies registered at those 25 stock exchanges will be retrieved from the Datastream database. Comparative analysis of financial information quality matrix across these subgroups will extrapolate whether there is a systematic difference in financial information quality across the capital markets positioned at different levels of development and whether this difference increases or decreases while shifting from more towards less developed capital markets.

Previous studies (Ball and Shivakumar 2006; Ball et al. 2003; Burgstahler et al. 2006; Leuz et al. 2003) base their findings on one of the measurements of the financial information quality such as earning management or accounting conservatism. This limits our understanding of the quality of financial information in a wide sense. For instance, judging merely from the earnings management perspective, it could be concluded that an intentional manipulation of earnings is not a prevalent approach at a certain stock market, and that earnings, therefore, show a high reliability. However, these earnings might appear as weak summary measurements of a firm performance in terms of weak association with the stock prices. This is of especially high prevalence for less developed economies where market incentives on earnings manipulation appear to be weak whereas corporate managers are limited in their understanding of accruals' fundamentals and their working process (Dechow and Schrand 2004; Pirveli 2015). To cover a holistic picture of financial information quality and not merely limited by its one of the measurements, this research project will operationilize the quality matrix via its four large pillars such as value relevance of accounting information (Ball and Brown 1968; Holthausen et al. 1995), time-series properties of earnings (Freeman et al. 1982; Lev 1983; Sloan 1996; Xie 2001), earnings management (Jones 1991; Dechow et al. 1995; Goncharov and Zimmermann 2007) and accounting conservatism (Basu 1997; Ball and Shivakumar 2005).

The proposed research project will cover the years of 2001-2015. To mitigate methodological challenges and to capture inter-temporal changes across countries, industries, years, accounting standards, and firm-specific characteristics (firm size, profitability, financial leverage, and a growth rate), in robust analysis OLS regressions will be employed with robust standard errors clustered in respect to these variables.

5. Conclusion and Recommendation

We estimate that the extent of capital market development is a significant driver of the quality of financial information, and that the driving power increases as we switch from more towards less developed capital markets. This is because in less developed capital markets such as Georgian stock exchange, we expect, in addition to low demand on financial information and poor investor protection, for a limited accounting and audit profession and therefore an inferior understanding of accruals-based transactions which markedly worsen the quality of financial information. Basing our conclusions on rigorous empirical analysis will enable us to developed convincing recommendations for policy-makers as pertains to increased attention to the accounting profession and for investors as pertains to more precise firm valuations.

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Socio-Economic Factors Affecting Spatial Planning of Entrepreneurship in Rural Area (Evidence from Masal County, Iran)

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Abstract

Entrepreneurship is of vital importance in villages and is regarded as a step towards rural development. The socio-economic factors affecting spatial planning of entrepreneurship were analyzed in the villages of Masal city by a descriptive survey in 2015. The statistical society was composed of three groups of people involved in rural entrepreneurship planning in Masal (N = 1513) out of which 483 people were sampled by Cochran's general formula. The main tool of the study was a questionnaire used for data collection. It was designed on the basis of different theories of entrepreneurship as well as the organizational insights of Global Entrepreneurship Monitor. The face validity of the questionnaire was confirmed by university teachers and experts. Cronbach's alpha was calculated as to be 0.8 showing acceptable reliability of the questionnaire. The data were analyzed by SPSS (ver. 21) Statistical Package at both descriptive and inferential levels. The economic and social factors were divided into three groups on the basis of the results of explorative factor analysis.

Keywords: Entrepreneurship, Rural Development, Socio-Economic Factors

1. Introduction

People have experienced continuous and fast changes in all aspects of their lives in the last century raising serious challenges for the global society so that the decision-makers are forced to find solutions for them (Saidikia, 2010). Rural development is a multi-facet concept with different economical, social and cultural aspects. All these aspects are of considerable importance because they are readily affected by rural environment. As a result, rural sector has always been interested by planners. However, villages have always had problems such as migration, poverty and discrimination all of which have been studied from social, economical and cultural perspectives (Ghadirimasoum & Gharagozloo, 2012). Studies show that one main objective of development (in cities and villages) is to create employment and welfare and that its main mechanism and tool is the entrepreneurship. Entrepreneurship reduces the unemployment rate, increases people and resources' efficiency, and consequently, increases people's income. The word 'entrepreneurship' originated from the French word 'Entreprendre' meaning 'undertake'. According to Webster's definition, entrepreneur is a person who is committed to accept and organize the risks of an economical activity (Ahmadpour Dariani & Moghimi, 2007). Entrepreneurship can play a vital role in rural development through job creation, life quality improvement, proper distribution of income, and optimal exploitation of the resources (Hosseini & Soleimanpour, 2006). It can create new chances for entrepreneurs to increase their income and capital. As well, it can improve life standards in rural communities through establishing new institutions and small and medium businesses (Henly, 2005). Like urban areas, entrepreneurship development in rural areas needs some major prerequisites including education, extension of entrepreneurship culture and infrastructure development (Sobel & King, 2008). Poor people of the world mostly live in rural areas of the developing countries and are known as the most vulnerable people suffering from poverty, undernourishment and literacy. Informed planning of rural development can make it possible to solve the problems of this huge population. Entrepreneurship activities are regarded as the driving force of economical growth, efficiency, innovation and job creation. Given the advantages of entrepreneurship, it is of a crucial importance in most developing countries including Iran. It has been regarded as a potential solution for such problems as the lack of economical improvement and growing rate of unemployment in the last decade (Nasirifard et al., 2015).

Literature shows that many studies have been already carried out on the most important economical and social factors affecting rural entrepreneurship. Some of these studies about economical and social factors are summarized in the next paragraphs.

In a study on economical factors, Lee and Tsang (2001) found that the distance from market and services was an obstacle to rural entrepreneurship that weakened business environment. Also, Wong et al. (2005) and Lundström and Stevenson (2001) suggested the creation of proper business environment through legal and tax-related supports (tax exemption, discounts and incentives) and provision of services and official supports as approaches to develop entrepreneurship. According to Kabir and Huo (2011), small investments help household subsistence considerably increasing women's participation among poor rural families in economical activities, especially decision-making. Also, Sharifzadeh et al. (2009) state that supporting environment, infrastructures and business environment are among the factors affecting the development of agricultural business.

Talking about social factors, Saxena (2012) found that rural entrepreneurs' problems are evidence of the effect of the lack of education among most rural people on the ignorance of the developments of technology, marketing and other modern technologies. Fogel et al. (2008) found the presence of experienced entrepreneurs, successful patterns and entrepreneurial people to be effective on creating new businesses. In a study on farmers, Ronning and Ljunggren (2007) observed that entrepreneurship development improved people's access to information resulting in the formation of a coherent business networks and new job opportunities.

After studying 15 proposed approaches, Ghanian (2010) selected the approach of 'establishment of tourism-oriented service production networks' as the most optimum approach for the studied region. Also, Sharifzadeh et al. (2009) stated that supporting environment, infrastructures and business environment were among the factors affecting the development of agricultural business. Lee and Tsang (2001) found that the distance from market and services was an obstacle to rural entrepreneurship that weakened business environment. Also, Wong et al. (2005) suggested the creation of proper business environment through legal and tax-related supports (tax exemption, discounts and incentives) and provision of services and official supports as approaches to develop entrepreneurship.

2. Materials and Methods

Masal is a town located in the northwest of Gilan Province and southwest of Talesh region. With an area of 633 km2, it is limited to Rezvanshahr from the north, to Sowme'eh Sara from the south and east, to Fuman from the southwest and to Ardabil Province from the west (figure 1). According to the census of 2011, Masal has two counties (Markazi and Shanderman), two cities (Masal and Bazar Jomweh or Shanderman), four village centers (Homeh and Masal as the village center of Markazi county and Sheikhneshin and Shanderman as the village centers of Shanderman county) and 108 villages out of which 98 villages are inhabited and 10 villages are desolate. Accordingly, Masal city has a population of 52,496 living in 14,993 households out of which 5,638 households including 19,182 people (36.5%) live in urban areas and 9,356 households including 33,314 people (63.5%) live in rural areas. Figure 1 shows the geographical location of Masal.

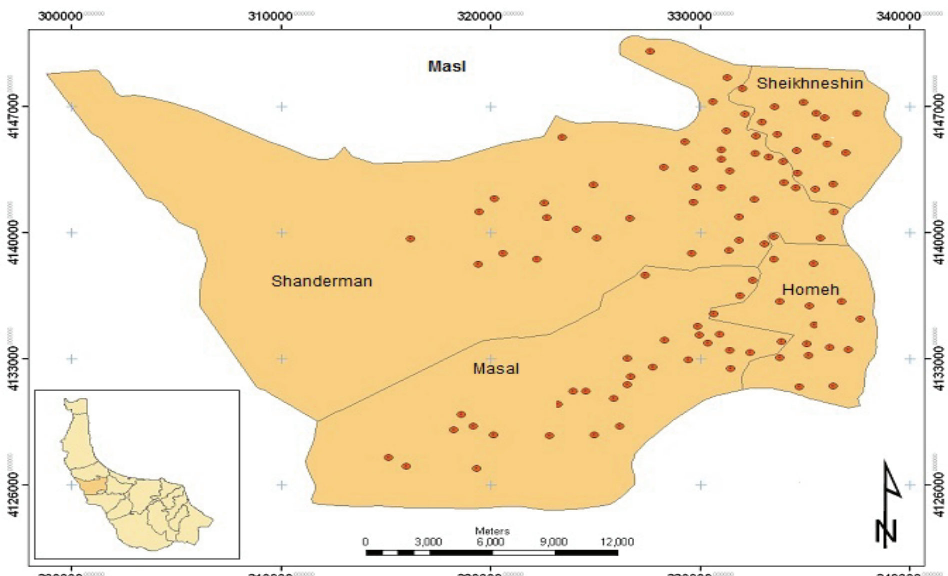

Figure 1 Geographical Location of Masal

The present study was a quantitative one which was a survey in terms of the control of variables and practical in terms of objective. Statistical population included three groups of rural entrepreneurs of Masal (N = 1513). Out of these three groups of rural residents of Masal including business owners, heads of the villages and members of Islamic Councils, 483 people were sampled by stratified sampling using Cochran's general formula. The data were collected by a questionnaire with five-point Likert scale. This questionnaire was filled out by a group of experts including faculty members to determine its reliability. The coefficient of Cronbach $\alpha = 0.77$ was in the range of 0.74-0.80 for both factors proving the high reliability of the questionnaire. The data were analyzed by SPSS (ver. 21) and MS-Excel Statistical Packages. Factor reliability of questionnaire was calculated by KMO static and Bartlett's test. KMO was found to be >0.5 showing the appropriateness of data for analysis. Bartlett's test, also, had significance level of <0.05. KMO index and Bartlett's test in factor analysis were used to check the appropriateness of the number of data as pretest. In addition, given the nature of the indices, exploratory factor analysis was a good technique for the research.

3. Results and Discussion

Respondents' personal and professional characteristics

The study of the distribution of the frequency of respondents' personal and professional characteristics shows that most respondents (80.5%) were male. Also, most respondents had diploma or higher in terms of education. Rice growing had the highest frequency (31.5%) among respondents' jobs. Jobs like animal husbandry, official jobs and shop keeping had the next highest frequencies.

Table 1 frequently distribution of personal and professional characteristics

Characteristics	Frequency	Percentage
Single	74	15.3
Married	409	84.7
Total	483	100.0
Un educated	14	2.9
Reading and writing	67	13.9
Intermediate	89	18.4
Diploma	183	37.9
Graduated	129	26.7
Total	483	100.0
Pedy farmer	152	31.5
Husbandry	113	23.4
Government employment	87	18.0
Shop keeper	37	7.7
Handy craft	32	6.6
Rice factory	23	4.8
Bee keeping	22	4.6
Wood Industry	15	3.1
Hospitality	2	0.4
Total	483	100.0

Analysis of economic factors

As is evident in Table 2, exploratory factor analysis shows that out of all economic variables affecting rural entrepreneurship planning from respondents' viewpoints, three indices explained 58.43% of the variance of economical factors affecting entrepreneurship.

Four variables were loaded in the first index which was named 'governmental support' index considering the nature of the loaded variables. This index explained 21.87% of total variable of economic factors affecting rural entrepreneurship. The variables loaded in this index included (in the order of importance) governmental supporting policy, production subsidization, prevention of the importation of similar foreign products and lowering production costs.

Three variables were loaded in the second index, named 'business environment' according to the nature of the variables. This index explained 18.94% of the total variance. The variables loaded in this index (in the order of importance) included appropriate location for production, small and home business, and relatives and friends' financial support.

The third index was also loaded with three variables and named 'investment capacity' which had the highest contribution in its formation. This index could explain 17.61% of total variable. The loaded variables included (in the order of their importance) ready access to production tools and inputs, ready access to sale market, and possession of financial credit. Table 2 shows the results of exploratory factor analysis for 10 economical variables affecting rural entrepreneurship planning as well as their standard deviations and mean in the studied statistical society. As is evident, the mean of all 10 economical variables was higher than average.

Table 2 Summary of factor analysis of economic factors affecting rural entrepreneurship planning

Economical variables	Governmental support	Business environment	Investment capacity	Mean	SD
Governmental supporting policy	0.804			4.25	0.854
Production subsidization	0.799			4.05	0.965
Prevention of the importation of similar foreign products	0.622			4.30	0.859
Lowering production costs	0.613			4.25	0.843
Appropriate location for production		0.826		4.40	0.817
Small and home business		0.686		4.22	0.889
Relatives and friends' financial support		0.580		4.28	0.807
Ready access to production tools and inputs			0.809	4.33	0.899
Ready access to sale market			0.752	4.37	0.879
Possession of financial credit			0.606	4.58	0.681
Specific value	2.18	1.89	1.76	-	-
Explained variance (%)	21.87	18.94	17.61	-	-
Accumulated variance (%)	21.87	40.81	58.43	-	-

Figure2 shows three economical indices affecting rural entrepreneurship planning as well as the extent of their effectiveness and the variance explained by them

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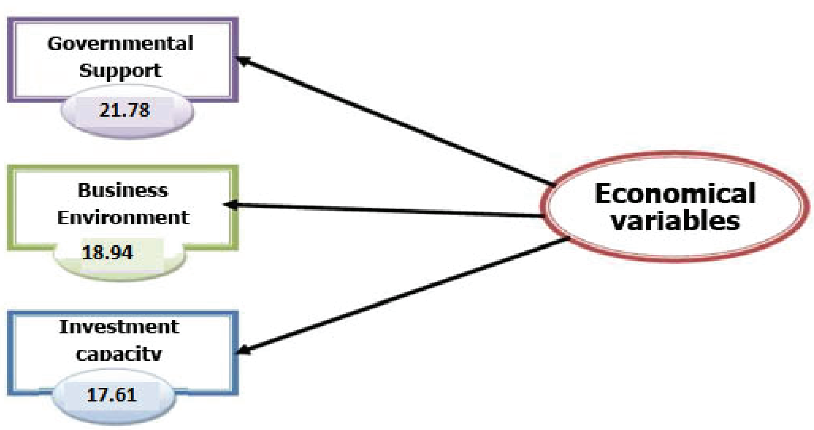

Figure 2 Triple economic indices affecting rural entrepreneurship planning

Analysis of Social factors

Social factors effective on rural entrepreneurship planning were, in total, 12 variables out of which three factors with specific value of >1 were inferred on the basis of Kaiser Criterion (Table 3). They explained 55.76% of the variance of the social factors effective on entrepreneurship.

The first index was loaded with five variables and was named 'membership in social networks' according to the nature of the accumulated variables. The specific value of this factor was 2.44 and could explain 20.38% of the total variance by itself. The variables loaded on this factor were (in the order of their effectiveness) continuous relation with village center and city center, introduction of successful businesses, sound perception of the concept of entrepreneurship, membership in rural cooperatives and syndicates, and familiarity with business rules and regulations.

The second index was loaded with three variables and was named 'cooperative actions' according to the nature of the accumulated variables. Its specific value was 2.21 and could explain 18.44% of the total variance by itself. The loaded variables included (in the order of their effectiveness) expansion of entrepreneurship trainings at all levels, fast and easy access to experienced experts, team-working, and inhibition of rural-urban migration.

The third index was also loaded with three variables and was named 'communications and media' according to the nature of the accumulated variables. Its specific value was 2.03 and could explain 16.93% of total variance by itself. The loaded variables included (in the order of their effectiveness) continuous use of broadcasting services, continuous relationship with friends and relatives, and noticing rural women. Table 3 presents the results of explorative factor analysis for 12 effective social variables on rural entrepreneurship and their standard deviation and mean in the studied society. As can be seen, the means of all 12 social variables were higher than the average.

Table 3 Summary of factor analysis social factors affecting rural entrepreneurship planning

social variables	Membership in social networks	Educational activities	Communications and medi	Mean	SD
Continuous relation with village and city center	0.768			3.87	0.980
Introduction of successful businesses	0.688			4.03	0.940
Sound perception of the concept of entrepreneurship	0.658			4.14	0.911
Membership in rural cooperatives and syndicates	0.542			3.63	1.199
Familiarity with business rules and regulations	0.526			4.05	0.922
Expansion of entrepreneurship trainings at all levels		0.724		4.20	0.901
Fast and easy access to experienced experts		0.696		4.29	0.806
Team-working		0.690		4.39	0.730
Inhibition of rural-urban migration		0.593		4.03	1.018

Continuous use of broadcasting services			0.830	3.96	1.024
Continuous relationship with friends and relatives			0.675	3.52	1.094
Noticing rural women			0.607	3.85	0.977
Specific value	2.44	2.21	2.03	-	-
Explained variance (%)	20.38	18.44	16.93	-	-
Accumulated variance (%)	20.38	38.82	55.76	-	-

Figure 3 depicts three effective indices on rural entrepreneurship planning in the order of their effectiveness and explained variance.

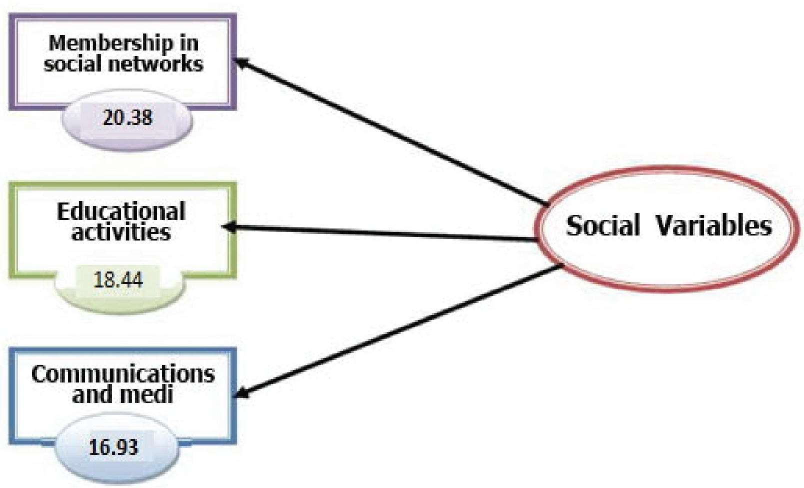

Figure 3 Triple social indices affecting rural entrepreneurship planning

4. Conclusion

The present study examined the economical and social factors affecting rural entrepreneurship planning from the viewpoints of those involved in rural entrepreneurship planning in Masal. The conceptual model of the study was introduced with 10 economical variables and 12 social variables.

According to the results of explorative factor analysis, economical variables were categorized in three indices named ‘governmental support’, ‘business environment’ and ‘investment capacity’. Out of these three indices, ‘governmental support’ estimated the variance of economical factors more than two other indices and so, it should be the first priority in planning. Undoubtedly, economical factors play crucial role in effective enforcement and development of entrepreneurship in the studied villages and as rural experts believe, governmental supportive policy-making enriched with production subsidization to reduce its costs can be the key index of entrepreneurship. The huge potentials of the studied region for economical growth in various fields needs appropriate investment for realization. But the private sector does not have the capability for this investment. Thus, the public sector as the most important investing agent and/or sponsor can be effective in various entrepreneurial economical fields in rural areas. These findings are in agreement with Kavoosi and Rahmati Zanjantalab (2011),Gharakhany(2011)(and Zerbinati and Souitaris (2005).

‘Business environment’ was ranked as the second most effective economical factor on rural planning. Family and relatives have a special place in rural jobs especially in rural regions because united, uniform family groups as micro-groups for familiar exploitation and business, particularly in highly diverse agricultural sector ensure the success of rural entrepreneurship plans at both design and implementation phases. These findings are consistent with Sarfaraz *et al*.(2014), Wong *et al*. (2005) and Jamshidi *et al*. (2013).

‘Investment capacity’ was found to be the third most important economical index. Ready access to production inputs on the one hand and ready access to sale market on the other hand are important factors in rural areas, investment on which is vital for the development of entrepreneurship. The potential to supply the required inputs especially agriculture inputs like bred seeds, fertilizers, herbicides and water is one the choices that undoubtedly enhance the effectiveness of agricultural activities considerably and therefore, it is necessary in entrepreneurship plans to pay a special attention to their supply and investment in proportion with regional capacity for agriculture businesses. As well, this process is completed with an appropriate market for the sale of agricultural products which can help the boost of this business and its growth. These findings are in agreement with Sharifzadeh *et al*. (2009), Saxena (2012), Hoy (1996) and Afarin *et al*. (2008).

According to the results of explorative factor analysis, social variables were divided into three indices named ‘membership in social networks’, ‘educational activities’, and ‘communications and media’. Out of these indices, ‘membership in social networks’ estimated the variance of social factors more than other indices. Given the close relationship between the residents of rural areas, researchers believe that business networking is easier and more efficient in these regions. Businesses work together on the basis of trust. Young (2010) showed that local networks are vital for the development of rural firms. These networks can help each other to access bigger markets, to increase their flexibility and tolerance and to improve their ability to accept risk. Our findings are in agreement with Ghanian (2010), Moti'e Langaroudi *et al*. (2012) and Kanani (2012).

‘Educational activities’ was ranked as the second priority of social factors. Today, entrepreneurship is recognized as a scientific discipline with its own models, processes and issues and its success depends on the acquisition of its relevant knowledge. A lot of experiences have been already gained about how to design plans, how to motivate and how to help entrepreneurs and have resulted in a considerable growth and development of entrepreneurship as the main mechanism for building the foundations of rural economics. With respect to management-oriented entrepreneurship education approach, the government is not expected to directly interfere in entrepreneurship education; rather, it should play its policy-making role and help the growth and development of entrepreneurship in society and the enhancement of businesses in rural areas by using informed experts’ knowledge and a public training process. Undoubtedly, entrepreneurship training and hope for employment can inhibit the migration of villagers to cities. They can increase the attractions of rural areas. These findings are in agreement with Ahmadi and Omidi Najafabadi (2009), Azizi (2003), Charney and Libecap (2000), Saeedi Mehrabadi (1998) and Sharifzadeh and Zamani (2005).

The third priority of social factors was found to ‘communications and media’. Entrepreneurship is the prerequisite for technology development and technology development is the ground for entrepreneurship proving the importance of providing the ground for entrepreneurship and the responsibilities of the government. Government should development the ground for entrepreneurship in the framework of modern technologies, i.e. communications and information networks, and should provide everybody with the access to these networks. In addition, it should create and develop the culture of their use and should adopt the relevant legislations. People who are members of social networks take fast actions to grasp the opportunities because of their access to information. The development of communications and contact with more extensive world by different methods exposes individuals to new opportunities allowing them to develop innovation. Stronger interaction with relative and friends and membership in new vocational opportunities can strengthen the inter-personal communication helping people to understand entrepreneurship and develop their activities quantitatively and qualitatively. These findings are consistent with Ahmadpour Dariani *et al*. (2004), Kumbhar (2013), Young (2010) and Alidoust and Lashgar Ara (2013).

5. Recommendations

According to the results of the present study, the followings are recommended:

- Holding training courses and conferences for villagers by experienced trainers or successful entrepreneurs about entrepreneurship and innovation,
- Supporting entrepreneurial activities and innovations of villagers by giving rewards in proportion with their performance and by compensating for the possible losses,
- Providing the facilities for the development of communications and production networks on the basis of the local attributes, and
- Redefinition of governmental supports by improving business environment and emphasizing entrepreneurship-oriented economical development.

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Choice of Divestiture Method in South Africa: Spin-Off or Sell-Offs

by

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Abstract

This study investigates a company's characteristics that may determine whether to sell-off or spin-off. The empirical findings from logistic regressions and mean comparison t-tests, using a sample of 63 spin-offs and 81 sell-offs in South Africa from 1995 to 2013 are as follows. First, companies in financial distress, with high capital expenditure, high leverage and with a high return on equity choose to divest through a sell-off. Second, large parent companies and with a large number of business segments also choose to sell-off in order to refocus on core business lines. Third, spin-offs are preferred if the unit size is large and performing well in order to be independent. Finally, this study does not find evidence for hypothesized corporate governance factors such as the director's equity ownership and CEO/board chair office to be possible determinants of the choice of divestiture method.

Keywords: Spin-Offs, Sell-Offs, Corporate Divestiture

1. Introduction

Divestitures allow firms to raise cash, remove negative synergies, streamline and refocus their operations (Bergh, Johnson and Dewitt, 2008) with the overall objective of unlocking shareholder wealth. Spin-offs, sell-offs and carve-outs are alternatives modes of divesting. These of divestitures modes differ in terms of how they are structured and how they affect the parent firm, which affect decisions on how companies choose among them. A sell-off occurs when a firm sells a subsidiary/unit to a third and receives a cash consideration or other securities Ravenscraft and Scherer's (1987). With a spin-off there is no cash consideration involved but the shares of the divested subsidiary are distributed to existing shareholders and a new company will be formed Nixon et al (2000). An equity carve-out involves a public sale of the equity holdings in the subsidiary. However, the subsidiary will have little autonomy as the parent generally retains a controlling interest (Slovin, Sushka & Ferraro 1995). In South Africa and the rest of the world spin-offs and sell-offs are the two most commonly used routes to divesting (Bergh, Johnson & Dewitt 2008, Nichols et al. 2014)

The choice of spin-off or sell-off is driven by various factors which include, the characteristics of the divesting company, the level financial performance or financial distress, size of the unit to be divested, number of business segments and the corporate governance factors like independence of office of CEO and board chair (Steiner 1997). Steiner (1997) reported a preference for sell-offs when the division or company is characterised by; weaker financial performance, higher financial leverage, a high number business segments and a lower percentage of ownership by officers and directors. Nixon, Roenfeldt and Sicherman (2000) found that companies with smaller board of directors, separate offices for CEO and board chair and large business units to favour divesting through spin-offs. They also found that companies in financial distress are more likely to choose to sell-off than spin-off as a form of divesture. Kaplan and Weisbach (1992) suggest that the choice of type of divesture is influenced by financial performance, the size of the company's debt ratio and a need to focus on core business. Chen and Guo (2005) found that the need to refocus and the size of the company are major determinants of divestiture method chosen. The majority of the studies on the determinants of divestitures choices have largely focused on developed markets, for example Kaplan and Weisbach (1992); (Steiner 1997); Nixon, Roenfeldt and Sicherman (2000). Emerging markets like South Africa have been ignored. Given the uniqueness of South Africa in terms of the institutional setting and corporate governance systems, examining the subject in South Africa might yield different results in relation to those reported from developed countries like USA, where the majority of prior studies focused on.

The purpose of this study is to identify determinants of the choice of corporate divestiture approach in South Africa. The study is based on a sample of 144 corporate divestiture transaction in South Africa over the period 1995-2013. The results of this study show that companies in financial distress, high capital expenditure and high leverage and companies with a high market return choose to divest through a sell-off rather than a spin-off. In addition large companies with a high number of business segments prefer to divest through a sell-off; Spin-offs are preferred if the unit size is large and the unit is performing well. This suggests that the choice to spin-off may be considered if a unit is large enough to be independent. This study does not find support for hypothesized corporate governance factors such as the director's equity ownership, CEO and board chair offices being separate, as determinants of the choice of divestiture method.

2. Literature review

2.1 Sell-offs versus spin-offs

The choice of whether to spin or sell-off assets is determined by the various factors classified by, performance, gearing and financial distress, company diversification, company size and corporate governance.

2.2 Performance

Literature supports the view that the performance of the parent company and the unit to be divested is a major determinant of the divestiture choice. There is a fair amount of consensus for the view that companies characterised by poor profitability will tend to engage in sell-off. This view is supported by Steiner (1997) who found that poor performance encourages sell-offs. Prezas and Simonyan (2012) found that assets that underperform relative to their full potential are more likely to be the subject of a sell-off rather than a spin-off. Ravenscraft and Scherer's (1987) found the rate of sell-offs to be higher when the company or subsidiary unit performance is performing poorly. Chen and Guo (2005) found that companies with a low cash flow ratio may be encouraged to sell off units that are underperforming.

2.3 Gearing and Financial Distress

There is a fair amount of consensus in literature in support of the view that companies with high levels of debt and financial distress would opt for sell-offs rather than spin-offs as a form of divesture. The reason for their preference is that, unlike spin-offs, sell-offs generate liquid assets which can be used to settle debts. Steiner (1997) and Chen and Guo (2005), found evidence that companies in financial distress and with high leverage will be more likely to sell-off assets as a form of divesture. This finding is supported by Ling-li and Hua-ming's (2012) for companies in China. Chen and Guo (2005) made use of the debt to equity ratio, as a measure of gearing whereas Steiner (1997) made use of the long-term debt to total assets ratio; both studies suggest that companies with higher debt ratios may have a high probability of choosing a sell-off rather than spin-off as a form of divesture. Whilst there is a fair amount of consensus in literature in support of the view that companies with high levels of debt would opt for sell-offs rather than spin-offs as a form of divesture, there are exceptions. Johnson, Klein and Thibodeaux (1996) found evidence of companies with high leverage preferring spin-offs to sell-offs. A high degree of debt, according to Nixon et al (2000) does not necessarily mean a company is under financial distress.

2.4 Size of the unit and parent

The size of the divesting company and that of the unit to be divested play a major role in determining the choice of divestiture method. Chen and Guo (2005) found that where large units are considered for divestment companies tend to favour spin-off as a method of divestment where management regards them as potentially independent of the core business.

2.5 Corporate governance

Corporate governance factors such as the number of directors on board, whether the CEO is also the board chair and the level of director's equity ownership in the company may play a significant role in the choosing a divestiture type. Jensen (1993), Steiner (1997) and Nixon et al (2000) argue that small board sizes, separating the offices of CEO and board chair and a high level of director equity ownership are positively related to spin-offs. In contrast, Bergh and Sharp (2012) find no support for the CEO/board chair office variable being influential. Management with low equity ownership may have preference for sell-offs since they provide potential for discretionary cash. Managers not aligned with shareholders may misuse the cash as suggested by Jensen (1986).

3. Data and methodology

3.2 Data

3.2.1 Sample

The sample is made up of divestiture transactions that happened over the period from 1995-2013 for companies listed on the Johannesburg Stock Exchange (JSE). The transactions were extracted from McGregor BFA database with cross-references made to the Bloomberg database to ensure completeness of the sample. The initial sample consisted of 483 transactions and these were reduced to a final sample of 144 transactions after taking into account the following criteria; companies with any evidence of regulatory/political influence on the divestiture decision, based on announcements and news on the Stock Exchange News Service (SENS), were eliminated from the sample; Companies that had unverifiable completion status of transactions and payment type were also eliminated; Only voluntary were selected

Table 1: Number of divestiture transactions since 1995-2013

Year/Type	Spin-offs	Sell-offs	Total
1995-1997	5	5	10
1998-2001	25	25	50
2002-2005	8	19	27
2006-2009	13	14	27
2010-2013	12	18	30
Total	63	81	144

3.2.2 Dependent variable

The dependent variable is a dummy variable, *type*, which is coded 1 for a sell-off and 0 for a spin-off.

3.2.3 Independent variables

Performance of the parent company

In measuring a company's pre-divestiture performance, several variables are considered. To measure operating performance, we use operating profit margin and book values of debt to assets ratio as used by Steiner (1997) and Nixon et al (2000). Operating profit margin is calculated by dividing operating income by net sales of the year prior to the divestiture. This study's measure of market performance is the return on equity (ROE) calculated as net income divided by book value of shareholders' equity.

Financial leverage and distress

Consistent with the approach by Nixon et al (2000), the study examines financial leverage and the need for cash. As a measure of financial distress, the interest coverage ratio, calculated as Earnings before Interest and Tax (EBIT) divided by interest expense is used. A company is classified as distressed if the interest cover ratio is less than one. Other proxy measures used include debt to asset ratio, calculated as total debt divided by total assets. Capital expenditure requires cash generation for companies underperforming in the fiscal year prior to a divestiture. Therefore, we use the inputs given from Bloomberg database of the respective companies planned capital expenditure of the year preceding the divestiture as a cash need.

Diversification level

The level of a company's diversification relates to the number of business lines it operates in. This study chose number of business segments as a proxy to represent this attribute. The number of business segments for each company for the year preceding the divestiture is acquired from the company's annual report. In addition, we use another measure of growth potential, Tobin's q, calculated as market value (enterprise value) of the company divided by book value of total assets.

Size of the unit and divesting parent

In identifying the value of the unit divested, the study uses the value of the transaction as announced on company announcements and verified on Bloomberg database under *Mergers and Acquisitions*. For spin-offs that listed on the JSE, we use the initial market value of the unit by multiplying the number of shares of the unit outstanding by the first closing price per share available on McGregor BFA. We also use the distributed shares value for spin-offs that were not listed. For sell-offs, the transaction value reported on company news and/or Bloomberg, is used as the size of the unit divested. To measure the parent market value before the divestiture, we use the enterprise value of the previous year before divesting was calculated as; the market capitalisation plus long term and short term debt plus preference shares less cash.

Corporate Governance

Measures of corporate governance proxies include; director ownership of equity (Nixon et al 2000) and the number of directors on board of a divesting company; whether the office of the CEO is separate to that of the board chair; a variable called *CEO duality* was coded 1 if the CEO was also the chairman of the board and 0 if otherwise.

3.3 Research Methods

Firstly, the mean values for each of the independent variables are obtained for each of the divesture options chosen by companies within the sample. The difference between these mean values is identified and the statistical significance of these differences is tested using the standard t-test. Secondly, a logistic regression analysis is conducted to incorporate the dichotomous nature of the dependent variable, *type*, (sell-off = 1, spin-off = 0). In line with Nixon et al (2000) this study performs a logistic regression analysis to analyse whether differences between the variables are associated with the choice between sell-offs and spin-offs. It provides, for each variable in the equations below, a non-standardised coefficient that ranges from positive to negative infinity and is distributed as a *z* score. The coefficients represent the effect of each independent variable on the probability that a particular event will occur, in our case the probability that a given divestiture will take the form of a sell-off rather than a spin-off. A positive coefficient indicates that an increase in the independent variable is associated with a higher probability of sell-off while a negative coefficient indicates that an increase in the independent variable is associated with a lower probability of sell-off.

In addition, marginal effects are determined for each individual independent variable as a function of the other independent variables in a model. This is due to the limitation of the magnitude of logistic regression coefficients to be direct indicators of the per unit increase of independent variable. They are calculated using post estimation command in Stata with all variables held at their mean value. Model parameters are reflected in the Cox and Snell R^2 that range from 0 to 1.

The following six empirical models are estimated and include:

Model 1:

Prob (Sell-off_t) = F_{t-1} (OPM, D, SEG, OD, TA)

Where:

- OPM = Operating Profit Margin,
- D = Distress,
- SEG = segments,
- OD = Director Ownership,
- TA = Total Assets

Model 2:
Prob (Sell-off$_t$) = F $_{t-1}$ (OPM, D, SEG, OD, ROE, S)

Where:
- OPM = Operating Profit Margin,
- D = Distress,
- SEG = segments,
- ROE = Return on Equity
- S = Size Proportion

Model 3:
Prob (Sell-off$_t$) = F $_{t-1}$ (OPM, D, SEG, OD, ROE, S, CF)

Where:
- OPM = Operating Profit Margin,
- D = Distress,
- SEG = segments,
- OD = Director Ownership,
- ROE = Return on Equity
- S = Size Proportion
- CF=Cash Flow

Model 4:
Prob (Sell-off$_t$) = F $_{t-1}$ (OPM, D, SEG, US, EV, BS)

Where:
- OPM = Operating Profit Margin,
- D = Distress,
- SEG = segments,
- US=Unit Size,
- EV=Parent Enterprise Value
- BS=Board Size

Model 5:
Prob (Sell-off$_t$) = F $_{t-1}$ (OPM, D, SEG,UNIT, EV, BOARD, CEO)

Where:
- OPM = Operating Profit Margin,
- D = Distress,
- SEG = segments,
- US=Unit Size,
- EV=Parent Enterprise Value
- BS=Board Size
- CEO=Chief Executive Officer

Model 6:
Prob (Sell-off$_t$) = F $_{t-1}$ (OPM, D, SEG, OD, ROE, SIZE, CAPEX, US, EV)

Where:

- OPM = Operating Profit Margin,
- D = Distress,
- SEG = segments,
- OD = Director Ownership,
- ROE = Return on Equity
- US=Unit Size,
- CAPEX = Capital Expenditure
- US=Unit Size,
- EV=Parent Enterprise Value

4. Empirical results and discussion

This section describes the various empirical tests performed in this study and presents the results mostly in form of tables with the respective proportions and coefficients resulting from both mean comparison t-test and logistic regression analysis.

Summary statistics of mean comparison t-test

Table 2 contains variables suggested by Steiner (1997) while Table 3 contains additional variables suggested by by Nixon et al (2000) and Chen and Guo (2005). The study also includes proxies for size of the parent company (enterprise value) and Debt to total assets in Table 3

Of the variables listed in table 2, the mean difference between the Debt/Equity ratio for companies opting for sell-off rather than spin-off as a means of divesture is significant at the 5% level. Similarly, the mean difference between the Book Values of Total Assets for companies opting for sell-off rather than spin-off as a means of divesture is significant at the 5% level. The mean difference between the number of business segments in companies opting for sell-off rather than spin-off as a means of divesture is significant at the 10% level.

Table 2 Summary statistics for financial performance, financial leverage, number of business segments, and director ownership for 63 spin-offs and 81 sell-offs from 1995-2013 in South Africa

Variable description	Spin-off mean	Sell-off mean	Mean Difference	p-value
Operating profit margin	14.42	17.11	-2.68	0.660
Debt to asset ratio	12.97	17.54	-4.57	0.017**
Book value of total assets (R millions)	29959.69	68172.77	-38213.08	0.040**
Director ownership	13.93	11.94	1.99	0.271
Director ownership squared	543.60	535.73	7.87	0.487
Square root of director ownership	2.75	2.54	0.21	0.306
Number of business segments	4.59	5.05	-0.46	0.094*

**Significant at the 10% level*
***Significant at the 5% level*

The mean difference between the Operating Profit Margins and Director Ownership for companies opting for sell-off rather than spin-off as a means of divesture is not statistically significant.

Table 3 contains mean, median and proportions values for additional variables introduced by Nixon et al (2000) and Chen and Guo (2005). The mean difference between Interest cover for companies opting for sell-off rather than spin-off as a means of divesture is statistically significant at the 10% level. This suggests that companies engaged in sell-offs, on average, have a greater need for cash than companies opting for spin-off as a form of divesture. This is potentially due to these companies having difficulty meeting interest expense with their operating earnings. The analysis fails to reject hypothesis 2.

Table 3 Summary statistics for additional variables in the choice of divestiture type for 63 spin-offs and 81 sell-offs from 1995-2013 in South Africa

Variable description	*Spin-off mean*	*Sell-off mean*	*Mean Difference*	*p-value*
Interest cover	10.36	-12.25	22.61	0.094*
Distress: Interest cover<1	0.27	0.38	-0.11	0.076*
Cash flow ratio	1.97	1.15	0.82	0.133
Gearing : Debt to Equity	39.51	50.67	-11.16	0.084*
Capital expenditure in RMillions	878.3	2596.2	-1717.9	0.023**
Size: Unit as a proportion of parent >1%	0.90	0.77	0.13	0.011**
Return on Equity	14.16	22.09	-7.93	0.040**
Enterprise value of parent (RMillions)	29990.76	63383.24	-33392.5	0.044**
Market value of unit (RMillions)	20171.41	1150.06	19021.35	0.121
Board size: no of directors	11.05	11.80	-0.75	0.130
CEO office separate with board chair	0.13	0.11	0.02	0.613
Number of business segments	4.59	5.05	-0.46	0.094*

**Significant at the 10% level*
***Significant at the 5% level*

Alternatively, using an indicator variable, distress is equal to one if the interest cover is less than unity and zero otherwise. The difference is significant at 10% level with a p-value of 0.076. The relationship between distress and probability of choosing a spin-off instead of a sell-off is negative providing evidence and support to Steiner (1997).

Chen and Guo's (2005) measure of the mean difference between gearing (Debt to Equity ratio) for companies opting for sell-off rather than spin-off as a means of divesture is also significant at the 10% level (p-value=0.084). This indicates that companies that are highly indebted relative equity in their capital structure, have preference for sell-offs in order to generate cash to meet their debt obligations.

The measure of the mean difference between Capital Expenditure for companies opting for sell-off rather than spin-off as a means of divesture is also significant at the 5%, suggesting that companies that have high planned capital expenditure in the pre-divestment year, prefer to sell-off assets to fund the capital need. This supports the suggestion by Chen and Guo (2005) that capital expenditure as a key factor in divestiture choice.

The measure of the mean difference between ROE for companies opting for sell-off rather than spin-off as a means of divesture is also significant at the 5% level (p-value=0.040). This is consistent with companies preferring to sell-off assets when the return on shareholders' equity is good, in order to generate excess cash for distribution or growth of the company.

When looking at the size of the unit being divested as a proportion of size of the parent company, the measure of the mean difference for companies opting for sell-off rather than spin-off as a means of divesture is statistically significant at the 5% (p-value of 0.011). This infers that companies prefer the spin-off option as a means of divesture. This may be associated with a minimum required size of a unit in order to be independent from the parent.

For the impact of the size of the parent company on the choice between spin-off and sell-off as a means of divesture, the analysis shows that the measure of the mean difference for companies opting for sell-off rather than spin-off as a means of divesture is statistically significant at the 5% (p-value=0.044). This indicates a preference for large companies to sell-off relative to spin-off when considering divesture. This can be attributed to the desire by management to focus on core businesses in an attempt to unlock and maximize shareholder value.

When looking at the cash flow ratio used by Chen and Guo (2005) as a measure of performance, the measure of the mean difference for companies opting for sell-off rather than spin-off as a means of divesture is not statistically significant (p-value=0.133).

Similarly, when looking at the market value of the unit divested as a measure if the impact of the size of the parent company on the divesture decision, the mean difference for companies opting for sell-off rather than spin-off as a means of divesture is not statistically significant (p-value=0.121)

The analysis shows that the mean difference for all proxies used to represent corporate governance i.e. the board size and the separation of the CEO office and the board chair role, are not statistically significant.

Whilst the mean comparison *t-test* conducted offers some explanation for possible determinants of a divestiture type, in an attempt to enhance the robustness of the analysis, this study also considered a logistic regression analysis on all the variables using the models 1 to 6 as defined earlier. The outcome of this analysis is discussed in the next section.

Choice between spin-offs and sell-offs using logit regression analysis

A logistic regression analysis was conducted using the models defined earlier in this paper. Regression coefficient estimates and *t-values* are reported in Table 4 under the respective models labelled 1 to 6. This method is similar to the one used by Nixon et al (2000).

Model 1: $Prob\ (Sell\text{-}off_t) = F_{t-1}\ (OPM, D, SEG, OD, TA)$

In Model 1, the distress variable replaces the leverage ratio of debt to assets. The distress variable is significant at the 10 percent level (p-value=0.093). The marginal effect at the mean given in square brackets indicates that financially distressed companies that divest are 15.5% more likely to sell-off assets than to spin-off assets. The analysis shows that all other variables used in model 1 do not yield any statistically significant measure.

Model 2: *Prob (Sell-off$_t$) = F $_{t-1}$ (OPM, D, SEG, OD, ROE, S)*

In Model 2, the statistical significance of the distress variable is significant at the 10 percent level (p-value=0.098). The marginal effect at the mean indicates that financially distressed companies that divest are 15.3% more likely to sell-off assets than to spin-off assets. The ROE coefficient is statistically significant at the 10% level (p-value=0.085). Companies with a high ROE prefer to sell-off relative to spin-off. Companies with a high shareholder return are 0.3% more likely to sell-off assets than to spin-off assets. The size proportion expressed as a percentage of unit divested over parent enterprise value, replaces the natural logarithm of total asset value. It is significant at 10% level (p-value=0.086) with a negative coefficient (-0.896). The probability of a sell-off relative to a spin-off in relation to unit size is negative suggesting that managers choose to spin-off assets that are large, probably due to the need to have the unit independent. The marginal effect at the mean indicates that companies wishing to divest assets that are large are 20.2% more likely to choose the spin-off option than they are the sell-off option. The analysis shows that all other variables used in model 2 do not yield any statistically significant measure.

Model 3: *Prob (Sell-off$_t$) = F $_{t-1}$ (OPM, D, SEG, OD, ROE, S, CF)*

In Model 3 the statistical significance of distress variable is significant at the 10 percent level (p-value=0.075). The marginal effect at the mean indicates that financially distressed companies that divest are 16.1% more likely to sell-off assets than to spin-off assets. The ROE coefficient is statistically significant at the 10% level (p-value=0.099). Companies with a high ROE prefer to sell-off relative to spin-off. The marginal effect at the mean indicates that companies with a high shareholder return are 0.3% more likely to sell-off assets than to spin-off assets. The size proportion expressed as a percentage of unit divested over parent enterprise value is significant at 10% level (p-value=0.093) with a negative coefficient (-0.868). The probability of a sell-off relative to a spin-off in relation to unit size is negative suggesting that managers choose to spin-off assets that are large, probably due to the need to have the unit independent. The marginal effect at the mean indicates that companies wishing to divest assets that are large are 19.4% more likely to choose the spin-off option than they are the sell-off option. The cash flow ratio as a measure of operating performance replaces the operating profit margin. Although the coefficient estimate is negative (-0.062) indicating companies prefer spin-offs when the cash flow ratio is good, it is not statistically significant (p-value=0.238). The analysis shows that all other variables used in model 3 do not yield any statistically significant measure.

Table 4 Logit analysis of probability that divestitures occurred through sell-off relative to spin-off

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Intercept	-1.106	0.212	0.146	1.068	-0.741	-1.785
	0.166	0.775	0.839	0.111	0.354	0.161
Operating profit	0.003	0.001	-	-	0.003	0.004
margin	(0.545)	(0.809)			(0.496)	(0.527)
	[0.0007]	[0.0002]			[0.000]	[0.001]
Distress	0.658	0.679	0.7189	0.730	0.791	1.122
	(0.093)	(0.098)	(0.075)	(0.060)	(0.059)	(0.013)
	[0.155]	[0.153]	[0.161]	[0.159]	[0.165]	[0.221]
No of business	0.063	0.089	0.1083	0.078	0.019	-0.018
segments	(0.496)	0.290	0.207	0.390	0.848	0.860
	[0.015]	0.020	0.0242	0.017	0.004	-0.004
Director ownership	-0.003	-0.004	-0.0039	-	-	0.000
	(0.713)	(0.637)	(0.671)			(0.979)

	[-0.0008]	[-0.001]	[-0.000]			[0.000]
Ln Total asset book value	0.098 (0.297) [0.0229]	-	-	-	-	-
Return on Equity	-	0.014 (0.085) [0.003]	0.0127 (0.099) [0.003]	-	-	0.013 (0.105) [0.003]
Size proportion	-	-0.896 (0.086) [-0.202]	-0.8681 (0.093) [-0.194]	-	-	1.412 (0.074) [0.062]
Cash flow ratio	-	-	-0.0624 (0.238) [-0.014]	-	-	-
Capital expenditure	-	-	-	0.0001 (0.047) [0.000]	-	0.000 (0.108) [0.000]
Ln(unit market value)	-	-	-	-0.2667 (0.004) [-0.058]	-0.434 (0.000) [-0.091]	-0.609 (0.000) [-0.120]
Ln(parent enterprise value)	-	-	-	-	0.344 (0.007) [0.072]	0.444 (0.007) [0.089]
Board size	-	-	-	-	0.026 (0.667) [0.006]	-
CEO & Chair	-	-	-	-	0.114 (0.842) [0.024]	-
CHI^2	0.2877		0.0343	0.0014	0.0015	0.0002
Pseudo R^2	0.0314	0.0636	0.0689	0.0899	0.1182	0.1599

This table reports the estimated coefficients and p-values in parentheses for logit regressions that measure the likelihood of divesting through a sell-off relative to a spin-off. It includes 63 spin-offs and 81 sell-offs during 1995-2013. The marginal effects at the mean are in square brackets (change in probability with respect to change in the independent variable, dP/dX) of each independent variable.

Model 4: *Prob (Sell-off$_t$) = F$_{t-1}$ (OPM, D, SEG, US, EV, BS)*

In Model 4 the statistical significance of distress variable is significant at the 10 percent level (p-value=0.060). The marginal effect at the mean indicates that financially distressed companies that divest are 15.9% more likely to sell-off assets than to spin-off assets. The ROE coefficient is statistically significant at the 10% level (p-value=0.099). Companies with a high ROE prefer to sell-off relative to spin-off. The marginal effect at the mean indicates that companies with a good shareholder return are 0.3% more likely to sell-off assets than to spin-off assets. The coefficient estimates for the unit market value and the capital expenditure for the divesting company are both statistically significant at 5% and 10% levels respectively. The capital expenditure need requires cash generation in order to sustain the company and hence the coefficient estimate has a positive relation to a sell-off albeit small. The coefficient estimate for unit size is negative (-0.267) and the probability of a sell-off decreases by 5.8% as the unit size increases relative to a spin-off. For large units it is better to divest through a spin-off due to their ability to stand alone. This also may support the minimal size requirement for a unit to be independent. The analysis shows that all other variables used in model 4 do not yield any statistically significant measure.

Model 5: *Prob (Sell-off$_t$) = F$_{t-1}$ (OPM, D, SEG, UNIT, EV, BOARD, CEO)*

The statistical significance of the distress variable is significant at the 10 percent level (p-value=0.059). The marginal effect at the mean indicates that financially distressed companies that divest are 16.5% more likely to sell-off assets than to spin-off assets. The coefficient estimate for unit size is negative (-0.434) and the probability of a sell-off decreases marginally by 9.1% as the unit size increases relative to a spin-off. Model 5 incorporates divesting company enterprise value, unit market value and corporate governance variables. Companies with a larger market value as measured by the natural logarithm of enterprise value prior to divestiture are more likely to sell off than spin-off as indicated by the positive coefficient estimate (0.344). The statistical significance of the market enterprise value variable is significant at the 5 % level (p-value=0.007). The marginal effect at the mean indicates that companies with larger market value larger market value that divest are 7.2%% more likely to sell-off assets than to spin-off assets.

According to Jensen (1993), a small board size and a CEO as board chair is an indicator of a strong internal control structure. The inclusion of proxy measures of strength of internal control structure, in model 5, as used by Nixon et al (2000:286), does not yield significant values. The analysis shows that all other variables used in model 5 do not yield any statistically significant measure.

Model 6: *Prob (Sell-off$_t$) = F$_{t-1}$ (OPM, D, SEG, OD, ROE, SIZE, CAPEX, US, EV)*

Model 6 includes all the alternative proxy variables that were statistically significant from Model 1 to Model 5. The measure of financial distress, statistically significant at the 5% level (p-value=0.013), continues to be associated with the choice to sell-offs. The marginal effect at the mean indicates that financially distressed companies that divest are 22.1%, much higher than that in model 5. The coefficient estimate for unit size is negative (-0.609) and the probability of a sell-off decreases marginally by 12.0% as the unit size increases relative to a spin-off. Model 6 finds that the size proportion is associated with a sell-off rather than spin-off as in previous models. The parent market value is statistically significant at the 5% significance level (p-value=0.007). The marginal effect at the mean indicates that companies with larger market value larger market value that divest are 8.9%% more likely to sell-off assets than to spin-off assets. The analysis shows that all other variables used in model 6 do not yield any statistically significant measure.

5. Summary and conclusion

Spin-offs and sells-offs alternative methods of divesting assets. This study investigates the determinants of the choice between the two divestiture methods in South Africa. A sample of 144 divestiture transactions between 1995 and 2013 was used. The study incorporates two methodologies, logistic regressions and univariate tests which all provide consistent results. The results of the study indicate that companies in financial distress, with high capital expenditure, high leverage and with a high market return choose to divest through a sell-off. This supports the suggestion that companies in need of cash prefer to sell-off to meet these needs. Large parent companies and companies with a large number of business segments also choose to sell-off as a form of divesture. This suggests a preference to sell non-core assets and focus on specific business lines. Spin-offs are preferred if the unit size is large and performing well. This suggests that the choice to spin-off maybe considered if a unit is large enough to be independent and enables the parent company to share in the success of the divested portion of the business. This study does not find empirical evidence supporting the notion that the corporate governance factors are significant determinants of the choice of divestiture method in South Africa.

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Worldwide Tourism's Economic, Ecological and Social Sustainability as a Core Concern and Responsibility in the New Millennium: An Evaluation of the Triple Bottom Line Approach

by

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Abstract

This paper reveals the framework, application and usefulness of the triple bottom line approach for reflecting, assessing and reporting on economic, ecological and social sustainability. These are areas of core concern and responsibility for the global travel and tourism industry. It outlines the conceptual development of the sustainability argument and of the triple bottom line approach along the new millennium, and across global political key events and official reports, declarations and guidelines, culminating in the 2015 United Nations Climate Change Conference. Global tourism has operationalized the triple bottom line as an internal managerial planning and decision-making tool as well as an external assessment and reporting framework. It thus performs the triple task of considering and balancing a company's economic, social and environmental performances and impacts via several key indicators. Empirically, these key indicators are documented and on report cards. The report card categories are synthesized from the literature and real-life tourism companies. Their compact display exceeds the current business practices of even the most circumspect and transparent tourism organizations. The paper recommends the triple bottom line to substantiate tourism's concern for economic, ecological and social sustainability, hoping to inspire discussion about how this industry could develop those goals even further.

Keywords: Sustainable Tourism, Triple Bottom Line, Ecological Economics, Environmental Impact

1. Worldwide Tourism in the New Millennium

At the beginning of the new millennium (2001), the World Tourism Organization (WTO) published its *Tourism 2020 Vision*, in which it described eleven major "factors" for the development of worldwide tourism. Among the key factors were:

- Economy (from post-war to newly emerging economic powers);
- Demography (a possible fragmentation of traveler segments and tourism markets); and
- Social-environmental awareness (rising since shortly before the new millennium)).

Around the same time (2004), the WTO also proclaimed twelve "major megatrends" of global tourism impacting its policies and strategies, among which were:

- Consumer-led campaigns for sustainable tourism (especially sustainability and fair trade);
- Increased socio-environmental consciousness (versus simple mass travel consumption).

The literature, similarly, sees six "key drivers" for world tourism, among which are:

- Economic (effects of globalization, labor demographics, and global wealth distribution);
- Social (such as societal value changes);
- Environmental (energy and natural resource preservation, or global climate change); and
- Basic human needs (global food provision, or strategies for increasing cultural diversity).

Whichever model of major tourism influences in the new millennium one prefers to follow (or combine), all suggest complex interdependencies, especially when considering them holistically under the concept of sustainability.

2. Sustainability in Tourism

"Sustainable development" was first defined in the 1987 *Brundtland Report* by the *World Commission on Environment and Development* (UNWCED) as "meeting the needs of the present without compromising the ability of future generations to meet their own needs," uniting goals of economic progress and of environmental protection. Following up on these ideas, the 1992 *United Nations Conference on Environment and Development* (UNCED) in Rio de Janeiro produced the *Rio Declaration on Environment and Development* and *Agenda 21* (with principles and guidelines for sustainable development), followed in turn by the 2002 *World Summit on Sustainable Development* (UNWSSD) in Johannesburg, and then the 2012 *United Nations Conference on Sustainable Development* (UNCSD) in Rio de Janeiro.

For tourism, the WTO and the United Nations Environment Program (UNEP), in a 2005 *Guide for Policy Makers* entitled *Making Tourism More Sustainable*, defined sustainability as the suitable, long-term and evolving balance between the 1) environmental, 2) economic and 3) socio-cultural dimensions of tourism development. Specifically, sustainable tourism should 1) optimally use environmental resources (as by maintaining ecological processes and preserving natural resources and biodiversity), 2) respect the socio-cultural authenticity of host communities (as by conserving their cultural heritage and traditional values), and 3) ensure viable, long-term economic operations (as by providing and fairly distributing socio-economic benefits to all stakeholders, especially employees, host communities, and the poor).

Critics see the concept of sustainable development as vague and leading to uneven practices, or as Western or Euro-centric, suiting the developed nations but preventing developing countries from following their path of industrialization, and acquiring their living standards. Yet sustainability has become widely used in international key policy agreements and in industry practice, so most agree that it should be furthered in global tourism via specific frameworks and measures, such as the triple bottom line ("TBL"; informally also "3BL").

3. Tourism, Sustainability, and the Triple Bottom Line

The first literature voice to suggest a comprehensive approach to sustainable development and environmental protection as a central business challenge was John Elkington's 1997 book *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*: corporations should consider not just their economic, but also their environmental and social influence. His "triple bottom line" required business activities to be socially, economically and environmentally sustainable. The global tourism industry was soon attributed a key role for advancing and implementing this concept, due to its responsibilities for social and economic development.

Conceptually, the TBL frames business and corporate activities and performances, adding the two bottom lines (balance sheets) of socio-cultural and environmental impacts, thus providing criteria for audits and evaluations, and standardizing the assessment and reporting of all three types of impacts (economic, socio-cultural and environmental). Operationally, the TBL assists internal management planning and decision-making, and external reporting on the economic, environmental and social implications of organizational decisions and activities.

For each of the three dimensions, the reports use key indicators, depending on the tourism industry sector. As each of the three bottom lines measures different types of impacts, weighing and assessing them requires a company judgement. This is why they are seen as tools of a holistic process of appraisal, and more than just an accounting mechanism, namely as the most comprehensive consideration of multi-dimensional impacts of business activities.

4. The TBL: Dimensions and Assessments

In practice, a company monitors and reports to its triple bottom line using a

- Business Report Card (BRC),
- Social Report Card (SRC), and an
- Environmental Report Card (ERC).

For each card, the company selects key indicators (significant and measureable variables) relevant to its operations, expressed either quantitatively (as a percentage over time, such as of growth), or qualitatively indicators (as for evaluating levels of visitor satisfaction around tourist attractions, or the quality of staff-delivered safety instructions and training).

For an overview of the three report cards and their indicators of a tourism business (company, attraction, destination, or event), below the three impact dimensions (I-III) are categorized according to company stakeholders and interests (A, B, C), key indicators measuring tourism impacts (1, 2, 3), and possible sub-categories (a, b, c). A tourism company need not use all of these indicators, yet might add others that better suit its activity profile.

I) Economic Impacts (BRC):

A) Company Benefits from Tourism:
- 1) Revenue;
- 2) Net profit or net income before tax (NIBT);
- 3) Number of visitors.

B) Company Costs from Tourism:
- 1) Direct expenditures, including
  - a) Remunerations (wages, salaries or rewards),
  - b) Taxes paid, or
  - c) Costs for regulatory reports;
- 2) Indirect expenditures, including
  - a) Externalities (costs not chosen, such as pollution cleanups),
  - b) Opportunity costs (investments in other feasible attractions).

C) Stakeholder Benefits from Tourism:
- 1) Total shareholder return;
- 2) Value added or distributed to suppliers.

D) Community and Destination Benefits from Tourism:
- 1) Management of visitor demand and volume;

2) Reduction of seasonality effects.
E) Community and Destination Costs from Tourism:
1) Costs for attraction's deterioration and repair;
2) Costs for destination preservation.

II) Socio-cultural Impacts (SRC):
A) Tourist Satisfaction:
1) Openness of access;
2) Visitors' motivation.
B) Tourism's Impact on Public Health and Welfare:
1) Workplace stability;
2) Employee safety and risk management, including
a) Occupational health and safety audits and training,
b) Emergency plans,
c) Written safety instructions,
d) Security signage and lighting, or
e) Security patrols;
3) Visitor safety (analog to 2).
C) Host Community's Wellbeing and Participation:
1) Impact on community quality of life;
2) Impact on community pride;
3) Local satisfaction with tourism;
4) Community support and involvement, e.g. community partnerships;
5) People performance management, or employment conditions with:
a) Opportunity,
b) Diversity,
c) Non-discrimination,
d) Human rights respect, and
e) Ethical corporate governance.
D) Destination Planning and Control:
1) Socio-cultural carrying capacity;
2) Integration of tourism into local/regional planning and development;
3) Tourist transportation facilities;
4) Sustaining the social and cultural assets of the destination;
5) Protecting the image of the destination.

III) Environmental Impacts (ERC):
A) Managing and Protecting Scarce Natural Resources and Valuable Assets:
1) Energy management and conservation, such as of
a) Oil,
b) Gas and
c) Electricity;
2) Water
a) Availability,
b) Quality and
c) Conservation;
3) Emissions from transportation of tourists.
B) Limiting Damaging Impacts of Tourism:
1) Destination's
a) Physical and

b) Environmental carrying capacity;
2) Ecosystems'
a) Conservation and
b) Rehabilitation;
3) Waste water quality and recycling;
4) Solid waste (metal, wood, paper, plastics) management or recycling;
5) Sewage treatment;
6) Weed and pest control,
7) Pollution via
a) Air,
b) Noise or
c) Visuals (such as architectural degradation);
8) Greenhouse gas emission reduction, such as
a) Carbon dioxide (CO2) from transport, or
b) Hydrofluorocarbons (HFCs) from cooling;
9) Land-from-sea reclamation;
10) Ecological efficiency via
a) Design;
b) Packaging and
c) Recycling (strategies and actions for business operations),
11) Monitoring suppliers' environmental performances.

5. Criticism and Advantages of TBL Reporting

Criticism of the TBL is mostly addressing
- Redundancy (its three dimensions could be taken care of by single assessments);
- Practical challenges (finding suitable or quantifiable social and environmental indicators);
- Potential bias by businesses picking indicators to justify their investments.

Against these points, one can invoke that
- The TLB is precisely about unifying separate bottom lines;
- It allows for qualitative measurements alongside quantitative ones; and
- User bias is unavoidable and even speaks for the overall practicability of the approach.

In any case, most criticism implies that the TBL is (as of now) the most comprehensive and holistic framework for evaluating key indicators in the three most important dimensions that all tourism stakeholders face as a core concerns and responsibilities in the new millennium.

Overall, the TLB approach improves a tourism organization in manifold ways:
- Conceptual clarity about sustainability (comprehensively defining and operationalizing it);
- Practical clarity about how to achieve it (slogan: "what gets measured gets managed");
- Strategic decision making (integrated and holistic decisions within ethical framework),
- Transparency and accountability (for stakeholders and society);
- Shareholder value (the TBL also positively impacts the economic "single" bottom line);
- Quality standards (institutionalizing best practices and benchmarks);
- Employee relationships (employees are more likely to be loyal and low in turnover);
- Corporate reputation (boosting company's products, marketing, and brand awareness);
- Market positioning (via self-reinforcing cycles of positive reputation);

- Stakeholder relationships (TBL implementations fulfil stakeholder demands); and
- Destination benefits (differentiation from competition, and benefit for local community).

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Declining Partnership in Islamic banking: A Jurisprudential-Economic analysis

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Abstract

This paper tries to discuss the Jurisprudential and Economic possibility of using Declining Partnership, as a new financial instrument, in the context of Islamic banking. The results, derived based on an analytical-explorative approach, show that this instrument is Shariah-compliant and in addition, it is economically suitable for Islamic banks; especially when it is compared with others similar Islamic finance instruments like Ijarah Muntahia Bittamlik (leasing) and installment sale (hire purchase).The findings of this paper may contribute to the available literature in the field of Islamic banking and can help Islamic banks in country-wide Islamic banking systems (like Iran) and even dual banking systems (like Malaysia) to strengthen their banking activities with Islamic instruments.

Keywords: Declining partnership, Islamic banking, Islamic jurisprudence, financial system, Operational Models

1. Introduction

One of the main problems in the real part of economy is the insufficiency of small and dispersed capitals of people in performing necessary investments. An ideal financial system is one which can design sufficient instruments so that those who have the capability for investment but does not have the necessary capital can collect the small capital of people by using these instruments. Since in the conventional banking systems interest is legitimate and popular, a main portion of this problem has been solved through using interest-based financial instruments like bonds and loans.

However, Since in the Islamic context, usury and interest (in any forms) are prohibited and economic activities based on Islamic contracts (which give rise to profit) are emphasized, Muslim thinkers, using the Islamic contracts, have tried hard to come up with Shariah-compliant instruments for the Islamic banks

This paper tries to introduce "declining partnership" as a new instrument for Islamic banks and financial institutions. The main question of the paper can be stated this way: "Is it jurisprudentially and economically possible for Islamic banks and financial institutions to make use of declining partnership contract?". The rest of this paper is designed in a way to answer this question. The discussion starts with a review of the available Literature.

2. Literature Review

The most important studies done about declining partnership include:

Fazeliyan and Bidgoli (2005) discussed the Islamic Methods of Financing Housing. It has introduced declining partnership as one of the methods of financing for buying houses along with installment sale.

Torabi (2005) has mentioned different kinds and jurisprudential injunctions of the declining partnership. In this article three kinds of declining partnership are introduced and the issue of profit distribution is discussed.

Kamal et al. (2003) considers creating new opportunities, increasing housing construction, distributing the loss between the partners and the owners' achievement of fair profit as the advantages of declining partnership.However, it is believed that while most of the times the intention of partners of any contract is achieved through the continuation of the partnership, in declining partnership they have the intention of leaving partnership from the beginning and this might cause *Ghrar*. Hence, the findings of this work show that the declining partnership contract is legitimate only if it is not polluted with the doubt of usury and *Ghrar*(deception).

In spite of the works done, there is a gap for a comprehensive investigation about the jurisprudential and operational dimensions of declining partnership and comparing it with similar contracts and mentioning its advantages. The present article seeks to fulfill this important duty. In this research, in addition to investigating different jurisprudential dimensions and answering the most important doubts of this contract, we deal with designing a practical model of declining partnership for Islamic banks.

3. Definition of Declining Partnership

Two real or legal persons with a shared capital implement or buy a project and in the contract agree that after implementing or buying the project, one of them would have the right to buy his partner's share completely or gradually and through specific payments. He might pay its price from the interests of the same project, as it is possible to pay the price from other properties.

It is clear that declining partnership is a kind of "Property Company".That is to say, a project which is implemented or bought is financed by two partners based on the contract.Therefore, all of the outcomes of contract partnership exist here and the profit is divided according to their agreement. One of the partners can take hold of the shared property and the other has the right to possess his sharegradually.

According to these explanations, it can be said that:"Declining partnership is a business contract in which the partners agree that one of them possesses the share of the other gradually".

4. Advantages of Declining Partnership

Declining partnership has advantages, some of which are common with other contracts and some of them are specific to this contract. Theseadvantages include, but not limited to, the followings:

1. Using declining partnership leads to diversity in financial instruments in a financial system without usury and this in turn results in a better fulfillment of different incentives of the owners of properties. More diversefinancial instruments motivate people to use their wealth in productive activities instead of keeping them for speculative purposes like buying land, jewelry and foreign currency and hence distort and destabilize the economy.
2. Declining partnership causes each side to engage in a real economy. In fact, until the last share is not passed, the two partners are considered as actual owners and should supervise the activities.
3. Declining partnership can be used in a vast scope. people can use it in small projects and banks can finance large projects with those entrepreneurs who are capable of activities but do not have sufficient capital.
4. Normally, in declining partnership, the partner who is supposed to be finally the owner by buying the share of the other, takes the responsibility of implementing the project himself. As a result,he considers due care and enough time to increase efficiency and set the ground for productive use of the resources.
5. In declining partnership, it is possible to consider a condition in which the partner which is supposed to be the final owner, receive a partial rebate for early payments and this can increase his incentives to enter in real economic activities.
6. In this contract, the inability of the partner to buy the determined share does not harm the bank since in this case, the share of the bank is kept intact and it can use the profits originated from his share.

5. Comparing declining partnership with Ijarah Muntahia Bittamlik (leasing)and Installment Sale

When a partner (like a bank) decides to sell its share of property (like a house) in a specific period to a customer, this is possible through three methods which are: Ijarah Muntahia Bittamlik (In which the bank rents its share to the customer for the intended time under the condition that after paying the last rent, the bank passes the title to the customer);Installment sale (In which the bank sells its share to the customer on creditand receives the price in determined installments) and Declining partnership (in which the bank passes its share to the customer through time).

The jurisprudential necessity of leasing and selling contract can be considered as the advantage of the first and second methods. Another advantage is the simplicity of banking operations in leasing and installment sale. Hoverer, using declining partnership is more compatible with the motivation of the customer than leasing.

To understand this, one can consider the case of trading a house. In leasing, the house is in the possession of the bank until the end of the installments but in declining partnership, the possession of the house is gradually passed to the customer and this will increase his incentives. By paying each installment, the partner possesses a larger share of the house. The result is that using the first method is more compatible with the incentive of the bank and the third one is more compatible with the motivation of the customer.

Installment sale has priority for the customer over the other two but it is undesirable for the bank since the bank must pass the ownership of the house to the customer at the time of the contract. Despite being undesirable, this involves taking collateral which slows bank operations; in addition to the fact that the bank faces the risk of liquidity. Another important point is the fact that many customers have problem in giving collaterals to the bank.

In contrast, declining partnership is desirable for the bank since until the last payment the customer has ownership over the project equal to the debts and the title of the project is for the bank. Every time the customer denies paying the remaining installments, the bank can easily demand its total rights. Therefore, in declining partnership there is no need to give collaterals.

To sum up, it can be said that declining partnership is compatible with the motivation of customers and is desirable for the bank. The rationale behind this is that the customers know that finally they will be the owner of the projects and bank is sure that it would gain profit by maintaining its ownership share.

6. Jurisprudential nature of declining partnership

Although there are various opinions on the jurisprudential nature of declining partnership, the reality is that this contract is a partnership contract in whicha condition is inserted. Hence the contract itself and the condition are both Shariah- compatible.

This contract is compatible with the desired goals and external reality.Therefore, it is necessary to pay attention to the kind of contract terms of conditions. These conditions can be divided into: conditionsabout**description**, conditions about **performance** of an act and finallyconditions of **collateral** events.

The first kind is out of the present discussion. Condition about the performance in declining partnership means that a partner promises to gradually and by certain installments pass the ownership to his partner after the project is finished. So, it is necessary that both parties have the intention of ownership at the time of contract.

In condition of collateral events, one of the partners agrees to pay certain amounts of money over specific periods of timeon the condition that its ownership would automatically pass to him after the preparation of the project. Condition about the performance is approved by all jurists and it is obligatory for the one who promises to fulfill his promise and he can be forced to do so like other kinds of law (Bojnourdi, 1974: 266).

Therefore, designing this form of declining partnership would be jurisprudentially correct, but there are disagreements on condition of collateral events. According to someImamiah jurists, this form is also acceptable and corrects (MohagheghEsfahani, 1999: 4; Mousavikhoei, 1988: 347).

If we consider the condition of collateral events as correct, which is possible from the author's point of view, it has priority over the condition about performance since there is no need for a new contract. In fact,as soon as the partner fulfills his promise (by paying each installment), he would own the proportional share; whereas the condition about performance requires that thepartner to pass the ownership to him after repayingeach installment.

7. Challenges facing declining partnership

There are some drawbacks mentioned about declining partnership which need to be dealt with. These include:

7.1. The inclusion of two sales in one

One of the important criticisms on declining partnership is that it is an instanceof two sales in one which the Holy Prophet (PBUH) has prohibited* (IbnHanbal, 1984: 175; Termezi, 1983: 350). SunnisFiqh scholars consider this hadith as authentic and act accordingly. This narration is also mentioned in ShiiteFiqh books. For example, Imam Sadiq (PBUH) says:"The Prophet (PBUH) prohibited short selling and sale and two sales in one and selling what is not available to you" (HorrAmeli, 1986, V. 18: 230).

In interpreting this Hadith, Sheikh Tusi (one of the top Shiite Fiqh scholars) has said:"If a person tells someone that I would sell a good for one thousand units of money on the condition that you buy another good for five hundred units of money, this transaction is null since two sales in one has occurred. In reality, the person does not want to sell his good to that person unless he sells his own good for five hundred units of money. For the other party to have the incentive to accept,the price should be lowered. On the other hand, since this is only a promise, it isnot obligatory to be followed. As such, the seller would be satisfied if the price gets real and the buyer must pay the extra price to him which is not determined; so the transaction is null and void" (Tusi, 1982, V. 3: 217).

There are other Fiqh interpretations regarding the issue of including two sales in one. But the important point here is that declining partnership is not sale but partnership contract with some conditions. Hence, the Hadith mentioned above does not include it. In addition, one of the general principles of Islamic finance is that partner are quite free to consider any condition in their financial relations unless it is explicitly prohibited by Shariah. But the conditions in the declining partnership are not prohibited in Shariah.

7.2. The Usury (Riba)

The challenge is that when the bank signs a contract with a customer in the form of declining partnership, neither the bank nor the customer has the intention of real partnership. The reason is

* «نهیرسولالله (ص) عنبیعینفیبیع».

simply the title itself "declining partnership". What comes to mind by hearing this title is that the bank intends from the very beginning to leave the project after satisfying the consumer financial needs and this contradicts the original intention of partnership contract. The main intention of partnership contract is gaining profit by participation of both partners and this cannot be accomplished unless the partnership persists. The result is that this contract is a pretext for escaping usury.

To answer this doubt, another look at declining partnership is necessary. Bank, as an economic entity, tries to gain profit and to do so,performsdifferent activities. In declining partnership, the bank cooperates in implementing the project with the customer. An economic project usually entails added value. If the bank assesses the implementation of the project with the other party as appropriate, it is logical for it to take action. Since usually maintaining and managing the project is difficult after it is finished and is not compatible with the aims and duties of banks, it is appropriate to transfer the ownership to other side of the contract.

On the contrary, the incentive of the customer is to compensate his insufficient financial ability to implement the project and to manage it after it is finished. Declining partnership is a contract that is compatible with the incentive of both parties. Therefore, both parties really intend to cooperate and it's not a matter of mere pretense.

On the course of implementing the project or even after it is finished (until the ownership is transformed to the customer), both parties are responsible based on their shares. Because of the, declining partnership can be considered as a real economic activity and not a tool to prevent usury.

7.3. Reluctance

It may be said that declining partnership is a contract with reluctance. For example, when a land owner goes to a bank and the bank cooperates with him in building a house in the form of declining partnership, the bank keeps the owner's land as mortgage until the last installment is paid; which is against the owner's wish. Cooperation of the bank in the construction is another thing which is imposed by the bank to the customer. So this contract may bring some kinds of reluctance to the owner.

The answer to this doubt is clear. Nobody forces the land owner to sign such a contract with the bank.He does so by his own free will and decision. In other words, if he doesn't enter in the partnership contract with the bank, his land would remain useless; but with declining partnership, he would benefit from its advantages. Along the period that the project is being implemented, both parties cooperate in managing the project and its ownership and none of them can deprive the other from this right. So, there is not any reluctance.

8. Banking applications of declining partnership

Declining partnership can have many usages. A main portion of these applications can be in the banking system. Two kinds of these applications are discussed below:

8.1. Financing projects

A person who has the intention of an economic activity but does not have the sufficient cash capital goes to the bank and asks services in the form of "declining partnership". The bank takes into consideration all technical, economic and profitability dimensions of the intended activity and then finances the financial insufficiency of the investor. In the contract a condition might be set in which the person repays the original capital of the bank along with the expected profit in certain due times and proportionate to the revenues earned from the project. Therefore, the share of the bank gradually decreases and at the end of the project the bank gains all of its original capital alongside with the profit and the investor becomes the owner of the plan.

8.2. Financing housing

Declining partnership can be used for buying or building houses; in a way that the customer and the bank jointly buy or build the intended house and then the bank gradually transfers his share to the customer. Therefore, the bank's share gradually decreases and the customer's share gradually increases and at the end, the customer becomes the owner of the house.

9. Operational models of declining partnership

Different operational models can be suggested for implementation of the declining partnership. Three of them are discussed below:

9. 1. The model of combining partnership, leasing and sale

This operational model for declining partnership can work in this way. First,the customer signs a contract with the bank and they go for buying a specified property together. At the second stage, the bank rents his share of property to the customer.For example, the customer pays 20 percent of the cost of the property and bank pays the 80percent remaining cost. At the third step, the customer pays the 80 percent share of the bank periodically until the property is completely possessed by the customer.

The financial amounts of rent between the customer and the bank are divided by the partnership shares of them in various times. The proportion of the customer's share increases after each payment of rent. Accordingly, the process of declining partnership is designed as follows:

1. The customer chooses the intended house and presents it to the bank;
2. The bank confirms the customer, seller and the house;
3. The bank and the customer jointly buy the house and the ownership is divided between them according to their shares;
4. The customer rents the bank's share in the house and in return, pays installments monthly;
5. Some part of the payment is the rent for using the benefits of the house and some other is used for buying it;
6. The rent is determined fairly according to the rent of similar houses in real economy. The extra amount which is paid by the customer to the bank gradually decreases the ownership of the bank and accordingly increases the ownership share of the customer (Fazelian andEslamibidgoli, 2005: 90).

7. At the end of the period of payments, the ownership of the house transfers to the customer.

9. 2. The model of combining partnership and the condition of ownership

Although the previous model is compatible with jurisprudential criteria, calculating the rent and the monetary value of each share, as was mentioned, makes banking operations complex. Considering this, a simpler model can be presented. This model can be presented in this way that after financing the house jointly by the customer and the bank, the bank, based on the condition at the time of the partnership contract, transfers his share to the customer on certain installments.

Since this is done through time, the price can be more than the price of one time transfer. As such, there is no need to calculate separate rents. Like what banks do in the normal leasing contracts where they include the total price of the house, regarding the length of the period of the contract, in the rent.Hence, the rent is distributed according to the price of the partnership shares.

This model, in addition to compatibility with the bank's incentives because of maintaining ownership until the end of the period, is also compatible with the customer's motivations. Moreover, the procedures for conducting this model are also very simple. The stages of this operational model would be as follows:

1. The customer chooses the house or the commodity and presents it to the bank;
2. The bank confirms the customer, the seller and the house;
3. The bank and the customer jointly buy the house and the ownership is transferred proportionally;
4. The bank sets a price for his share and transfers it in the form of equal installments to the customer;
5. By paying each installment, the bank's share decreases and that of customer increases;
6. According to their agreement, the customer uses the bought house until the end of the period;
7. At the end, customer becomes the sole owner of the house.

It should be noted here that this operational model has some advantage in comparison with the first model. The first merit of this model is simplicity which happens as a result of omitting the rent (in fact better consideration of the rent in relation to the price). The second merit is that unlike the first model where sale contract is used, here "transfer in return of certain monetary amounts" or in other words "ownership in return of certain monetary amounts" are considered as a condition at the time of the partnership contract. In thiscase, it is not necessary to follow the conditions of sale contract.

9.3. The model of declining partnership for building property

This model can be mostly used in building projects. In fact, Industrial and service projects can be designed based on the declining partnership contract. Although the operational model for various projects might be different, but their common aspect can be presented as follows:

1. The customer presents his request for building the intended project to the bank;
2. The bank sends his experts to investigate different dimensions of the project and evaluate its cost-benefits;

3. After determining the share of each party, the project is implemented and is put into practice. Implementation and usage of the project can be done by either the bank or the customer. It depends on their agreement;
4. Using the index of selling on credit or based on predicting future prices and the length of time, the price of the project and the installments are determined;
5. At the end of the installments, the customer becomes the owner of the project and therefore, the bank transfers the related documents to the customer;
6. For projects which generate profit after they are completed, the benefit is dedicated to the partners in proportion to their capital unless there is a special agreement between them;
7. The amount of the profit of the transferable partnership share can be determined according to the amount of the profit of other contracts;

10. Price determination in declining partnership models

One the important issue in the declining partnership models is determination the price. The question is that can the partners of the declining partnership contract determine the installments at the time of the contract or should they leave it to the condition of market (at the time when they are due)? Some scholars consider determining the price as a means of usury and believe that in this case, declining partnership contains the trick of usury (Zuheyli, 2003: 495).

The reason is that in the aforementioned hypothesis, one party (like the bank) transfers his share at a price which holds the original capital plus its profit; as if the party has received the interest of his money. The answer to this challenge is that if determining the price entails usury, therefore we must also consider transactions like sale on credit as false and incorrect since the price is precisely determined and divided into installments at the time of the transaction; but it is not the case. So, determining the installments at the time of the contract has no problem if the partners' aim is not the trick of usury. Considering all this, one can come to this conclusion that there is no problem with profit determination in the declining partnership contract.

11. Declining partnership Sukuk

In order to use declining partnership in financial markets it is necessary to design appropriate and innovative financial tools. For instance, suppose public orprivate companies (or municipalities) want to build a project and they have the capability to do sobut they do not have the necessary credit and inevitably they must provide some of the costs by themselves and use the rest from the savings of people. They also want to buy the share of the people after building the project in certain time periods and become the sole owner of the project. The time of implementation and completion of the project is evaluated and a specific time for repaying the people's money and the end of partnership is determined.

In these situations, the representative of the aforementioned institutions may go to the financial organization and imparts them the request of publishing the Islamic bonds (Sukuk). The financial institution publishes the Sukukand sells them to investors and gives the received money to the related institution. The financial institution receives some money as the commission fee from the institution based on previous agreement. According to the rules of partnership contract, the owners ofSukuk are joint owners of the project in proportion to the nominal value of their Sukuk.

In addition, they possess any increase in the price of the properties of the project and its benefits. In the previous hypothesis, the institution which asks for the Sukukis the partner of the owners ofSukuk and has the responsibility of implementing the project. The publishers of the Sukukcan pay an amount of money as the profit of the Sukukto the owners to increase their motivation and at the end of the period, deduce it from the final profit.

One important issue here is the Secondary market of declining partnership Sukuk. Declining partnershipSukuk can be sold or bought in secondary market until they are due. The seller of theSukuk (who is the owner of the joint share of the project until the selling time) transfers his share to the buyer. The buyer is completely aware of the condition of the contract and by accepting the condition buys theSukuk.Therefore, just like the original contract in the primary market, the transfer of ownership to others in the secondary market is also correct.

12. Conclusion

This paper tried to discuss the Jurisprudential and Economic possibility of using Declining Partnership, as a new financial instrument, in the context of Islamic banking. Based on the above discussions, some important points can be highlighted here:

- All of the contracts which are used in the primary and secondary markets of declining partnership can be Shariah-compliant.
- It is possible to gradually transfer one of the partner's shares to another by including the condition of selling the share of one partner to another at the time of partnership contract. This model is applicable in instances where two partners construct a project jointly and also includes when they buy a ready project. The only difference of these two forms is that in the first one the profit of the project is gradually calculated and paid but in the second one only the price of the project is divided into installments.
- Using declining partnership has merits; the most important ones are: diversity of tools in the financial system without usury, involvement of both parties in a real activity until the last installment, bank's security if the partner defaults, compatibility with the motivation of both the owners of monetary capital and the economic agents.
- Contract term of condition as the condition about performance of an act is correct and compatible with the popular religious decree of jurists but as the condition of collateral events is not in line with a group of jurists' opinion.
- Declining partnership has many usages. For examplea bank or a financial institution cooperate with those who cannot afford to buy a house or perform economic projects and then a condition is setin which after buying the house or completing the project jointly, the partner would become the owner by gradually paying certain installments.
- When a condition is made at the time of the contract, it is obligatory to fulfill it and until the contract exists it is obligatory to be loyal to it. Of course, they can nullify the contract and in this case the condition would be nullified as well.
- One of the capabilities of the declining partnership is the possibility of making tools by it. In this case,the owners of declining partnershipSukuk can transfer their conditioned

ownerships to others by selling them. therefore, the secondary market of theseSukuk has no faults.

- It is clear from what was said that new transactions and tools can be designed by including legitimate contract terms of condition and also by combining different kinds of contracts which create diversity and shows the efficiency of the Islamic banking theory in real world.

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The Impact of Severity of Halal Violation and Recovery Satisfaction on Consumer Boycott

by

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Abstract

This research explores the effect of psychological contract violation (PCV), recovery satisfaction and severity of *halal* violation on product boycott. A total of 317 questionnaires was collected amongst customers that were aware and/or had experienced the violation of a halal product in Malaysia. PLS-SEM structural equation modelling was used to examine the model. The results of this investigation showed that recovery satisfaction, severity, and PCV are important factors in influencing product boycott. The contribution of this study is evident as the resulting outcomes can serve as guidelines for managers to design recovery action towards *halal* violation. This study is among the first few attempts towards investigating *halal* violation and psychological contract violation effect.

Keywords: Halal, Psychological Contract Violation

1. Introduction

Halal can no longer be viewed as purely religious-centered, but it is certainly an important industry, especially for the companies which desire to expand their business internationally. The term "halal" has seated its position in the global marketplace and is becoming a lucrative business not only among Muslim but also non-Muslim countries as a global symbol for quality assurance and lifestyle choice. It is reported that *halal* has been growing fast with a profitable industry expected to be worth USD1.6 trillion worldwide by the year 2018 (Beer, 2014). Generally, there are over 100 agencies worldwide which are authorised to deal with *halal* certification of *halal* products and services. Such agencies are JAKIM (Malaysia), Majelis Ulama Indonesia (MUI), The Islamic Religious Council of Singapore (MUIS), The *Halal* Institute of Thailand, *Halal* Australia, The Muslim Food Board (United Kingdom) and ISWA *Halal* Certification (United State of America). The establishment of these agencies is to safeguard the consistency of quality standard and guidelines for *halal* products and services. Most of the companies which have *halal* accreditation awards are responsible for delivering a pure, hygienic, healthy, and *halal* products and services. For Muslim consumers, the degree of confidence in Halal food is related to the certainty and uncertainty about the process attributes (i.e. processing and handling leading to the Halal status), as well as the safety in terms of the wholesomeness and “Halalness”. Several researchers (e.g. Masnono, 2005; Mohamed et al., 2013 suggested that the level of confidence on Halal logo can influence consumers decision on the type of food products that they would like to purchase and consume.

Despite the effort to ensure that the specified rules are adhered by companies that are claiming to produce *halal* product or services, *halal* violations are still being reported. For instance, there are several incidents such as Cadbury in Malaysia that received complaint involving traces of porcine (Hafiz, 2014; Ghazali, 2014); High 5 bread maker (the Silver Bird Group) in Malaysia (www.halalmedia.net) and Midamar Corp., a beef supplier company based in Iowa has been alleged for fraud by not meeting the *halal* standard in meat slaughtering process (Dailymail, 2014).

Following the breakout news of *halal* violation, customer response such as product boycott, negative words of mouth and switching to a competitor are expected to bring damage to the brand and the company reputation. Past studies found a strong relationship and clear link between religiosity in Islamic collective cultures and consumer behavior, such as boycotting (Al-Hyari *et al.,* 2011; Gaither and Curtin, 2007). Severity of violation has been found to affect customers' trust and/or behavior in trust repair (Bansal and Zahedi, 2015) and service failure recovery (Weun et al. 2004; McQuilken 2010). In view of the gap in the literature and the rising importance of the issue, this study aims to explore the *halal* violation incidences by investigating the effect of severity of the *halal* violation, recovery satisfaction and psychological contract violation on product boycott.

The paper is organized as follows: First, the conceptual background and hypothesis are presented, followed by methodology used. Then, the results of the study are presented along with discussion, and conclusions.

2. Literature Review

There are several ways consumers react to maltreatment by companies. Some consumers engage actively in negative word of mouth behaviors, complaining, boycotting companies, taking legal actions, and other forms of protest that can cause a negative impact to companies (Grappi *et al.,* 2013).

Halal violation can be viewed as unethical corporate behavior that may elicit negative consumer emotions and behavior (Lindenmeier, 2012). this study operationalizes the severity of *halal* violation as customers' perception of the seriousness of the violation and the magnitude of loss experienced as an outcome of the offence.Past studies suggest that consumer negative reaction, when unfavorable events happen, can be attributed to anger (Kalamas *et al.,* 2008). Customer anger can be defined as a set of emotional responses stimulated during product usage or consumption experiences (Kalamas *et al.,* 2008). Consumer outrage is a subcategory of moral outrage associated with detrimental consumer behavior, and particularly boycotting behavior (Lindenmeier *et al.,* 2012). Lavorata (2014) argued that product boycott occurs when consumers avoid specific products and brands due to companies' unethical credibility. Most consumers participate in product boycotts as a way to express their dissatisfaction (Braunsberger & Buckler, 2011). By participating in product boycott, consumers can force the company to change or abandon behaviors that are considered to be unethical or socially irresponsible (Glazer *et al.* 2010).

In the case of *halal*, once a product is found to violate the *halal* certification, whether it is either a speculation or actual incident, consumers especially Muslims are expected to feel betrayed and angry. Such violation will normally affect the customers to engage in negative consumption behavior such as product boycott. Recent studies found that consumers with resilient relationships with the company are likely to react the most negatively (Trump, 2014). Accordingly, customers who feel more betrayed by the company are more prone to feel betrayed, which leads them to a higher level of retaliation (Grégoire and Fisher, 2008).

In addition, customer satisfaction with the recovery action taken by the company might also effect product boycott. Past studies found that service recovery is designed not just to resolve problem but also to alter negative behaviour from dissatisfied customers, and ultimately to positive WOM (Maxham III and Netemeyer, 2002); revisit intention (Kim et al., 2009) and retain these customers (Gronroos, 1988; Miller et al., 2000).

Therefore, a research model was constructed as figure 1. Product boycott as dependent variables whereas recovery satisfaction and severity of halal violation as independent variables.

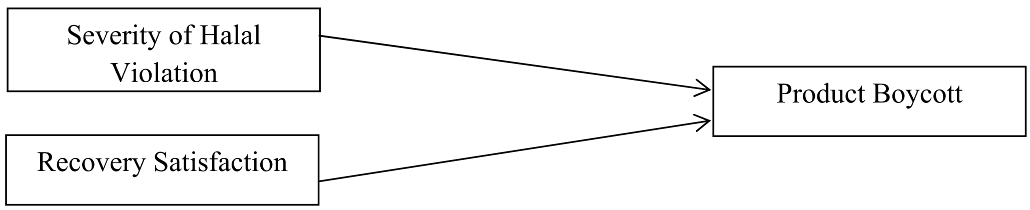

Figure 1 Conceptual framework

This study is developed to test the following hypotheses:

H1 : Severity of violation on *halal* is associated with the product boycott.
H2 : Recovery satisfaction of the breach on *halal* is associated with the product boycott.

3. Methodology

Sampling Design and Procedures

This study relies on customers who had experienced the violation of *halal* products. The respondents were given a list of *halal* violation incidents in Malaysia, and they were required to choose a specific incidence in answering the questionnaire. The data were collected using self-administrated structured questionnaire and convenience sampling. The first section of the questionnaire covers the purchasing patterns such as frequency of purchasing halal products. The second sections are regarding the factors that influence product boycott. Whereby, the factors are product boycott (Abosag and Farah, 2014), severity of Halal violation (Weun et al. 2004) and recovery satisfaction (McQuilken, 2010). The third sections are regarding demographic and personal detail of respondents. Questions were measured on a 5-point Likert- scale ranging from 1=strongly disagree to 5=strongly agree , ordinal scale and norminal scale. At the end of the data collection period, a total of 360 questionnaires were collected. However, only 317 useful questionnaires were valid for further analysis (88%).

4. Data Analysis and Results

The internal consistency or reliability of the scale was assessed by Cronbach's alpha. The Cronbach's alpha reliability coefficients were within the range of 0.844 to 0.951 exceeded the minimum acceptable value (0.60) indicated by Hair (2006).

Table 1 Reliability Coefficients

Constructs	Alpha Cronbach	Mean	SD
Boycott	0.947	3.10	0.989
Recovery satisfaction	0.951	3.42	0.979
Severity	0.844	3.45	0.672

Out of the 317 questionnaires collected, 59% of respondents were female. 66% of the interviewees were married. Furthermore, the age group of 20-29 years (47.3%) account for the biggest portion of the sample followed by age 30-39 (33.8%) and 40-49 years (13%). For education attainment, about 49% possessed a postgraduate degree (master and Ph.D.), 34.7% bachelor, and 7.4% diploma. Muslim is the largest, with 76% of the respondents.

The assessment of the measurement model involves examining the relationship between the construct and its items. With regards to indicator loadings, the common rule of thumb for item loading is .708 or higher (Chin, 2010; Fornell & Larcker, 1981). With regards to reliability, the examination of the composite reliability revealed that the value exceeded the cut-off value of .7 (ranging from .895-.965) and the AVE was also above .50 (ranging from .681-.872). These results indicate that the constructs in this study possess a high level of consistent internal reliability.

Next, discriminant validity was assessed by examining the Fornell-Larcker criterion, and cross-loadings, of the items. For this purpose, individual item reliability was further examined for its cross-loading. All the elements loading were checked to ensure that the loadings are higher in its corresponding construct than others. As recommended, each item loading should exceed the cross-loading by at least .10 (Gorla et al., 2010). The square root of AVE for reflective constructs are higher than the correlation with the other constructs which satisfy the Fornell –Larcker (Table 2). All things considered, the finding suggests the adequate discriminant validity of the constructs and items tested for this study.

Table 2 Fornell-Larcker Criterion

	BC	RS	SEV
BC	.928		
RS	-.521	.933	
SEV	.367	-.155	.825

The significance of the model's structural path was further inspected by running the bootstrapping procedure in SmartPLS 3.0 with 1000 samples and 317 cases. Table 3 shows the significance testing result encompassing the path coefficient, the standard error, t-statistic, and the significance level of the analysis. The result hypothesis testing presents that two paths were statistically significant at the .05 and .001 levels (Hair et al. 2013).

The path coefficient was statistically significant for the effect of severity of the *halal* violation and recovery satisfaction on boycott with path coefficients of β equal to .204 ($p < .05$) and

=.534 (p < .05) respectively. Recovery satisfaction was negatively related to boycott and displayed larger path coefficient compared to severity. Thus, both H1 and H2 were supported.

Table 4 displays the result of the effect sizes for the structural model. The result revealed that the highest effect size of the model is on the influence of recovery satisfaction on boycott (.140), followed by the effect of severity on boycott (.010). The effect size for this model is within the range of small to medium effect size.

Table 3 Significance Testing Results

	Path coeff.	***S.E.***	***T-Stats***	
Severity → Boycott	.204	.079	2.763	Supported
Recovery satisfaction → Boycott	-.534	.127	4.122	Supported

Table 4 Effect sizes (f^2) of the latent variables

Structural Path	**Effect Size (F^2)**	**Rating**
Severity → Boycott	.010	Small
Revsatis → Boycott	.140	Medium

Note. The values of f^2; .02, .15, .35 for small, medium, large degree of predictive relevance

5. Discussion and Conclusion

The aim of the present study was to investigate the effect of severity of the *halal* violation, and recovery satisfaction on boycott towards the *halal* products. As hypothesized, the severity of *halal* violation is significantly associated with consumers' engagement in products boycott, thereby offering support to prior literature (Hess, 2008; Mukherjee & Nath, 2007) on the importance of severity of *halal* violation from a customer point of view.

Recovery satisfaction is also found to be significantly related to product boycott. The finding explains that the more satisfied the customers towards recovery action conducted by the company on the *halal* violation, the less likely they will engage in product boycott. As this is confirmed, a company should pay attention to react wisely when involving in *halal* violation incidence. Immediate and trustworthy actions are necessary to reduce the damage. The results of this study emphasise that the practitioners should take precautions on the *halal* issue due to its effect in causing consumers to participate in product boycott. Violating *halal* requirements among companies, particularly the businesses that have obtained a *halal* certificate is unacceptable to the Muslim community, considering that consuming the *halal* product is vital for them to maintain spiritual purity. In response to the current *halal* issue, this study is the first to examine the moderating effect of PCV in the context of *halal* violation. Therefore, this study can provide new insights into the *halal* literature and practitioners in facing *halal* violation incidents.

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Market Penetration for Private Universities in ASEAN Countries under AEC

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Abstract

Private universities as a college or university often operates as an educational nonprofit organization. It does not receive its primary funding from a state government. Normally, private universities must be accredited by the Association of Private Higher Education Institutions of Thailand. According to the Thai Commission on Higher Education's Bureau of International Cooperation Strategy, international education in Thailand is an important factor for the economy. Therefore, there would be great opportunity to attract several thousand of international students from overseas especially in the Asean community. To acquire new perspective students from overseas, it was the key challenge and attempt of harmonization of multicultural way in private universities. The research study presented was the implication of AEC affecting on private universities' educational system to penetrate a new market. The objectives of this research study were to: 1) attempt to discover whether private universities engaged in marketing activities to facilitate their enrollment, and 2) criticize a marketing plan including marketing environmental analysis, SWOT analysis, marketing objective/strategy, and marketing implementation to open and seek new market opportunities of perspective students under AEC.

Keywords: Market Penetration, Private University, ASEAN, AEC

1. Introduction

Wikipedia (2016) defined private universities as the universities that are not operated by governments. Many private universities receive tax breaks, public student loans, and grants, depending on their location. Private universities may be subject to government regulation that is in contrast to public universities and national universities. Most private universities, therefore, are non-profit organizations. DHS (2013) identified private universities as a college or university that often operates as an educational nonprofit organization. It does not receive its primary funding from a state government. It is said that private schools generally are smaller than public schools and have smaller class sizes than public schools. Some private schools may have religious affiliations. Private schools usually have a smaller selection of majors but may offer more specialized academic programs. Unlike public universities, it is a college or university primarily funded by a state government. Public colleges and universities generally are larger than private schools and have larger class sizes. In Thailand, both private and public universities should be accredited by the Royal Ministry of Education to award academic degrees.

Normally, private universities must be accredited by the Association of Private Higher Education Institutions of Thailand (APHEIT). APHEIT was established in 1979, and is an incorporated non-profit association founded by a group of private higher education institutions in Thailand to establish and promote cooperation among private higher education institutions in the country. APHEIT is recognized by Ministry of Education in Thailand as one of the organizations that plays an important role in Thailand's university administration. Furthermore, some universities may offer only undergraduate programs, others that are colleges within universities may offer both undergraduate and continuing education. Other 4-year colleges are private institutions and offer undergraduate studies, and 2-year colleges that offer vocational education. All public and private universities and colleges offer program conducted in both Thai and English languages. Some of universities offer higher education conducted in other languages in international program. According to the Thai Commission on Higher Education's Bureau of International Cooperation Strategy, international education in Thailand is an important factor for the economy. Not taking into account international schools, universities with these international programs generated 58.2 billion Baht in revenue from them in 2007, up from 52.6 billion Baht and 40.8 billion Baht in 2006 and 2005 respectively. Therefore, there would be great opportunity to attract several thousand of international students from overseas especially in the Asean community.

The Association of Southeast Asian Nations (Asean) is a political and economic organization of ten Southeast Asian countries. Since its formation on August 8, 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand, the organization's membership has expanded to include Brunei, Cambodia, Laos, Myanmar (Burma), and Vietnam. Its principal aims include accelerating economic growth, social progress, and sociocultural evolution among its members, alongside the protection of regional stability and the provision of a mechanism for member countries to resolve differences peacefully (Wikipedia, 2016). Asean covers a land area of 4.4 million square kilometers, 3% of the total land area of Earth. Asean territorial waters cover an area about three times larger than its land counterpart. Member countries have a combined population of approximately 625 million people, 8.8% of the world's population. In 2015, the organization's combined nominal GDP had grown to more than US$2.8 trillion. It is further detailed by Wikipedia (2016) that if Asean were a single entity, it would rank as the seventh largest economy in the world, behind the USA, China, Japan, Germany, the United Kingdom and France.

Due to the opportunity in penetrating the Asean market, a number of private universities seek to acquire new perspective students from overseas, it is the key challenge and attempt of harmonization of multicultural way in private universities. The research study presented was the implication of AEC affecting on private universities' educational system to penetrate a new market. The need to market the educational opportunities, resources and services has become more pressing as the private universities have experienced a reduction in its enrollment during the past several quarters. The objectives of this research study were to: 1) attempt to discover whether private universities engaged in marketing activities to facilitate their enrollment, and 2) criticize a marketing plan including marketing environmental analysis, SWOT analysis, marketing objective/strategy, and marketing implementation to open and seek new market opportunities of perspective students under AEC.

2. Literature Review

2.1 Theory and Definition

Marketing Penetration

Market penetration refers to the successful selling of a product or service in a specific market, and it is measured by the amount of sales volume of an existing good or service compared to the total target market for that product or service. Market penetration is the key performance metric for a business growth strategy stemming from the Ansoff Matrix (Richardson, M., & Evans, C. (2007). H. Igor Ansoff first devised and published The Ansoff Matrix in the Harvard Business Review in 1957, within an article titled "Strategies for Diversification." The grid/ matrix is utilized across businesses to help evaluate and determine the next stages the company must take in order to grow, and the risks associated with the chosen stratety. With numerous options available, this matrix helps narrow down the best fit for your organization. This strategy involves selling current products or services into the existing market in order to obtain a higher market share. This could involve persuading current customers to buy more and new customers to start buying or even converting customers from their competitors. This could be implemented using methods such as competitive pricing, increase in marketing communications or utilizing reward systems such as loyalty points/discounts. New Strategies involve utilizing pathways and finding new ways to improve profits, increase sales and productivity, in order to stay relevant and competitive in the long run (Wikipedia, 2016).

Public and Private University

A public school is a college or university primarily funded by a state government. Public colleges and universities generally are larger than private schools and have larger class sizes. At a public school, you will likely have a larger selection of majors than you would at a private school, with both liberal arts classes and specialized programs. While, a private school is a college or university that often operates as an educational nonprofit organization. It does not receive its primary funding from a state government. Private schools generally are smaller than public schools and have smaller class sizes than public schools. Some private schools may have religious affiliations. Private schools usually have a smaller selection of majors but may offer more specialized academic programs.

Education and Marketing

Education is the process of facilitating learning, or the acquisition of knowledge, skills, values, beliefs, and habits. Educational methods include storytelling, discussion, teaching, training, and directed research. Education frequently takes place under the guidance of educators, but learners may also educate themselves. Education can take place in formal or informal settings and any experience that has a formative effect on the way one thinks, feels, or acts may be considered educational. The methodology of teaching is called pedagogy. Education is commonly divided formally into such stages as preschool or kindergarten, primary school, secondary school and then college, university, or apprenticeship. A right to education has been recognized by some governments, including at the global level: Article 13 of the United Nations' 1966 International Covenant on Economic, Social and Cultural Rights recognizes a universal right to education. In most regions education is compulsory up to a certain age.

Education in Thailand is provided mainly by the Thai government through the Ministry of Education from pre-school to senior high school. A free basic education of twelve years is guaranteed by the constitution, and a minimum of nine years' school attendance is mandatory. In 2009 the Ministry of Education announced the extension of a free, mandatory education to fifteen years. Formal education consists of at least twelve years of basic education, and higher education. Basic education is divided into six years of elementary education and six years of secondary education, the latter being further divided into three years of lower- and upper-secondary levels. Kindergarten levels of pre-elementary education, also part of the basic education level, span 2–3 years depending on the locale, and are variably provided. Non-formal education is also supported by the state. Independent schools contribute significantly to the general education infrastructure. Administration and control of public and private universities are carried out by the Office of Higher Education Commission, a department of the Ministry of Education.

Marketing is the communication between a company and the consumer audience that aims to increase the value of the company or its merchandise, or to raise the profile of the company and its products in the public mind. The purpose of marketing is to induce behavioral change in the receptive audience. The American Marketing Association has defined marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large." The techniques used in marketing include choosing target markets through market analysis and market segmentation, as well as understanding methods of influence on the consumer behavior. From a societal point of view, marketing provides the link between a society's material requirements and its economic patterns of response. This way marketing satisfies these needs and wants through the development of exchange processes and the building of long-term relationships. In the case of nonprofit organization marketing, the aim is to deliver a message about the organization's services to the applicable audience. Governments often employ marketing to communicate messages with a social purpose, such as a public health or safety message, to citizens.

Asean Economic Community

The Association of Southeast Asian Nations (Asean) has made extraordinary progress since it was founded in 1967. It has been transformed into an increasingly well-regulated, dynamic and creative platform for trade and commerce across what many regard as the world's fastest-developing economic region. ASEAN's Member States comprise Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The year 2015 is a key milestone in the ASEAN integration agenda. Economically, ASEAN as a region has achieved significant progress and prosperity. GDP has nearly doubled since 2007 (when the AEC Blueprint was first adopted) to the present, with a combined GDP of over US$2.5 trillion, while average GDP per capita grew by almost 80% to over US$4,000. Over the same period, ASEAN has also become more influential, with widening markets regionally and globally. By 2014, it is Asia's 3rd largest, the world's 7th largest, and among the most advanced integrated markets. With a combined population of over 622 million, ASEAN has a vast consumer base, behind only China and India globally. Over 50% of ASEAN's population is under the age of 30, making up a large portion of both the current and future workforce.

2.2 Literature Survey

Chapman (1981) maintained that college choice was influenced by student characteristics as well as by external influences. Student characteristics included two major determinants of choice: socioeconomic status and academic performance. External influences ranged from the involvement of significant persons (friends, parents, and high school personnel), college characteristics (location, cost, and availability of the program), and attempts of the college to communicate with prospective students (written information, campus visits, printed recruitment materials, and other activities). College characteristics became the main focus of several studies that followed.

Cerny (1992) conducted a study comparing schools with written marketing plans and those without written plans by measuring against the attainment of their enrollment goals. The results suggested that schools and colleges should have a carefully written marketing plan in order to pursue the goal of increased enrollment. In the study, Cerny divided schools into four groups according to how actively they engaged in marketing strategies and how well they laid out their plan. The groups were termed laggards, traditionalist, promotionalists, and marketers. The tradtionalists were those schools who were highly competitive and well established in image and reputation. They reported having used a minimal number of marketing strategies. The marketers employed written marketing strategies and reported achieving a better than 80% enrollment goal. The marketers were found to be the most successful when reputation and image factors were controlled. Promotionalists were those who used some marketing strategies but who lacked a clear direction of where they were heading. They had difficulty being competitive. Laggards were not marketing oriented and were far lower in achieving their enrollment goals.

Webb (1993) studied graduate business student's college-choice criteria. She found that students identified 15 major college-choice factors: academic reputation, accreditation, evening classes, programs, and potential degree marketability, part-time programs, completion time, proximity of the college location to home, tuition, books, fees, faculty contact time, location, library size, reputation in the community, parking, and placement reputation.

Meeharn (193) studied students who chose to enter teacher's education in the north-eastern provinces of Thailand. She found that academic achievement, family wealth, occupation, and education were the major indicators that determined students' self perception. Students later used their self-perceptions to choose their future careers or education. The study concluded that their choices were also based on academic achievement, parents' education, parents' income, peer influence, college location, and program availability.

Absher and Crawford (1996) took a step further by attempting to identify market segmentation among community college students. They surveyed students at four community colleges in northern Alabama. The survey asked students to rate 29 factors that influences their choice of that particular college. The students were later segmented into groups according to their responses to these factors. The four groups identified by Absher and Crawford were: the practical-minded, advice seekers, Joe college, good timers, and warm friendly. The study concluded that the highest ratings for the 29 selection variables were overall quality of the education, types of academic programs, tuition and fees, overall reputation, and faculty qualifications.

Kotler and Fox (1995) pointed out that schools rely heavily on mass-media advertising and telemarketing to attract students. They also suggested that private vocational schools suffer from an image problem because they have focused more on profit than on delivering customer value, which is one aspect marketing attempts to solve. Vocational education in Thailand, especially in the private sector, is less desired by students than public education. Because of its nature as skill-oriented training, vocational education is not highly respected compared to general education. They also proposed six stages in the evolution of marketing at educational institutions. The evolution starts from the notion that marketing is unnecessary for education and progresses through the beliefs that marketing is promotion, marketing is segmentation, marketing is positioning, marketing is strategic planning, and marketing is enrollment management. These stages offer a framework through which to explore the understanding and use of marketing among educational institutions. They can be used to categorize and explain the ways in which educational institutions apply any marketing techniques.

Catri and Barrick (1996) studied the marketing plan and the effectiveness of marketing in the Ohio Vocational Educational Planning District (VEPD). The study investigated the VEPD superintendents' perceptions of their role in marketing secondary vocational education and its perceived effectiveness with regard to customer philosophy, strategic marketing planning, and operational efficiency. The largest groups of the superintendents responded positively to their roles in marketing functions but were undecided about the effectiveness of their efforts. The study recommended in-service education for administrators of the VEPD to provide them with a technical framework for helping the VEPD develop its marketing effectiveness.

Jivasantikarn (2003) stated that education in Thailand is expected to shift from a sellers' market to a buyer's market. Students and parents will enjoy a range of opportunities to choose an educational institution without having to be overly concerned about affordability. However, public and private schools will be competing for higher enrollment to receive higher amounts of per capita subsides, Moreover, the new educational law will give public higher educational institutions the authority and autonomy to undergo privatizations. Private vocational schools will have to compete in two markets, the upper-secondary level and higher education. It is a difficult task to accomplish, and they will have to word hard to survive the new buyers' market.

3. Marketing Plan for Private University

An exemplary case study was selected and named as Sripatum University. Its missions statement identifies the responsibility to determine student needs and set priorities for the use of college resources to achieve the outcomes. As stated in the mission statement, the institution works with its partners to provide a variety of educational opportunities, including:

- Courses and training for university and college transfer
- Occupational and technical programs
- Basic skills and developmental education
- Pre-employment and customized training for local business and industry
- Support services for students

The marketing plan of Sripatum University identifies the importance of analyzing and improving "its various approaches to develop a comprehensive plan which includes developing annual marketing goals and objectives as well as identifies marketing strategies and tools needed to share information about college resources. The need to market the institution's educational opportunities, resources and services has become more pressing as the college has experienced a reduction in its enrollment during the past several quarters. Because enrollment is linked directly to funding, the major challenge is to increase enrollments. Marketing has been identified as a method for increasing student enrollment through targeting underserved populations, improving the image of the institution, and to increase awareness.

3.1 Analysis

Sripatum University (SPU) is one of the oldest private universities in Bangkok, Thailand. Dr. Sook Pookayaporn established the university in 1970 under the name of Thai Suriya College. In 1987, the college was promoted to university status by the Ministry of University Affairs, and has since been known as Sripatum University. "Sripatum" means the "Source of Knowledge Blooming Like a Lotus" and was conferred on the college by Her Royal Highness, the Princess Mother Srinagarindra (Somdet Phra Srinagarindra Baromarajajanan). She presided over the official opening ceremony of SPU and awarded vocational certificates to the first three graduating classes. Sripatum University is therefore one of the first five private universities of Thailand. In 2002, Sripatum University was accredited by the International Standards Organization (ISO9001:2000) for both undergraduate and graduate programs. Furthermore, Sripatum University offers 10 Schools & 6 Colleges, and its Sripatum International College offers 8 international academic programs taught in English: International Business Management, International Hospitality Management- A joint academic program with SHML in Switzerland, International Logistic & Supply Chain Management, Airline Business, Media & Marketing Communication, Accountancy, Business Chinese - A dual-degree with Beijing Language & Culture University, PR. China, Thai Studies.

Environmental Analysis

1. The Marketing Environment

Competitive forces include the draw of four year institutions including state and private universities. Students are enticed by programs offered by the larger community and technical colleges. Private universities in Bangkok seem more attractive to students especially Bangkok University, Rangsit University, or University of the Thai Chamber of Commerce, or other universities nearby

Economic forces include a business dominated community that is primarily urban with communities separated by great distances with a population challenged by incomes lower than the province average, and where social, economic and educational isolation is a concern. Many of the students commute distances of 10 and sometimes 20 kilometers one way to attend university. In addition, tuition prices continue to increase and are out distancing financial aid re-imbursement. The university is currently experiencing lower enrollment which may be attributed to an improved economy and the need for some students to work to provide financial support for their families.

Political forces include competition with other governmental agencies for limited tax. The province funding model ties revenue directly to enrollment with, country funds are shrinking due to economy recession.

Legal and regulatory forces continue to govern assessment and accountability. The institution's need to meet institutional and program accreditation standards continues to be an item that requires much attention and effort.

Technological forces include the need to meet technology improvements in equipment and software to enhance university operations and the need to keep the equipment and instruction updated in professional programs. The institutions connectivity to broadband access continues to be an advantage to the institution and the community to help promote training opportunities.

2. Target Market

Target market includes high school graduates, non-high school graduates, worker retraining, displaced workers, underserved populations, and training for industry employees to improve skills.

SWOT Analysis

1. Strengths

- SPU is one of the higher education institutions accredited by the Office of the National Education Commission.
- The university has a low student/teacher ratio which provides more attention to individual students.
- SPU has good facilities with good technological support.
- SPU athletics programs provides a positive image, garners institutional support from the community, helps solidify the university community, and helps recruit students from both within and outside of the district.
- Many of the university faculty members have a Doctorate in their major course work area.
- The university has nationally recognized programs offering industry certifications.
- Broadband computer access and good technical support.
- Employment rates are high for professional program completers.
- The institution hosts a culturally diverse student body.
- The institution is centrally located in its service district.

2. Weaknesses

- There is a lack of qualified full-time instructors in the university.
- The university is located in an urban area where population is extremely condense and some students from outlying communities must travel through a major traffic jam in the morning and evening time.
- Due to limited staff, many academic employees have several teaching responsibilities with limited time to be creative.
- Rapid growth of the institution is limited by the university small area.
- Although the university is attempting to reach out and serve a large international programs, the number of staff who are fluent in English is small, especially in graduate levels.

3. Opportunities

- The institution has several intellectual properties related to technology including high speed band width connectivity to the internet. Through broadband capabilities the university is providing distance learning to off campus sites such as Cholburi or Khonkhaen.
- The institution is flexible and creative in responding to employer needs.
- The ability to partnership and develop and market articulation agreements with public and private four year institutions.
- Several opportunities for expanding services to students and increasing enrollment have been identified through grant funding.
- The SPU Foundation is supportive through providing scholarships and funding for special events, equipment and facilities.
- The institution has the opportunity to target high school graduates as a renewable source of students.
- There is an opportunity to increase enrollment by reaching out to non-high school graduates.

4. Threats

- The continual increase in tuition rates.
- The cost of transportation (increasing fuel prices).
- Competition of online course from other institutions.
- Declining overall enrollment in university programs.

Matching Strengths to Opportunities/Converting Weaknesses and Threats

- SPU is centrally located more effort can be made to make residents aware of educational opportunities and emphasize the cost savings for students.
- The university's broadband access, strong technical capabilities and the SPU Internet portal can be used to expand distance learning opportunities and offset the rising cost of transportation.
- Because SPU is a smaller institution with smaller classes and many instructors who have their Doctorate, the university can promote the additional attention that students receive in their classes and instructional expertise.
- Reach out to the new employers in the university to provide continuing education opportunities and needed employee training.
- Develop activities that promote student retention to increase student enrollment.

Marketing Objectives

1. Increase enrollment by small percentage for 2016-2017 using 2015 enrollment as a baseline.

- A three year goal is to increase 2015 enrollment numbers by 10%.
- Reduce barriers to enrollment and retention for non-traditional, at-risk and special populations by increasing the retention rate to approximately 80%.

2. Increase community awareness of SPU (increasing public awareness of the thinking, voting public including the innovators and influencers) through the promotion of educational opportunities, skill training as measured by surveys and focus groups.

3. Increase the variety and effectiveness of promotional efforts.

- Create new and improved forms of marketing and techniques which may include Web banner advertising and event driven promotions.
- Develop event driven promotions.

4. Link marketing efforts to new program and new course development and to program modifications.

5. Market training opportunities to international agencies.

Marketing Strategies

***Target Market 1*:**

High schools including home schooled students and private high schools. Appeal to and involved the parents of prospective students.

- Products: Academic transfer and professional/technical programs
- Price: Prevailing tuition
- Place: On-campus, extension sites, online, and E-learning classes
- Promotion: High School counselor on SPU campus, running start brochures, and advertisement in print and radio & TV targeted at parents.

***Target Market 2*:**

Non-traditional students

- Product: Professional/technical programs
- Price: Tuition, fees, supplies, and tools
- Place: On campus, extended sites, clinical sites, and work based learning sites
- Promotion: Host a summer camp show casing non-traditional careers

***Target Market 3*:**

Workforce retraining population (individuals that are working but need skill development or degrees to progress)

- Product: Professional/technical programs
- Price: Tuition and program fees
- Place: Campus and online
- Promotion: promotional activities, vocational week, career fairs, brochures, work place visitations, class schedules, and web page links to specific programs

***Target Market 4*:**

Current students for retention

- Products: Academic transfer, professional/technical programs
- Price: SPU Foundation scholarships; financial aid funds & awards
- Place: On-campus, online, and E-learning classes
- Promotion: Promotion of long-distance commuters; events and short workshops to promote retention including - completing applications for scholarships and financial aid

***Target Market 5*:**

International groups/agencies

- Product: Contract training and educational opportunities for international students
- Price: Tuition, contract fees, books, program fees, and housing costs

- Place: Campus and/or international sites
- Promotion: International education fairs, international educational catalogs, and the development of a more user friendly and informative web page

***Target Market 6*:**

Business and industry training

- Product: Promote customized training opportunities or a training partner.
- Price: Training prices for the most part will be at or slightly lower than industry averages.
- Place: SPU will be able to offer its facility and others on campus, or conduct training on customer premises.
- Promotion: Partner in promotion with the Thai Chambers of Commerce, direct sales of products to potential clients, or monthly newsletter via email.

Marketing Implementation

The marketing committee has primary responsibility for creating and implementing the marketing plan, and will meet on a quarterly basis to monitor activities. Spending and activities will be reviewed and documented by the marketing committee on an annual basis to evaluate and analyze effectiveness of activities and to formulate new activities for the coming year.

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Pathology of Microfinance in the Banks of Iran: Lessons to Design Islamic Microfinance System in Iran

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Abstract

Microfinance can be defined as mechanism of supplying different financial services to groups with low income. These people are not usually focus point of banks and common financial institutes because of their low credit. On the other hand, one of the main missions of Islamic banks is supplying microfinance for vulnerable classes; although banks prefer togive their resources to macro activities and avoid supplying microfinance and pay no significant attention to this sector. The main purpose of this study is to investigate pathology of this behavior of banks that can be typically the first step in way of designing Islamic microfinance system. Obtained results from this study obtained using Delphi method and analytical-descriptive method show that Moral hazard, high cost of supervision, lack of appropriate collateral, diversion of credits, strategic default, low yields and lack of resources are the most important damages of microfinance in Iranian banks.

Keywords: Microfinance, Islamic Microfinance, Pathology of Microfinance, Microfinance Institution

1. Introduction

A fundamental change or new approach is emerged over the 3 decades as microfinance, which is used as one of the instruments for economic development for low social classes and is almost common in most countries of the world.

Another issue enhancing importance of microfinance is target population of microfinance. According to available literature, not only entrepreneur poor people, but also middle class of the society are included in field of receiving microfinance. Margaret Robinson presents a Poverty Reduction Toolkit in the book "Microfinance Revolution". This book has specified 3 income levels:

1. The lower middle income
2. the economically active poor
3. very poor people

Robinson believes that the first and second groups are competent to get microfinance, sincegranting microfinance to these people can lead to development of business and ultimately, increased production (Margaret Robinson, 2001, 19-22).

If people are divided to three groups of poor, middle and rich groups in terms of economics, based on available literature in field of microfinance, target group of microfinance can't include rich class of the society.

Accordingly, other social classes are divided to 4 groups in terms of receiving microfinance: first group includes people without ability to repay origin of credit. This group of society includes "poorest of the poor" in social level. It should be mentioned that in Islamic societies, these people should be supported. Second group includes people who can repay origin of credits; although they are unable to repay interest of the credits. This group includes the poor. Third group includes people who are able to repay both origin and interest of credits; although they have usually no adequate collateral. This group includes two groups: The economically active poor and middle class. It is believed that microfinance is considered usually for second and third groups. Hence, according to population texture of the country and high potential of microfinance, it is believed that systematic implementation of microfinance can not only reduce poverty and income inequality among the poor people, but also it can lead to active entrance of middle class to economic cycle of the country and promotion of income level of this class.

2. Literature Review

Assessment of relevant literature of microfinance shows that following factors are considered as the most important damages of microfinance:

2.1. Moral hazards

Moral hazard means that recipients of microfinance announce properly the information, for which they have received microfinance. The information can include profit and return on plans:

Mas-Colell (1995) believes that the aim by moral hazard is that a contract between two parties may result in change in behavior of either both parties or one of them, so that the other party is damaged by such change in behavior. Challenge of moral hazard is related to post-contract time and one important factor for its emergence is associated with conditions that debtor reports profit or loss of economic activity wrongly with the aim of gaining more profit.

Ahmad (2002) has mentioned that the problem of asymmetric information (moral hazard) is one of the most common problems of microfinance. He believes that moral hazard is one of the most important causes of access of small firms to capital of traditional finance institutions. Hence, small entrepreneurs in developing countries face some serious problems and barriers. He believes that the problem of lack of adequate collateral on behalf of retail entrepreneurs and retail nature of loans can result in increased moral hazards. Finally, he has found that moral hazards can make evaluation and control of project expensive to minimize moral hazards.

Bennet (1998) believes that some problems can be created between microfinance institutions and their customers in developing countries. Bennet believes that the problems can lead to problem of asymmetric information.

Wilson (2007) has conducted a study and has defined moral hazard as a common concern in field of microfinance, especially in field of microfinance using partnership contracts.

Kaleem and Ahmad (2009) have conducted a study and have defined moral hazard as intentional default of facilities and believe that it is one important problem in way of microfinance.

2.2. Strategic default

Another damage of microfinance is strategic default. Strategic default means that customers of microcredits refuse to return the received facilities intentionally.

Khaleequzzaman (2007) believes that manner of repayment of facilities and stability of financial services is the most important components of stability of microfinance. At the same time, this author has discussed on necessity of paying more attention to the poor in this field and has mentioned that very poor people are rarely under attention to grant facilities. The author believes that such lack of tendency of financial institutions for granting facilities to this class is rooted in strategic default. Also, it is believed that other people of group are not tended to put collateral for these people to get loan. This is because; the members of group are not sure about repayment of the facilities by these people. Such distrust is resulted from probability of default of loan on behalf of them or their potential inability to repay the facilities.

Ahmad (2002)has mentioned in his studies that strategic default in consumptive loans is more than production loans. The author suggests to the microfinance institutions to grant production loans instead of consumptive loans. He believes that granting production loans can not only increase efficiency, but also it can increase probability of default.

Buckley (1996) has mentioned in a report that by 1993, 46% of recipients of microcredits from Malawi Mudzi institutions had delayed installments. The author believes that the reason for this problem has been high rate of consumptive grants to customers of the said institution. Among these people, almost 33% of them had at least 4 delayed installments.

Gomez and Santor (2003) have investigated microfinance in two financial institutes of Canada. After investigation of statistical population of recipients of microcredits, they announced that lack of repayment by these individuals is one of the most important damages of microfinance.

2.3. High cost of supervision

High cost of supervision means that having supervision on each facility and grant costs a lot.

Ahmad (2002) has mentioned that lack of adequate collateral and probability of strategic default and moral hazards can double necessity of having supervision on retail customers. On the other hand, physical limitations and barriers such as lack of markets, roads and infrastructural problems can make various problems with microfinance.

High cost of dealing including supervision costs is one of the most important challenges of microcredits in India[1].

1. http://www.infosys.com/finacle/solutions/thought-papers/Documents/microfinance-implementation-policy-challenges.pdf

Available information in regard with assessment of microcredits in credit unions of America shows that high operating costs is one of the key damages of microfinance in these institutions[1].

2.4. Lack of appropriate collateral

Lack of appropriate collateral refers to inability to present required collateral by retail customers.

Lack of appropriate collateral is one of the main challenges of microfinance in India. Lack of appropriate collateral for most poor people in India is the main reason for lack of granting microcredits to them[2].

According to available information, customers of promoting investment institution have no appropriate collateral to receive microcredits or have no certain credit background. Hence, the institution uses group pressure to guarantee repayment of loans by the people[3].

2.5. Diversion of credits

Diversion of creditsmeans using grants for other uses by retail customers.

Assessment of microcredits in Guatemala shows that in many cases, retail loans are used in cases other than determined fields[4].

2.6. Low yields

Clearly, microcredits should be in such manner that in addition to have yield for the consumer, they could repay installments of their loans. However, yield rate of retail businesses is usually low.

Ighbal (2004) has investigated microfinance in National Bank for Development –NBD of Egypt and has mentioned that yield of microcredits is the key challenge of microfinance in this country. According to this study, one of the most important efforts of National Bank for Development –NBD of Egypt is trying to preserve profitability of facilities for its customers.

Bromondo et al (1998: 9) have studied microfinance in Indonesia. After claiming for success of BRI, BDB and BKD project, the study has analyzed pathology of microfinance in Indonesia and has mentioned that low yield of microfinance for rural population is one of the main challenges for microfinance.

Gonzales, Vega, Screener, Radigoes and Navajas (1996: 12-13) have analyzed challenges of microfinance in Bolivia and have found that low yields can be the main challenge of granting microcredits in BancoSol Bolivia.

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1. http://marshallbirkey.com/economic-development/6-challenges-to-microfinance-in-the-us-4-6/
2. http://www.infosys.com/finacle/solutions/thought-papers/Documents/microfinance-implementation-policy-challenges.pdf
3. http://www.opportunity.org/blog/conference-microfinance-in-the-u-s/
4. http://www.fao.org/docrep/008/a0226e/a0226e09.htm#TopOfPage

2.7. Lack of resources

Typically, if one wants to use such financing system to design microfinance system, reliable financial resources are required. Hence, lack of resources means lack of appropriate resources to supply grants by banks.

Hassan AbdeFazel (2000: 16) has analyzed microfinance in Bangladesh. He believes that insufficient finance is one of the main challenges for microfinance.

Turat (2006: 37) has analyzed microfinance in India and have mentioned that lack of resources one out of two main challenges for microcredits in India.

Schilendra (2006: 183-187) has also determined pathology of microfinance in India and has found that lack of resources to grant microcredits is one of the main problems with microfinance.

Boonlondear (2010: 9) has also analyzed microfinance pathology in Thailand and has found that lack of resources is one of the main problems with microfinance in Agricultural banks of Thailand.

3. Pathology of microfinance at the world

Microfinance is almost distributed all around the world from America and Canada to Europe, Middle East and Southeast of Asia. It should be noted that microfinance has been emerged sometimes as microcredits in form of Microfinance Institutions (MFI) and sometime sin form of Credit Unions and sometime sin form of NGOs. In continue, some evidences are presented in this field in table 1.

Table 1 Common damages of microfinance in level of foreign banks

Row	Country	Famous microfinance institutions	Common damages of microfinance
1	Indonesia	Rakyat Bank	Low yield of microcredits
2	Malaysia	AIM	Lack of repayment
3	Bangladesh	Gramin bank	High costs of supervision-lack of financial resources
4	Egypt	National Bank for Development –NBD	Low yield of microcredits

Source: Author's Investigations

4. Microfinance in Iran

4.1 Assessment of microfinance background in Iran

Among Iranian Banks, Agricultural Bank (Keshavarzi) is identified as a very active and pioneer bank in field of microfinance. According to available statistics, 72% of grants of this bank go to borrowers in form of microcredits (Microcredit Conference: poverty alleviation and rural development, 2005: 18). Unfortunately, there is no written statistics about activity of other banks in field of microfinance. However, it seems that other banks have also no significant activity in field of microfinance. Following, pathology of microfinance in Iran is presented.

Table 2 Pathology of microfinance in Iran

Row	Title	Microfinance Institution	Damages of microfinance
1	---	Loan funds	Lack of financial resources and poor distribution of financial resources Inappropriate timing for repayment of loans Necessity of heavy collateral High costs of transaction Seasonal nature of agricultural trade cycle in rural areas
2	----	Credit Unions	Lack of financial resources, appropriate collateral
3	HazratZeinab Project	Keshavarzi Bank	Lack of financial resources, high costs of supervision
4	Iran Project	Keshavarzi Bank	Lack of appropriate collateral
5	Microcredit fund of rural women	Keshavarzi Bank	Loan default, high costs of supervision
6	Rural Employment Development Fund	Keshavarzi Bank	Loan default, high costs of supervision
7		Employment plan of released prisoners	Loan default

Source: Author

4.2 Pathology of microfinance in Iranian Banks

In order to investigate damages of microfinance in Iranian Banks, expert survey method (Delphi) is used.In this method, two questionnaires are designed. In first questionnaire, the damages derived from literature of microfinance in domestic and foreign banks are presented and the experts are asked to leave opinion that whether they consider these damages among microfinance damages or not. As the questionnaire had semi-open mode, the experts were finally asked to add any other damage in field of microfinance challenges in Iranian Banks. In next step, after collection of questionnaires, damages rejected by experts were excluded and other ones (7 damages) were considered as criteria for next questionnaire. In step 2, 7 confirmed damages were placed in 5-point likert scale to detect weight and rank of desired damage.

Table 3 Mean value and standard deviation of microfinance damages

Row	Microfinance damages	$\overline{X}$	SD
1	Lack of appropriate collateral	4.57	0.504
2	Diversion of credits	4.33	0.661
3	Low yield	4.13	0.730
4	Moral hazards	4.63	0.490
5	Lack of resources	4.10	0.662
6	High costs of supervision	4.60	0.498
7	Strategic default	4.27	0.691

According to table 3, mean value of all detected damages is more than 4 (4 refers to option "high" in likert scale). This can refer to emphasis of respondents on detected damages and confirmation of validity of the instrument.

In order to rank microfinance damages in view of respondents, Freidman test is used. Following, obtained results from the Freidman Test are presented.

Table 4 Prioritization of microfinance damages based on mean rank using Friedman variance analysis

Priority	Microfinance damages	Mean rank
1	Moral hazards	4.72
2	High costs of supervision	4.65
3	Lack of appropriate collateral	4.50
4	Diversion of credits	3.85
5	Strategic default	3.70
6	Low yield	3.35
7	Lack of resources	3.23

According to output of SPSS in view of respondents, among the detected damages, moral hazard is in highest rank and lack of resources is in lowest rank.

5. Conclusion, suggestions and questions for further studies

After pathology of microfinance in Iranian Banks, it was found that microfinance damages are existed in these institutions as follows:

1. Moral hazards
2. High costs of supervision
3. Lack of appropriate collateral
4. Diversion of credits
5. Strategic default
6. Low yields
7. Lack of resources

If a solution is found for the damages; it could be mentioned generally that the phase 1 in designing Islamic microfinance system is completed. It should be mentioned that after presentation of solutions for damages, it should be found that can the solutions lead to change in structure of banks in position of model designing or can lead to design of microfinance institutions or nature of loan funds should be changed.

Political suggestion of this study is that the authorized institutions should do their best in field of microfinance in country with the responsibility of management of loan system and also, Central Bank should try to create Islamic Microfinance System in Iran.

Further studies can continue topics of this study. Certainly, it is suggested to further studies to more in way of answering following questions:

1. Do banks have required capacity to grant microcredits?
2. Does a comprehensive model can be presented to meet all damages of microfinance?
3. What are retail systems to design Islamic microfinance system?
4. Is it possible (economic, juridical and legal possibility) to establish Islamic Microfinance Institutions in Iran?
5. What are costs and interests of establishment of Islamic microfinance institutions in Iran?
6. What is optimal supervision model for activity of Islamic microfinance institution and is responsibility of which organizations?
7. How the relationship could be created between Islamic microfinance and Islamic Banking System?

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Human Capital, Globalization, and Brain Drain

by

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Abstract

Although the phenomenon of brain drain is dealt with the content of the concept migration throughout humankind history, in terms of its effect, perhaps, it stands out as the most important one of all migration movements. It is especially discussed as one of the important reasons for developed differences comparatively emerging among the countries. In international area, even if the migration of high quality labor force is at the low level in the very old dates, the brain drain was met in the every period of history. The migration of the scientists and professionals at high quality from developing countries to developed countries especially attracted attention after 1960 and became a subject of scientific research and discussions. Developed countries keeping the natural resources and labor force reserves transfer the superior brain power that is necessary for them to develop from developing countries. Brain drain, from this point of view, is not an innocent event of migration and holds a feature having long termed strategic and political targets. Brain drain has first become among physicians and engineers, and then among scientists. The movement of migration first actualizes from the small cities of developing countries to large metropolis of them, and then, from metropolis to Europe, thereby, to USA. One of the countries importing brain drain the most is USA. Brain drain is also an important problem all over the world. Among the countries giving brain drain the most, India, Pakistan, Common wealth of Independent States, China, Philippines, Algeria, Morocco, Tunisia, Iran, Egypt, Nigeria, and Turkey take place. Among the countries receiving brain drain the most, the countries such as USA, Canada, Australia, South Africa, Germany, and France take place. Turkey, among the countries giving brain drain, takes place in 24th rank and loses 59 of the well-educated 100 people. In this study, the definition, importance causes, dimensions, of the concept "brain drain", which became a current issue in 1960s, and increasingly accelerated in the last century; which countries were affected from it too much; and the policies and applications toward preventing brain drain were aimed to be explained.

Keywords: Phenomenon Migration, Brain Drain, Effect of Brain Drain, Developed and Developing Countries

1. Introduction

Together with the pass from agricultural revolution to industrial revolution, the technological developments experienced, new inventions affected and modified the economy, trade, and lives of people and the phenomenon power. Pass to information age brought a new acceleration in the phenomenon power. Regional, principal, and structural changes were seen in the amount of immigration.

While the changes the phenomenon immigration led to, according to some researchers, are seen as the condition of becoming modern, degeneration of the traditional life and getting stuck in between two cultures led new case forming as a result of immigration to be called as hybridization of traditionalism.

The title having a separate place and importance in the phenomenon immigration is the concept of “Brain Drain” Brain drain is defined as drain/migration of well- trained, qualified and talented labor force from a developing country, in which it grows, to a developed country Brain drain has first begun to be discussed in 1960s, and first become widespread among physicians and engineers and then among scientists. Developing countries have problems in macro dimensions such as low national income, unemployed, famine, poverty, and inefficiency and due to these problems, give rein brain power to developed countries and this case leads problem with develop to deepen and developedness difference to increase. Among the reasons for brain drain, that the share devoted to R&D and technology from GDP of developing counties is low.

In this study, it is shortly aimed to define the phenomenon of immigration, introduce the definition and diversity of the concept of brain drain, and evaluate this concept in terms of the losses and gains of brain drain.

2. The Concept Immigration

Immigration is a geographical shifting movement human societies make by settling from a settlement unit to another one to spend all or some part of their lives due to religious, economic, political, social, and other reasons. Shifting for personal reasons and all of properties transported in the meanwhile are also called migration (http://goc.nedir.com/).

Since immigration appears depending on social and economic changes, it is an effect and, since it contributes to social and economic changes, it is a cause (İçduygu and Sirkeci, 1999:250). Migration is an event that is closely related to the social, cultural, economic, political, and etc. areas of society and effective. Due to the fact that it includes in the scope of the various scientific branches and that each scientific branch has different viewpoints, defining migration becomes difficult. Immigration, although it has some different definitions in the scientific branches, means that a certain part of population living in a settlement place, for the various and different reasons, moves from the place it is in and goes to another place to settle or in a relatively continuous (according to UN, “ the element of continuity” are accepted times more than one year) way (Akgür, 1997:41). According to another definition, immigration is population movements, in which geographical shifting process, with its social, economic, cultural, and political dimensions, changes social structure (Özer, 2004:11).

3. Concept of Brain Drain

Brain drain is expressed in such a way that talented individuals, who are high educated and specialized in their professions, have superior intelligence and capacity, go abroad for the various reasons and settle there (Kurtulmuş 1992: 206).

Some other concepts relevant to the concept of brain drain are stated as brain abundance, brain export, brain exchange, virtual brain drain, and hidden brain drain.

Brain Abundance is that productivity of qualified specialist labor force in a country is not adequately utilized and labor force concerned is employed and absorbed by the other countries(Şimşek 2006: 83).

Brain Exchange includes the exchange of student, researcher, and scientists, in order to obtain mutual benefit between countries in terms of acquiring the experience, education, and information. International brain exchange is used for turning the cooperation, idea dissemination, and specific information into the social benefit (Babataş 2007: 265).

Brain Export is a form of brain drain forming with the export of brain to another country. If a country exporting brain continuously gets in return for this, this case is accepted as export for the sending country (Babataş 2007: 265)

Virtual Brain Drain In developing countries, that a qualified person, leaving his/her body in his/her origin country (where he/she is born), without geographical shifting, uses his/her brain power for a foreign country is called nonphysical virtual brain drain. Developed countries, especially using computer and internet, rent and employ the valuable brains for certain projects in their own countries. With virtual brain drain, developed countries obtain maximum productivity with minimum investment (Pazarcık,2010;15)

Hidden Brain Drain: That qualified brain and scientists work for foreign firms in their own origin countries is called *hidden brain drain.* It is estimated that hidden brain drain in the world is 2.5 times more compared to known brain drain (www.ogu.edu.tr).

3.1. Two Different Views to Brain Drain

There are two views for and against brain drain. In related to evaluating the talent migration at high level between countries from economic and social point of view, the first of two different views in literature is "*humanist view* " and the other is "*nationalist view*".

According to humanist view, science holds an international quality. Scientist, whichever county he/she is raised, first of all, is a person serving science and, hence, humanity. That scientist, evaluating his/her talent in the best working conditions and possibilities, serve humankind, is the most natural right of his/her. For high qualified professional man, the same point is under consideration. In fact, in s regime, where the travel and employment freedom is adopted, migration of these people cannot be intervened. Instead of regarding to this migration in terms of the old-fashioned, national, economic, military or receptiveness concepts, it is necessary to regard in terms of that world welfare reaches maximum level. This migration should be evaluated in the light of economic principles, depending on the form of the way supply and demand mechanism operates. From this point of view, international staff member immigration at the high level, like the other profit oriented production factors, is the movement of a certain production factor we call "human capital" according to international market conditions. Like physical capital, human capital is also in the tendency of flowing from low efficient regions to high efficient regions. All the world utilize these people (Oğuzkan,1970; 21):

- ✓ The results of the studies of immigrating scientist, carried out in the superior working possibilities in the country he/she migrates without making expenditure and taking risk, are open to the benefit of all the world and his/her own country.

- ✓ Those migrating send some part of their personal gains to the family member they leave behind.
- ✓ Those migrating, with the success and fame they gain in the foreign countries, provide respectfulness for their own courses.
- ✓ An immigrating intellectual can consider the problems of his/her own country more independently in another country and reevaluate.

According to national view, staff member immigration at high level runs in favor of developed countries and constrains development abilities of developing countries. In the developing countries, essentially, adequate amount of human capital is an important element of increasing production and raising income. This view moves from a view based on justly distribution of income between region. According to this view (Tezcan,1985;249-250).

- ✓ For a scientist, an engineer, and a physician to be raised, am investment value made due to educational system financed by the taxes levied form the public is lost to another country through migration.
- ✓ For filling the gap occurring with migration, just as it will be necessary to rearrange the units of human capital that remain, because engineer or doctor is raised, passing a high education continuing for years, in order to meet the loss, there is a need for a long waiting period
- ✓ Reviving a leadership effect that a scientist or a professional man at the key point makes on his/her colleagues he/she works together takes time and that in a shake that may be experienced, the appearance of immigration tendency between the close colleagues is possible. The intellectuals and leaders largely needed in the social life of country decreases with such a immigration.

3.2. Causes of Brain Drain

The action of brain drain is not a single event. It is not an event concerning only the migrating person and not the product of his/her brain. It is not independent from the social relationships he/she experiences, education he/she receives, and affordability of future expectations. It is seen that the decision of immigration is mostly consistent, especially when these factors we count are examined specific to the immigrating person. The precondition of preventing brain drain or being able to realize or argue “reverse migration” is to modify thes factor leading to immigration. The environment engendering brain drain did not spontaneously form; it is mostly consciously formed and fostered (http://gurhan.fisek.net).

Information and possibilities to access information are unequally distributed on the world. With brain drain and new inventions, this inequality increases every passingday. Certainly, structure of invention, resources obtaining the new information do not want to immediately share this, however, after it turns into a commercial meta or harvesting it, slowly disseminate it.

Reproduction of technology shows difference from country to country. Some countries have the economic, scientific, and technical possibilities to be able to the most superior technologies. For being able to develop technology, there is a need for a policy supporting this and large resources. Research & Development action, so called R&D, are cared about and supported by the pioneer corporations or certain countries. The award of this is to realize the scientific and technical leaps with priority, obtain more resources, and be able to attract more scientist . Thus, inequality in this area gradually increases and attractiveness of the immigration receiving countries increases (http://gurhan.fisek.net).

The educational systems of the immigrating countries (origin) has been generally planned to the needs of the immigration receiving countries not to the need of country. Orientation beginning with making works in the immigrating countries to foreign educations corporations, with the various supports and recommendations also affect national system. The attractiveness of immigration receiving also caused the wannabe to them to increase in education. The first step has become to conduct education in their language; the second step has been to design the curriculums and educational contents globally i.e. similar to the needs of the immigration receiving countries. The other step is to document (receive approval) that education become the same as the similar one with the similar one in the immigration receiving countries in terms of either quality or curriculum which becomes widespread especially universities. There are encouragements and orientations in the direction of receiving the higher steps of education in the immigration receiving countries

In immigrating countries, employment areas did nıt form, which will utilize the qualified and educated labor force in the best way. With either educational system or foreign manner, information and experience increasing, the possibilities of the scientists, who reach the certain points in their studies, to be able to sustain these studies in immigrating countries are limited. There is no counterpart of the areas they are customized in that country or they are not paid attention at a measure that they will feed with the resources, forming a team. The life conditions of immigrating countries and possibilities they present to their people are more backward. Between life standards qualified and educated people obtain in the immigrating countries and life standards they obtain in origin countries, there are important differences (http://gurhan.fisek.net).

The reason for brain drain are stated in the following titles according to the points, determined in the literature and research:

Attraction Poles: According to this approach, in some regions of the world, attraction poles form and advanced cultural centers between countries attract high qualified staff members from other countries. For example, North America and Western Europe are the regions forming such attraction poles.

The concept of Supply-Demand : This immigration arises from unbalance between high quality labor supply and demand in the countries due to economic developments at advanced technology level. For example, in US, investments made on the activities of research and developments by the federal government and private sector creates continuous demand for high quality staff members.

The concept of pulling and pushing powers: This approach divides the countries immigrated and countries left into two as pushing power and pulling power, respectively. Pulling or pushing power includes the economic, occupational, social, political, cultural, or personal factors. As pulling factors, high wage paid, abundant facilities and instruments for occupational study, close relationship with large scientific centers, political power, personal freedom, and marriage with foreign spouse are counted, while low wage, limited possibilities and instruments for occupational study, solid managerial order giving importance seniority rather than ability, obligation to work away from the large scientific centers, presses made on personal life in social or personal life, political instability, and personal problems in business or family life are stated as pushing factors (Oğuzkan, 1970;30). In addition, again like these, in literature, many factors are stated, which affect immigration and are present in the application. These are put in order as rigidity of public service, dominance of professors, that corporations are in the excessive idleness lack of research funds, occupational aloneness, role of relatives and friends in obtaining job, advances of untalented people in the professional career, and recognition of young people as untalented, hopelessness for future, race worry, national origin, and caste (CIMT,1970:42). All of these are the most important factors affecting the immigrations in Asia, Africa, and Latin America.

The reasons for brain drain are related to the different titles such as the wrongs in the economic and science and technology policies, wrongs in educational system, an unemployment

Among economic causes, there are the presence of low wage policies, high tax rates, economic instability, and future worry take place.

Among political reasons, difference /distinction/formation of ethnical origin, formation of political instability, and that policy and favoritism enter business life and controls it take place.

Among wrongness in science and technology policies, not paying attention to R&D, not appreciating science and technology, not being worth and supporting of science and technology, deficiency of R&D infrastructure, and of incentive, aids of R&D investments, and tax discount take place.

Among deformities in educational system, that educational expenditure per capita is low; that the share allocated for educational expenditures remains under world average; that there is no permanent national educational policy; and that there is opportunity inequality in education take place.

Among the causes of unemployment, that 70% of the people graduated from university are employed in the jobs that are not relevant to their profession; that the most unemployment is among the people graduated from university; and not being able to find a job take place (http://www.universite-toplum.org).

Besides unbalance between labor force educated in some branches and labor force demanded, as quantity and quality; application of different wages for the jobs, whose attributes are certain, in developing and developed countries; and financial dissatisfaction, there are causes such as not being able to achieve spiritual satisfaction; impediments imposed in access for the cadres of university education; limited employment opportunities in the developing countries; that unemployment, especially intellectual unemployment, is seen; that the relationships between education and employment cannot be adequately regulated; that creative power are not encouraged; inadequate facilities about Research and Development; lack of scientific mindset and climate; deficiency of an Research and development policy, integrated to equipment and development targets; not being placed national ideals in the young people and intellectuals via educational and cultural policies; lack of political and economic stability; injuring of democratic structure; decrease of safety of life and property; feature of the existing educational system, especially some educational corporations, to be able to become market for some developed countries; that developed countries are the center of technological developments; cultural press sustained for being able to show the developed countries via orientation and recommendation; education with foreign language in higher education; and especially in undergraduate level, to send grantee abroad; and political preferences (Erkal,1998,285-290).

Other than such causes provoking and increasing brain drain, we can mention about some factors reducing brain drain. Naturally, the tendencies to emerge in opposite direction to what we state above can mitigate immigration. Besides these, the actions such as the periods of economic growth, expanding investment volume, arrangement of education- employment relationships, that that research and development agencies are sufficient, removal of impediments preventing equal opportunity in access to academic membership and allocation of new cadres, and increasing the contact ways of our labor force abroad can moderate immigration (Erkal, 1998; 285-292).

4. Development of Brain Drain

The immigration of qualified labor force forms a part of international human capital circulations. When we regard to the characteristics of the immigrating people, in fact, each of immigrating people has a certain amount of human capital. This is also valid for primary school level, high school level, and university level The difference between them are the amount of human capital they have.

The first years, when brain drain was discussed, became 1960s. These discussion continued in 1970s and 1980s and, the discussions actualized in the theoretical framework. The important reason for this is that the data regarding international immigration and qualified labor force specific to it are very limited in those years. In the studies, carried out in 1960s, in general, in terms of immigrating countries, it was argued that immigration was a net effect and the opinion that there were positive and negative effects and, on society, that the effect was near zero prevailed. After these results, for a while, the interest to the subject of brain drain declined But beginning from the early 1970s, Bhagwati and Hamada (1974) and together with the studies following this, the negative effects of brain drain in terms of immigrating countries have been begun to be discussed much more.

When we regard to the quality of international immigration, while in 1960s, there were 75 millions of people living out of country they were born, in 2005, this figure rose to 190 million. When world population is taken into consideration, this increase dıes not seem to be a large rise that is from 2.5% to 2.9%, in international immigration, brain drain experienced a large change together with globalization phenomenon (http://www.istka.org.tr/content).

In globalizing world, intertwining of economies increased the share of world trade in total production amount of the world for a few times and seriously raised share of foreign direct capital and capital flow. This development affected the liquidity of human capital. Human capital immigrated to the countries in the high income group and the amount of immigration rose by three times from 1960s to 2000s. In circulation of human capital, when we regard to the countries in high income group, in international trade, an equivalent increase is seen. In 1990s, international amount of immigration both actualized in the direction of group of high income countries and a serious change occurred from those low educated to those high educated. This change also has continued in 2000s. In Table 1, this change are expressed with the numbers.

Table 1 International Migrant Stock (Millions)

Countries	1990	2000	2010	2013
World	154.2	174.5	220.7	231.5
Developed regions	82.3	103.4	129.7	135.6
Developing regions	71.9	71.1	91	95.9
Africa	15.6	15.6	17.1	18.6
Asia	49.9	50.4	67.8	70.8
Europe	49	56.2	69.2	72.4
Latin America and the Caribbean	7.1	6.5	8.1	8.5
Northern America	27.8	40.4	51.2	53.1
Oceania	4.7	5.4	7.3	7.9

Source: United Nations (2013), Trends in International Migrant Stock: The 2013 Revision

Some 232 million international migrants are living in the world today**.** Since 1990, the number of international migrants in the global North increased by around 53 million (65%), while the migrant population in the global South grew by around 24 million (34%). Today, about six out of every ten international migrants reside in the developed regions (Table 1). During the period 2000-10, the global migrant stock grew twice as fast than during the previous decade. During the 1990s, the global migrant stock grew at an average of about 2 million migrants per year. During the decade 2000-10, the growth in the migrant stock accelerated to about 4.6 million migrants annually. However, since 2010, the increase in the migrant stock has slowed down. In the aftermath of the global economic crisis, the annual increase in the global migrant stock fell to about 3.6 million since 2010.

Since 2000, the migrant stock in the South has increased more rapidly than in the North. Since 2010, the annual growth rate has fallen to 1.8% in the developing regions and 1.5% in the developed regions. Compared to the global population, the number of international migrants remains relatively small. In 2013, international migrants comprised about 3.2% of the world population, compared to 2.9% in 1990. While the proportion of international migrants continues to rise in the North, it remains stable in the South. In 2013, international migrants accounted for nearly 11% of the total population in the developed countries, up from less than 9% in 2000. In the developing world, the proportion of international migrants to the total population remained under 2%, due to significant population growth and higher return levels (https://www.oecd.org/els/mig/World-Migration-in-Figures.pdf).

In 2010/11, about 100 million persons aged 15 years old and over were living outside their country of birth in the OECD (Figure 1).

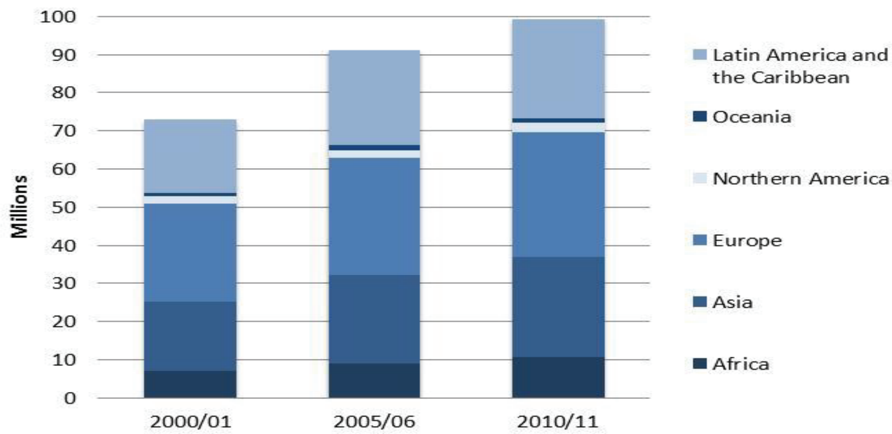

Figure 1 Number of migrants aged 15 and over in OECD countries, by region of origin (2000/01-2010/11)

This represented a 36% increase from its 2000/01 level and a 9% increase in comparison with 2005/06. The slower growth of migrant stock in the OECD in the second half of the decade reflects the decline in migration flows due to the economic crisis which hurt many developed economies in 2007-08. Half of migrants in the OECD come from 16 countries. Mexico topped the list with 11 million emigrants, followed by China (3.8 million), the United Kingdom (3.5 million), India (3.4 million), Poland (3.2 million) and Germany (3.2 million). The Philippines, Romania, Morocco, followed by Viet Nam and Algeria, were among the main non-OECD countries of origin.

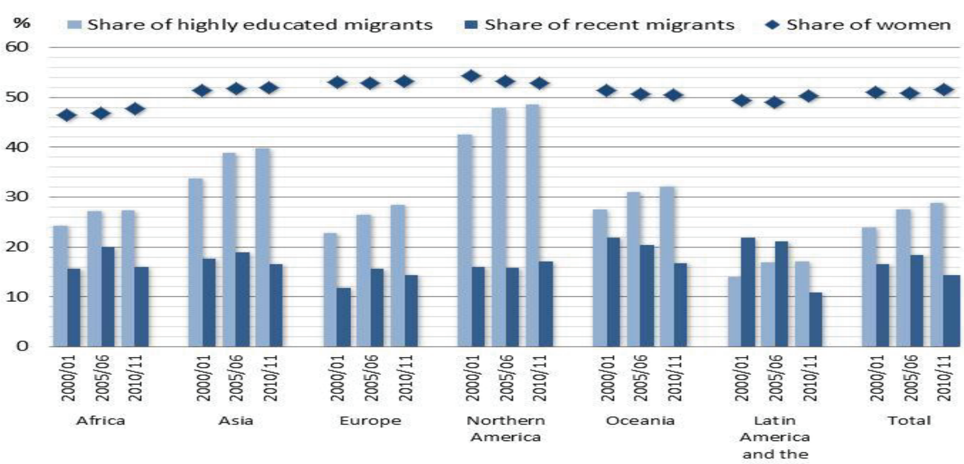

Figure 2 Characteristics of migrants aged 15 years old and over in OECD countries, by region of origin (2000/01-2010/11)

The proportion of highly educated immigrants in OECD countries is rising sharply**.** The number of tertiary educated immigrants in OECD countries showed an unprecedented increase in the past decade (+70%), reaching 27.3 million in 2010/11. About 4.7 million, or 17%, of them arrived in the past five years. This trend is mostly driven by Asian migration as more than 2 million tertiary educated migrants originating from this region arrived in the OECD in the past five years.

Altogether, India (2 million), China (1.7 million) and the Philippines (1.4 million) account for one-fifth of all tertiary educated immigrants in OECD countries in 2010/11. The number of tertiary educated migrants originating from Africa increased to reach 2.9 million in 2010/11. The number of tertiary educated African migrants who arrived in the past five years (450,000) even exceeded that of Chinese migrants (375,000). Among non-OECD countries of origin, Romania (109,000), Brazil (75,000), Colombia (71,000) recorded the largest number of recent arrivals of tertiary educated emigrants. Germany (169,000), the United Kingdom (165,000), Poland (165,000), France (147,000) and the United States (120,000) ranked among the main countries of origin of recent tertiary educated immigrants from within the OECD.

One in every three international migrant aged 15 and above has limited education. The number of international migrants with no more than lower secondary education in OECD countries increased by 12% in the past ten years, mainly as a result of a high demand for low-skilled workers as well as non-labour related migration flows. The highest share of low-educated migrants in 2010/11 was recorded for migrants born in Sao Tomé and Principe (73%), Cape Verde (68%), Mali (67%) and Guinea-Bissau (66%). The share of low-educated migrants among recent migrants was stable for those originating from Africa and Latin America but decreasing for migrants from other regions. Some 55 million persons in OECD countries aged 15 and over are working outside their country of birth. Between 2000/01 and 2010/11, an additional 16 million international migrants were employed in the OECD, representing about 70% of the overall employment growth during that period (https://www.oecd.org/els/mig/World-Migration-in-Figures.pdf).

Emigration rates to OECD countries are higher than ever before, notably for Latin America and the Caribbean. Almost 6% of all persons born in Latin America and the Caribbean were living in OECD countries in 2010/11. This figure increased by half a percentage point in the past ten years, corresponding to approximately 7 million additional emigrants. The emigration rate for Latin America and the Caribbean was more than twice the rate for Africa and almost seven times that for Asia.

Since 2000, the highest increases in emigration rates have been recorded by European countries. The emigration rates to OECD countries increased significantly for Albania (+9.1 percentage points), Romania (+8.3 percentage points), the Republic of Moldova (+6.3 percentage points), Bulgaria (+4.6 percentage points) and Lithuania (+4.5 percentage points). Ecuador was the non-European country recording the highest increase (+4.5 percentage points between 2000/01 and 2010/11).

Brain drain is particularly acute in small countries and island states in Africa and Latin America and the Caribbean. In 2010, close to 90% of highly skilled persons born in Guyana lived in OECD countries. Similarly, more tertiary educated persons were living outside Barbados, Haiti and Trinidad and Tobago than in these countries. The proportion of highly educated persons residing in OECD countries was also significant for Jamaica (46%), Tonga (44%), Zimbabwe (43%), Mauritius (41%), the Republic of the Congo (36%), Belize (34%), and Fiji (31%). In contrast, most OECD countries as well as non-OECD countries with large populations, including Brazil, China, India and Russian Federation, had low emigration rates of the highly-skilled (https://www.oecd.org/els/mig/World-Migration-in-Figures.pdf).

5. Possible Effects of Brain Drain on Economies

When regarded from international point of view, scientist has the right to demand to be in th best working conditions, in which he can evaluate their talents. If regarded from nationalist point of view, since developedness among regions are not fairl distributed, it is contrast to international viewpoint. When we also consider both viewpoints, the question that "Are the mobilization of scientists and universalism of science used for welfare of nations or contributing to wealth of developed countries ?" becomes a current issue. Globalization and developments in information technologies have increased the demand to the qualified labor force. Especially qualified labor force in technology area is in the position of important interest focus. USA accepts hundred thousands of specialists to work in the technological area every year. Countrie of European Union also develop various policies to be able to attract these specialists to themselves. In the context of brain drain, another group having high mobility, together with that educational systems gains an international quality as a result of globalization, is the students (Gökbayrak;2009:1). That the gap between developed countries and poor countries gradually increases shows that international approach about brain drain serves the interest of developed countries rather than serving humankind. That rich and developed countries open their doors to high qualified humans causes to high costs for immigrating countries.

An important part of the loss of immigrating countries consists of students they sent to these countries. After 1990s, especially through internet, increase of communication increased the number of those not returning much more Loss of high qualified labor force leads to low return rates in public investments. It is a reality that human capital that returns after receiving education abroad will provide opportunities such as supplying information flow, creating cooperation possibilities, and common enterprises and monetary transfer by developing communication with those being abroad and that they will contribute to the development of the countries sending student http://www.emo.org.tr). Today, in contrast to dynamic discussions made in the period of 1960-1970., that brain drain may have some positive effects in terms of origin country take place among the views gaining liveliness. From this point of view, in order to report brain drain in such a way that it will not harm to country, the concepts such as optimal brain drain are used.

That brain drain may have some positive and negative effects in terms of origin country are explained with the different views (Lowell and Martin,2001; Lowell and Findlay, 2002; Wickramasekara,2003): The encouraging quality of brain drain the education in the origin country is that according to those arguing this view, working with high wages and quality of life that increases enhance the desire to sustain the education in country. In case that these people stay in the origin country, quality level of labor force of that country will rise. Hence, immigration and hope to immigrate is seen as an stimulating incentive element. However, according to this view, it is ignored that education is first of all carried out to be able to immigrate and that it is not very easy the possibility to retain these people in the existing case of origin country.

Another view put forward for the positive effects of foreign currency in terms of origin country is about foreign currencies those immigrating sent to the origin country The common finding of studies regarding the behaviors of high qualified migrants about sending foreign currency is that these foreign currencies are not reliable instruments about contributing to the development of country economy. It is stated that when these foreign currencies are largely spent for consumption expenditures and that they are not used in the direction of increasing domestic product, employment, or export, they do not create positive effect on economy. As long as staying times of high qualified people elongate in the country go, it is a common finding introduced in the studies carried out (Lowell and Findlay,2002). Hence, it can be said that ,the origin countries balance the loss they expose with immigration by this way is not so reliable.

Feedback effects of brain drain: The first of these effects is the recovery of qualified labor force, which emerges with return of qualified labor force to its origin country after staying abroad for a certain time and increasing its knowledge and experience. This element, if the return actualizes, is a an important factor in development of origin country. However, for this, creating the environments to provide adaptation of brain power, accustomed to relatively developed standards, comes to our face as indispensable element.

In the context of feedback effects, the second effect is that, together with globalization of capital, in the framework of investment of multinational companies in developing countries, increasing employment possibilities make an effect in the encouraging direction the return. However, the ignored point in these discussions is that how much of the productive potential of this labor force he /she can use for his/her own country . The results of productivity of these people is basically transferred to the developed countries within the body of multinational companies. The last point in feedback discussions is, with the networks the specialists staying abroad will form between them, the gains to be obtained, transferring their knowledge and experiences to the origin countries. At this point, internet medium presents an increasing resource. Throughout 1990s, 41 networks were formed. However, it is observed that most of them act independently from each other (Meyer,2001). At this point, it appears that the coordination to be provided between them and with the origin countries is important in obtaining the productive gains in this area.

After putting in order the benefits the phenomenon of brain drain, a study carried out by ILO in an immigrating country reveals the results opposite to the optimistic expectations. In general, it is observed that the case that brain drain ends up with the net loss of the developing country is continuing In the studies carried out, the expectation regarding return make it difficult to be optimist (Abella and Alburo 2002: 2). It revealed that the positive effect of foreign currency transfer from migrants abroad to their countries was very below that foreseen. This sort of resource is economically evaluated as a marginal resource and does not seem to be a reliable resource for economic development. Even though the contribution of specialist networks that are existent abroad to the origin country is small, it is seen that it is at more visible level. The assumption of that the positive effect brain drain is expected to make on the origin country does not express any meaning, when domestic labor force supply to be able to absorb this educated labor force is not created. India forms an interest example for this case (Khadria 1999: 13).

6. Conclusion

When regarded to the general view of the form of the phenomenon immigration in our age, just as globalism affects many phenomena, it is seen that the phenomenon immigration is also affected from this process. Globalism becomes effective in a broad range on the immigration ,views from the formation of reason for immigration and making decision of immigration to the selection of immigration place and determination of living in place immigrated. Immigration, whatever way it is, in gradually increasing way and increasing number, continues to affect human life. That the need of developed countries for qualified people every passing day prompts these counties to a selective immigration policy together with economic attraction. In addition to these, in many developed and less developed countries, political instabilities and ethnical discrimination increase immigration movement. In immigration resulted from these reasons, the acceptance of qualified people becomes easier.

Together with information society, there is information technology, in turn, information production. In information society, due to the fact that information is continuously produced, that it shows an increase, that it is communicable and sharable, in turn, the need for being able to adapt to this transformation process, in which labor force stands out clearly expresses that the importance given to human in the development polices of developing countries should be increased.

Actually, labor force market needs for more qualified employees every passing day and the distribution of skills in labor force markets shifts to the professions requiring high skills such as science, technology, mathematic, and engineering. In the professional branches concerned, the shortage of skilled labor force directs policies of developed countries. The immigration receiving countries do not want to include in an international system to become immigration easier and become to be free in the disposals relevant to migrants within their borders. As a conclusion, the polices of immigration and migrant are shaped around national interests of countries.

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Sripatum University, Thailand

Sripatum University is one of the oldest and most prestigious private universities in Bangkok, Thailand. Dr. Sook Pookayaporn established the university in 1970 under the name of "Thai Suriya College" in order to create opportunities for Thai youths to develop their potential. In 1987, the college was promoted to university status by the Ministry of University Affairs, and has since been known as Sripatum University. "Sripatum" means the "Source of Knowledge Blooming Like a Lotus" and was graciously conferred on the college by Her Royal Highness, the late Princess Mother Srinagarindra (Somdet Phra Srinagarindra Baromarajajanan). She presided over the official opening ceremony of SPU and awarded vocational certificates to the first three graduating classes. Sripatum University is therefore one of the first five private universities of Thailand. The university's main goal is to create well-rounded students who can develop themselves to their chosen fields of study and to instill students with correct attitudes towards education so that they are enthusiastic in their pursuit of knowledge and self-development. This will provide students with a firm foundation for the future after graduation. The university's philosophy is "Education develops human resources who enrich the nation" which focuses on characteristics of Wisdom, Skills, Cheerfulness and Morality.

University of Greenwich, United Kingdom

The University of Greenwich is a British university with campuses in south-east London and north Kent. These include the Greenwich Campus, located in the grounds of the Old Royal Naval College in the Royal Borough of Greenwich, London, England. It is the largest university in London by student numbers and the greenest in the UK as assessed by The People & Planet Green League. The university's wide range of subjects includes architecture, business, computing, education, engineering, humanities, natural sciences, pharmacy and social sciences. It has a strong research focus and well-established links to the scientific community.

Lincoln University, New Zealand

Lincoln is New Zealand's third oldest university. Founded in 1878 as a School of Agriculture, the organisation was linked to Canterbury College, welcoming its first intake of students in 1880. In 1896, with agriculture now well established as the mainstay of New Zealand's exports, the School of Agriculture separated from Canterbury College and became Canterbury Agricultural College, with its own governing body and the ability to award degrees through the University of New Zealand. In 1961, the university was officially renamed Lincoln College, becoming a constituent college of the University of Canterbury. In 1990 Lincoln University formally separated from the University of Canterbury and became the self-governing national university that it is today. Internationally Lincoln University has academic alliances with complementary institutions in Asia, the Middle East, Europe and the Americas. These alliances support academic relationships and enhance educational opportunities for teaching staff, students and those undertaking advanced research.

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