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Contents

1.	<i>Human Capital: Driving Force of Economic Growth in Selected Emergine Economies</i> Dr. Abdul Ghafoor Awan	09-30
2.	<i>Determinants of cross-cultural adjustment among expatriate employees: The role of personality</i> Dr. Ekta Sharma	31-43
3.	<i>Effects of Interpersonal Problems at Workplace on Job Involvement</i> Mozumdar Arifa Ahmed	44-53
4.	<i>Students' Matriculation Factors for Higher Education in Private Universities of Bangladesh</i> Md. Mizanur Rahman	54-64
5.	<i>Emergence of Corporate Philanthropy: Chapter Bangladesh</i> Md. Shahriar Parvez	65-73

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Human Capital: Driving Force of Economic Growth in Selected Emergine Economies[⊕]

Dr. Abdul Ghafoor Awan

Professor of International Business & Finance and Dean of Faculties, Institute of Southern Punjab, Multan-Pakistan

ABSTRACT

Human capital is the stock of competencies, knowledge and personality attributes deem vital to produce economic value. It is the attributes gained by a worker through education, training and experience. According to modern growth theory, the accumulation of human capital is an important contributor to economic growth. Numerous cross-country studies extensively explore whether educational attainment can contribute significantly to the production of overall output in an economy. The objective of this paper is to investigate the role of human capital in the fast economic growth of BRIC countries like Brazil, Russia, India and China during 2000-2011 and to assess sustainability of growth in future. The study is descriptive in nature because it mostly involves the description of the situation of human capital in the BRIC countries and measuring change in the selected important variables that is human capital and policy initiative and its effects on the BRIC economies. As the change in the selected variables is clearly visible there is no need to use regression analysis technique. The author has applied statistical techniques such as trend analysis, content analysis and ratio analysis to measure change in the selected variables wherever it is necessary. The findings of the study are interesting and divergent because the human capital development has played a vital role in the fast economic growth of China, India and Brazil while Russia, which was endowed with human capital right from the beginning, could not materialize the potential of human capital during its transition period from planned economy to market economy since 1990s, which is very much surprising. This appears the policy failure to capitalize the valuable human capital to accelerate economic growth. It has resulted in the scaling down of Russia to middle income economy. In contrast, India, China and Brazil have been fully utilizing their human capital potential by following human developing policies and this factor not only has triggered their economic growth but also alleviated poverty in there.

Key words: BRIC countries, Economic growth, Human capital, poverty alleviation, educational attainment.

GEL Classification Code: F43; J24

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INTRODUCTION

China, Russia, India and Brazil are the fast growing economies in the world that are generally named as BRIC countries. These four countries have huge human resources and their total population is about 41 percent of the world, their area is 26 percent of the world and their GDP is 18 percent of world. In size, Russia is the largest country in the world, having 11.5 % of area of the world. China and India are No.1 and No.2 largest populous countries of the world as well as largest countries in Asia and are equal to the United States in terms of size. Brazil is the largest country in Latin America and Southern Hemisphere.

Recently these four countries particularly China and India have attracted the attention of the whole world due to their constant fast economic growth particularly at a time when the advanced economies have been facing economic downturn since 2008. The miraculous growths of BRIC countries have also won the attention of the researchers all over the world. Now the researchers are keenly investigating different aspects of the economic growth of the BRIC countries. As these four countries have abundant human resources and their governments have been following human resources development policies to obtain demographic dividend. The author has intended to analyze the role of human capital in the economic growth of these four countries.

OBJECTIVE OF PAPER

The objective of this paper is to investigate the role of human capital in the fast economic growth of four "Emerging Economies" during the period of 2000-2010 and to assess sustainability of their growth in future. Another objective of this paper is to analyze the importance of human capital for these countries.

LITERATURE REVIEW

The concept of human capital was originally formulated by Adam Smith (1776 ed. 1976). In his masterpiece, the author stated that:

"The difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature, as from habit, custom, and education. When they came into the world, and for the first six or eight years of their existence, they were perhaps, very much alike, and neither their parents nor playfellows could perceive any remarkable difference. About that age, or soon after, they come to be employed in very different occupations. The difference of talents comes then to be taken notice of, and widens by degrees, till at last the vanity of the philosopher is willing to acknowledge scarce any resemblance" "The Wealth of Nations" pag19-20, Book I).

Afterwards, the theory on human capital was formalized by Schultz (1961), Becker (1964) and Mincer (1974, 1988). The basic idea of the human capital theory is that the variety of talents is mainly acquired through different activities, such as education or working experience. These activities have a cost, but produce benefits in future. In simple words, human capital acquisition is an asset (Mincer, 1993).

Becker (1964) discusses the formation of human capital through the working experience at specific firms or working places. Workers become more productive and qualified over time thanks to "learning by doing" processes, and as a consequence, their wages will tend to increase. On the supply side, workers are aware that their competences and skills are firm-specific and therefore, the same wage level will be not guaranteed if they move to a different firm. On the demand side, employers tend to hold the most productive workers in their firms by keeping wages and working conditions high. Remuneration and other non-monetary aspects of jobs become, in the author's view, a powerful tool used by firms to reduce turnover

costs. Both workers and firms have thereby incentives to maintain long run relationships, when investments in education and job formation take place.

Like Becker, Romer (1986) speaks about "learning by doing" processes, but unlike Becker, Romer introduces the term "knowledge" as engine of economic growth. This is a side-product of the production activity, and augments with work. Moreover, knowledge is a public good, non-rival and non-excludable. Therefore once it has been acquired it spills over across the whole economy generating a sustainable economic development.

The most representative model of human capital in the growth literature was elaborated by Lucas (1988). In his two-sector model, the author points out that human capital and knowledge are synonyms and are a voluntary outcome of the learning process. Based on his theoretical setting, some authors of the new growth literature (Mankiw et al. 1992; Barro and Sala-i-Martin 1997; Acemoglu and Angris 1999; Krueger and Lindhal 2001) have empirically proved that the stock of human capital plays an extremely important role in promoting economic growth and prosperity (Mankiw et al., 1992).

On the basis of a review of the relevant literature, we reach the following broad conclusions. First, investment in human capital contributes significantly to productivity growth.

Second, there is clear evidence that human capital plays a key role in fostering technological change and diffusion.

Third, human capital investment appears attractive relative to alternative assets, both from the individual and from the aggregate perspectives.

Fourth, policies that raise the quantity and quality of the stock of human capital are compatible with increasing social cohesion.

METHODOLOGY

This study is descriptive in nature because it mostly involves the description of the four economies and important selected variables. As the change in the selected variables is clearly visible there is no need to use regression analysis. The author have applied trend analysis, contend analysis and ratio analysis techniques wherever they are necessary.

SAMPLE

Out of a dozen Emerging economies the author has selected four fast emerging economies such as China, India, Russia and Brazil because these four economies are representatives of all emerging economies. Most of social and economic indicators of these countries have improved substantially since 2000 due to their growth-oriented policies, opening of world markets, high commodity prices and transformation of human resources to human capital.

SELECTED VARIABLES

- Literacy Rate.
- School enrolment rates.
- Average years of schooling.
- Employment rates.
- Foreign Direct Investment

STUDY PERIOD

The period of study is spread over ten years (2000-2010). During this period the BRIC economies recorded tremendous economic growth, breaking all previous record.

DATA AND SOURCE

The author has used secondary data collected from the World Bank, IMF databases, China Bureau of Statistics, US Census Bureau, International statistics, Deutsche Bank Research, US Federal Reserve Bank, International Labour Organization, Barro and Lee data-base (2011) and numerous research papers.

WHAT IS HUMAN CAPITAL?

The founder of Economics, Adam Smith defined human capital as follows:

“The acquisition of such talents and useful abilities of all inhabitants or members of the society during their education, study, or apprenticeship, always costs a real expense, which is a capital fixed and realized, as it were, in their person. These talented persons as they make a part of their fortune as well as benefit the society to which they belong. The improved dexterity of a workman may be considered in the same way as a machine or instrument of trade which facilitates and abridges labor, and which, though it costs a certain expense, repays that expense with a profit. The productive power of labor depends on the division of labor based on skill.” In this definition, Adam Smith draws a line of demarcation between raw labor and human capital, saying that talent persons not only make their fortune but also benefit to the society. He emphasized that the labor must be divided into two groups, one which has no education and experience should be assigned the task of physical work and one who are educated and skilled should be assigned the tasks according to its education and skill. He also emphasized that skilled and unskilled workers should not be treated equally and their work should be divided accordingly. This is the only way one can exploit the productive power of labour, he suggested.

ORIGIN OF THE TERM "HUMAN CAPITAL"

The use of the term “Human Capital” in the modern neoclassical economic literature dates back to Jacob Mincer's article "Investment in Human Capital and Personal Income distribution" in The Journal of Political Economy in 1958. Then T.W. Schultz (1961) also contributed to the development of the subject matter. The best-known application of the idea of "human capital" in economics is that of Gray Becker's book entitled “Human Capital”, published in 1964 that became a standard reference for many years. According to these authors, human capital can be developed by investing in education, training and health care. Human capital is a mean of production, into which additional investment yields additional output. Human capital is substitutable, but not transferable like land, labor, or fixed capital. Modern growth theory sees human capital as an important determinant of economic growth.

HUMAN CAPITAL CONTRIBUTION TO ECONOMIC GROWTH

According to the theory of endogenous growth, human capital contributes to economic growth at least in three ways.

1. It raises productivity of workers due to upgraded skills and better education.
2. It is a source of new ideas and innovations.
3. It facilitates dissemination and embeddedness of new ideas and practices leading to more effective economic performance (Romer, 1989, 1990; Lucas, 1988; Aghion and Howitt, 1992).

COMPETENCY AND HUMAN CAPITAL

Competency is the knowledge that is achieved through continuous learning and experience. Unlike other factors of production like labour and physical capital the competency has following characteristics:

1. Expandable and self generating as it is used. For example, as doctors work more they get more experience, their competency increased. In this way the economics of scarcity is replaced by the economics of self-generation.
2. Transportable and shareable: competence, especially knowledge, can be moved and shared. This transfer does not prevent its use by the original holder. However, the transfer of knowledge may reduce its scarcity-value to its original possessor. This is assumed to be externality effect.

HUMAN CAPITAL FORMATION IN BRIC COUNTRIES

The concept of Human capital is more important in labor-surplus countries. These countries are naturally endowed with more of labor due to high birth rate. The surplus labor in China, India, Brazil and Russia is the human resource available in more abundance than the tangible capital resources. This human resource can be transformed into Human capital with effective inputs of education, training, health and moral values. The transformation of raw human resource into highly productive human resource with these inputs is the process of human capital formation. The problem of scarcity of tangible capital in these countries can be resolved by accelerating the rate of human capital formation with both private and public investment in education and health sectors. The tangible financial capital is an effective instrument of promoting economic growth. The intangible human capital, on the other hand, is an instrument of promoting economic development because human capital is directly related to human development, and when there is human development, the qualitative and quantitative progress is inevitable.

The BRIC economies are rapidly moving towards innovation due to increase in research activities there. According to UNESCO Institute of Statistics, the number of researchers, on the rise world-wide, jumped by 56% in developing countries between 2002 and 2007, In comparison, their number increased by only 8.6% in developed countries during the same period. In five years, the number of researchers in the world rose significantly, from 5.8 to 7.1 million. The greatest gain was made in developing countries: 2.7 million researchers were counted in 2007, versus 1.8 million five years earlier. These countries increased their global share of researchers from 30.3% in 2002 to 38.4%.

The biggest increase was seen in Asia, whose share went up from 35.7% in 2002 to 41.4%. China is mainly responsible for the gain, having gone from 14 to 20% in five years. The increase in Asia occurred at the expense of Europe and the Americas, whose shares went down respectively from 31.9 to 28.4% and from 28.1 to 25.8%.

HOW HUMAN CAPITAL CREATES COMPETITIVE ADVANTAGE?

Human capital includes knowledge, wisdom, expertise, intuition and ability of individuals to realize national tasks and goals. Human capital constitutes populations' total capabilities as reflected in education, knowledge, health, experience, motivation, intuition, entrepreneurship and expertise; in addition a highly skilled labour force, the availability of scientists and engineers, a female labor force and health (life expectancy, physicians) are good indicators. These elements represent the key success factors in creating a competitive advantage for a nation in the present and future. Human capital provides the resources for the development and cultivation of other areas of intellectual assets such as R& D and training, as the human factors is so important link in the process of value creation. Human capital represents the necessary lever that enables value creation from all other components that have turned out to be key source of wealth at national level (Malhotra 2000).

Human Capital can create competitive advantage if is sufficiently different from competitors

(Alvarez and Barney, 2011). Taken to extreme- if all countries possess the same human capital, there would be no competitive advantage. In the BRIC countries human capital is more heterogeneous and rather scarce than in highly developed countries. An example is literacy rate which is considerably higher in advanced countries than in developing countries (see UNDP, 1998). Therefore; human capital is more likely to create competitive advantage in the BRIC countries.

The entrepreneurship literature provides a number of arguments on how human capital should increase entrepreneurial success. First, human capital increases the capability of owners to perform the generic entrepreneurial tasks of discovering and exploiting business opportunities (Shane and Venkatraman, 2000). For example, prior knowledge increase owners' entrepreneurial alertness (cf. Westhead et al., 2005) preparing them to discover specific opportunities that are not visible to other people (Shane, 2000; Venkatraman, 1997). Additionally, human capital affects owners' approaches to the exploitation of opportunities (Chandler and Hanks, 1994; Shane, 2000). Second, human capital is positively related to planning and venture strategy, which in turn, positively impacts success (Baum et al., 2001; Frese et al., 2007). Third, knowledge is helpful for acquiring other utilitarian resources such as financial and physical capital (Brush et al., 2001) and can partially compensate a lack of financial capital which is a constraint for many entrepreneurial firms (Chandler and Hanks, 1998). Finally, human capital is a prerequisite for further learning and assists in the accumulation of new knowledge and skills (e.g. Ackerman and Humphreys, 1990; Hunter, 1986). Taken together, owners with higher human capital should be more effective and efficient in running their business than owners with lower human capital. The same theory is applied on countries having high and lower level of human capital. The countries having high level of human capital will be successful in exploitation of opportunities, technology and markets.

Now we turn to assess the situation of human capital in BRIC countries.

HUMAN CAPITAL IN CHINA

China has a population of about 1.35 billion in 2010 and its annual population growth rate was 0.48. China has undertaken "one child policy" since 1979 with specific objective of curtailing population. According to Greenhalgh (2003) estimate this policy has prevented around 300 to 400 million extra births during 1980-2005, which brought a dramatic impact on China's economic and societal development. Weil (2009) estimates that, there were only 70 million children in China by 2000 as a result of one-child policy. Li and Zhang (2007) show that a decline of the birth rate by 1/1000 increases the economic growth rate by an estimated 0.9 percent per year. They also argue that the steady-state GDP capita would be raised by 14.3 percent.

Yu (2011) sketch a very interesting picture of Chinese economic growth. He says that by averting average 13 million births per year accelerated economic growth. He calculated that without one-child policy the real GDP per capital would have lower by 13.2 percent. He concluded that high ratio of working to non-working (1.81) led to higher savings, higher savings led to a higher level of investment and the large capital stock led to high output. This altogether ended in an economic take-off effect. Cehn and Hao (2010) argue that due to the one-child policy more women were released to the labor market which added to the working age population and explosion of economic growth rate due to rising participation of women at labor market. Cal and Wang (2006), Yu (2011), Wang Mason (2008) have concluded that the demographic transition during last few decades is responsible for one-six to two-fifth of China's GDP per capita growth since 1978.

Chen and Liu (2009) argue that together with economic reforms undertaken since 1978, China

has been able to profit a lot from demographic dividend. They predict that China will continue to reap benefit from demographic dividend till 2033.

It is interesting to note how China transformed its raw labour into human capital. The population, which was a burden and major cause of China's underdevelopment in the early few decades, became a valuable asset since 1980. The reason is that in 1950 around 69.8 percent of China's population was illiterate and had no schooling. This kept China poor and a backward country. While in 2010 it was only 6.5 percent illiterate population. The average years of schooling in 1950 was only 1.5 percent in China while in 2010 it was 8.16 years. The average number of years of schooling in the world was 8.12 years in 2010. (Barro and Lee's (2010) data set). It shows that China is ahead of world average years of schooling. So the growth of human capital is fast in China vis-a-vis other emerging economies.

With foreign reserves approached \$3.27 trillion in the mid of 2012, the country is well positioned to fund all of its educational and health projects, basis business capital costs for years to come. For the better part of the 21st Century, China has also been the destination of choice for western multinationals keen to build or partner with that government in developing an Asian manufacturing base. In 1980, China accounted for 1 percent of global GDP. As of 2012, its share had increased to 9 percent of world GDP. The entry of US, Europe and Japan's multinational companies into China added many benefits to the Chinese economy in the form of FDI, transfer of technology and improvement of technical skill of Chinese labour.

POLICIES AND THEIR POSITIVE IMPACT ON CHINESE ECONOMY

In 1978 more than 82% Chinese population was lived in the rural areas while only 18 percent population was lived in urban areas but now situation is quite different because around 50 percent population lived in the urban areas. The poverty ratio in the rural areas in 1978 was 32 percent which has reduced to around 5 percent in 2010. This was happened due to economic reforms introduced during 1979-1984 when rural communes were dismantled and re-organized and the peasants were given control over the use of land without having the right to sell. The farmers were encouraged to diversify production to more high-value cash produces. Crops prices were increased to 30 percent, besides supplying inputs at subsidized rates. All this led to increase in agriculture income and reduced poverty because more cultivators were net sellers of both cash crops and food grains. Periodically, the policy initiatives taken by Chinese Government have been divided into three phases:-

1. 1979-84: Pro-farmers policies brought agricultural transformation, massive increase in rural income and saving and release surplus of labor to industry.
2. 1984-92: Policies accelerated growth of Township-Village Enterprises (TVEs) through exploration of rural savings and demand and simultaneous explosion of FDI from overseas Chinese, in Special Economic Zones and related coastal areas, primarily for export of labor-intensive light manufacturing.
3. 1992-2000: Proliferation of Multinational Investment in heavier, more capital and technology intensive industries and infrastructures, mainly for domestic market and non-tradable sector. According to World Bank 2002 estimates, the magnitude of poverty has reduced to 6 percent in China from 22 percent in 1990.
4. 1980-2005: Education promotion policies have brought significant effect on the development of human resources and it can be visualized from the following table:-

Table 1: Human capital in China: Rates of Educated workforce-2007

Promotion rate	Percentage	Rates of educated workforce	Percentage
Net enrolment rate of school-age children	97.21	Workforce with no education	2.79
Primary school graduates entering junior secondary schools	69.63	Workforce with only primary education	29.53
Junior secondary graduates entering senior secondary schools	45.31	Workforce with junior secondary diploma	37.01
Senior secondary graduates entering institutions of higher learning	21.65	Workforce with senior secondary diploma	24.03
–	–	Workforce with higher educational diploma	6.64

Source: China Statistical Yearbook, 1991 to 2007, and China Compendium of Statistics, 1949-2004.

Notes: (i) Data sources are China Statistical Yearbook and all values averaged from 1978 to 2006.
(ii) Promotion rate is calculated with graduates instead of entrants to eliminate drop-outs.
(iii) Senior secondary education comprises regular senior secondary education, regular specialized secondary education, technical education and vocational senior secondary education because the purpose here focuses on the workforce with different educational level. Thus the rate of senior secondary graduates entering institutions of higher learning is lower than the admission rate provided in China Statistical Yearbooks, which only considers regular senior secondary graduates.

As Schultz (1961) wrote, investment in human capital and economic growth are directly linked. The transition from large families to smaller families' brings one significant change: the enhancement of investment in human capital. Becker et al (1990) describe two steady-states: one with large families and small investment in human capital and one with small families and rising investment in human capital. They state that the idea that a country can switch its steady-state given certain policies and adequate living standard. The one child policy artificially accelerated the speed of this transition through exogenously influencing the family size. This forced China to switch from one steady-state to the other. Subsidizing and supporting public education system can be used to advance higher investment in human capital (Fanti and Gori 2011), Zhang 1997). Since private returns to education at the moment are possibly below its marginal value, as Holz (2008) states, China has to invest in the education system to further promote investment in human capital. To give education more weight may help maintain economic growth.

TALENTS DEVELOPMENT IN CHINA

Li and Florida (2006) say that talent is attracted to the availability of employment opportunities and financial rewards. More recent research identified two additional non-market factors that affect the level and flow of human capital. Operating on the consumption-side, quality of life or urban amenities have been found to matter in the location decisions of human capital households (Glaeser, Kolko, and Saiz, 2001; Lloyd, 2001; Lloyd and Clark, 2001). Florida (1999, 2000, 2000a, 2000b, 2000c, 2005; Florida and Gates, 2001) has argued that talent is also attracted to regions that offer low barriers to entry and higher levels of openness and tolerance, measures, for example, by concentration of new immigrants.

Technology and talent have long been seen as driving forces of economic growth. Romer (1986) has established relation between knowledge; human capital and economic growth through his endogenous growth model, arguing that investment in human capital generate spillovers and increasing returns. Florida (2006) pleads that talent is measured as a proxy index

of the number of universities per capital in each city.

China's rapidly rising rate of human capital production particularly its huge and growing production of scientists and engineers, alongside rising investments in its universities and academic infrastructure and its growing ability to conduct research and development and attract the R&D affiliates of foreign multinationals. However, Talent, technology and regions output in China are all highly concentrated and uneven. China's top 10 city-regions, which account for 16 percent of its population, account for 43 percent of talent production and 58 percent to technological innovation. Its top 25 regions, which house 30 percent of its people, account for nearly three quarters of talent production and more than 80 percent of technological innovations. And its top 50 regions, which house 52 percent of its population, account for nearly 90 percent of talent and 95 percent of technological innovation. There is extreme concentration of China's economic assets on its eastern coast, providing a map of the major centers of university-based talent production in the coastal cities of Beijing, Nanjing, Wuhan, Guangzhou, Shenshen, and Shanghai.

As China is heading towards innovative economy, it is facing scarcity of talents in different sectors. China had 2.25 million scientists and engineers (S&Es) in 2004. Its demands for S&Es were around 2.64 million in 2005 and 3.85 million in 2010. China's future S&E demand will be 5.9 million in 2015. To meet this shortage China has taken advantage of 2008 financial crisis to lure back talent from overseas. Delegations have been dispatched to the United States and other countries to recruit financial professionals. Most recently, the Department of Organization of the Chinese Communist Party Central Committee launched a Thousands Talent Program, pledging to attract some 2,000 high-end Chinese talents residing overseas in the next 5-10 years. Under the scheme, institutions of learning, enterprises, and other organizations are encouraged to target those leaders who are able to make breakthroughs in key technologies, develop high-tech industries, and pioneer new discipline areas. Domestic companies and MNCs also have put on their agenda to nurture and secure a quality and adaptable workforce and attract more qualified employees.

Holz (2008) has contended:

"If talent is randomly distributed among the world population and if China's education system is able to identify the brightest students, then China has a larger pool of talent than any other country in the world."

To use human resources more efficiently means more innovations are possible and therefore a higher level of productivity and economic growth occur. In their new five-year plan, China set a target of creating an innovation promoting environment. Ding and Knight (2008) pleads that China is on a better track than other countries in terms of education. He compared China with other developed countries and concludes that the growth rate of human capital is responsible for the growth difference. So the investment in human capital is one major part of growth accounting in China as compared to other countries' growth rate.

HUMAN CAPITAL IN RUSSIAN FEDERATION

Russian Federation has a population of 140.87 million with a negative annual population growth rate of -0.51. It is endowed with human capital right from the beginning. In 1950 the literacy rate in Russia was 85 percent while the percentage of illiterate population was only 15 percent. The literacy rate in 2010 was 91 percent while average years of schooling were 9.69, which was highest among the four selected emerging economies.

Abundance and high quality of national human capital was routinely considered Russia's key competitive advantage. Standard proxies for human capital show high endowments in Russia. According to the data set supplied by Barro and Lee (2001), Russia scored high in education

attainment rankings during the period 1960-2000, placing it among the top ten of 138 countries. Russia remained almost at par with countries enjoying a very high human development index under the United Nations classification (UNDP, 2010: 143-146). In addition, Russia is ahead of most developed countries on indicators such as enrolment rates, absolute numbers and share of scientists and researchers per million persons, number of graduate and post-graduate students per 10,000 people. The same goes for the formal educational characteristics of the economically active population (see Table 2)

Table 2: Distribution of Economically Active Population by Education, 2001 and 2007

Country	Share, %					
	Primary or less		Secondary		Tertiary	
	2001	2007	2001	2007	2001	2007
USA	17.1	9.5	39.5	29.4	43.3	61.1
New Zealand	20.4	17.9	49.6	41.1	27.2	37.3
UK	17.5	21.5	47.4	45.9	26.8	31.9
Germany	17.3	17.0	58.9	59.0	23.8	23.9
France	26.9	26.0	46.9	44.3	26.2	29.4
Korea	14.2	23.0	43.7	42.0	24.9	35.0
Brazil*	73.9	62.5	18.6	28.9	6.9	8.6
Russia	12.1	6.4	33.9	41.1	54.0	52.5

Note: * 11+ years old.

Source: Key Indicators of the Labour Market (KILM). Geneva, ILO. <http://www.ilo.org/public/english/employment/strat/kilm/>, downloaded on 3 January 2011.

Sobolevia (2011) argues that during the two post-Soviet decades, this potential competitive advantage was not realized either at the macro or at micro level. Russian industrial sector was unable to produce commodities of good quality and to offer strong incentives for workers and management. Natural resources were misallocated: the significant comparative advantage in the natural sector was fizzled out from resource extraction to refined and processed goods (Russian Academy of Sciences, 2000; Intriligator et al. 2001).

The decline in industrial employment was due to a profound economic crisis and was accompanied by unfavorable changes in the sector as the share of manufacturing value added in GDP declined against a rapid expansion in exports from the extractive sector. The share of mining in overall industrial employment increased from 12.5 per cent in 1990 to 21 per cent in 1998, and 25 per cent at the turn of the millennium, while the corresponding figures for engineering industry were 38, 30 and 27 per cent respectively, for light industry were 11, 6.7 and 6 per cent respectively. Per capita production of basic food products and consumer goods also went down when no signs of basic needs saturation were observed. (See Table 3).

Table 3 : Employment Distribution by Broad Economic Sectors, Russia, 1992-2004

Sector of economy	Employment (year average)						
	1992	1995	2000	2001	2002	2003	2004
Agriculture (thousand persons)	10336	10003	8609	8200	7947	7480	7054
Share (%)	14.3	15.1	13.4	12.7	12.2	11.4	10.7
Manufacturing, mining & construction (thousand persons)	29211	23369	19545	19707	19516	19425	19270
Share (%)	40.6	35.2	30.4	30.5	29.8	29.6	29.2
Services (thousand persons)	30210	31604	34135	34676	35704	36440	37054
Share (%)	41.9	46.8	53.1	53.5	54.8	55.5	56.3

Source: Rosstat, <http://www.gks.ru/wps/wcm/connect/rosstat/rosstatsite/main/>, accessed on 3 January 2011.

The former Soviet Union was a leader in different technology fields such as metallurgy, precision instruments, space technologies, computer software, aircraft building and development of new materials. In line with the international standards, the former Soviet Union gained a significant level of development in transport and infrastructure sectors, mass education and in the basic applied research. This progress relied on the valuable science establishment and broad networks between research institutes and experimental laboratories coordinated at national level (Intriligator et al. 2001).

The high quality of human capital was mainly achieved by ensuring that the labour force had a high level of general education. Moreover, the planned system offered a peculiar scheme of non-market incentives (mainly in the form of a high standard of living) to the Russian intellectual elite. Scientists and researchers, therefore, could benefit from a high social status, several fringe benefits and higher wages than those paid to the rest of the economy. In the early 1990's, Russia had 200 university and college students per 10,000 of population, a value which is similar to most developed countries. About 20% of workers had a university degree, whilst less than 3% had not graduated from high school. In 1985 Russia alone employed more than 1.2 million research workers and more than 3 million people, if specialists are considered (Romer, 2001, Micklewright 1999).

The new Russia inherited from the former Soviet Union two areas of comparative advantage, one in the resource extraction sector and the other in the human capital sector. While the first area of advantage has already made great strides in the world market, the second one does not keep pace with international standards. Indeed Russia is a net importer in the sectors which make intensive use of human capital. More precisely, the specialization index calculated for 2002 shows that the only human capital intensive products in which Russia is specialized are optical instruments, non-electric engines and steam generating boilers.

The Russian economic transition from a planned to a market economy started with a drastic reform program -a 'Big Bang'- launched by President Boris Yeltsin after October 1991. This reform program envisaged a quick liberalization, a massive privatization and a fast stabilization programmed for the Russian economy. In few months, central controls were outlawed, price and trade barriers were lifted and a colossal privatization agenda started. The immediate effect of this was an increase in the price level and an upsurge in the inflation rate. In the first three years of the radical reforms, real GDP dropped by 33 percent, industrial production by 44 percent and investments by 60 percent (Goskomstat, 2005; Pomer, 2001).

Over the next four years, albeit at a slower rate, the economic decline continued and the ruble appreciated. Government expenditures, including spending on human capital (science, education, culture, and health care), fell to 37.8 percent of GDP in 1996 and to approximately 35 percent in 1997 (The World Bank, 2001). Relative to 1990, employment in 1998 was off by 11 million workers, poverty became endemic, and social services were halved. The Russian privatization process brought a small group of people to grab a sizeable part of the public wealth, and as a consequence, inequality increased and mafia influence became prominent in several aspects of Russian life (Glinkina et al. 2001).

NEGATIVE IMPACT OF REFORMS ON HUMAN CAPITAL

The Russian reforms were aimed at a dual goal of facilitating the transition from a centrally planned to a market based economic system and to meet the competitive demands of the global economy, which was both ambitious and associated with grave risks both in the economic and social spheres.

Unfortunately with the lifting of the 'iron curtain' the standard neo-liberal approach to shaping the reforms based on the mainstream economic paradigm institutionalized in the Washington Consensus principles that were adopted, failed to connect effectively with the endowments Russia enjoyed. The selected strategy of minimizing the role of the state in economic and social spheres and rapid privatization consistently implemented in Russia during the first decade of reforms had very controversial results. The spontaneous unleashing of market forces was not accompanied by a coherent state policy aimed at correcting the structural biases in the economy, at the efficient utilization of manpower and accumulation of human capital, and at adequate safety nets for the preservation of the national human resources. Social policy of the state was reduced to a 'ramshackle' protection aimed at compensating (at least to some minimum extent) the costs of reform to the most vulnerable population groups in order to avoid social unrest. The result was severe economic decline accompanied by regressive changes in the structure of GDP and employment, diminishing socioeconomic security of population and rapid exacerbation of inequality. The situation undermined both the initiative and opportunities for human capital accumulation.

The worsening employment structure was accompanied not only by a threefold reduction in average real wages, but also by their redistribution to sections of economy benefiting from globalization – the fuel and energy complex and financial sector (see Table 4). Average wages in the oil and gas sector exceeded average wages in light industry, education and health by 4-6 times to say virtually nothing about agriculture. Taking into account the high incidence of wage arrears in the less fortunate branches of economy the wage gap between privilege and underprivileged sectors began to widen.

The key trend in wage distribution has been increasing dependence on the privileged sectors with a consequent deleterious impact on the diminishing role of education, skill and performance level. It gave a special accent to the problem of 'the working poor'. Unlike the situation in developed economies where this problem is acute mainly for low skilled and less educated workers, in Russia it included a large share of professionals employed in the public sector, including teachers, physicians and librarians. In the 1990s the wages of medical doctors, paramedics, nurses, instructors at preschool centers fell below the poverty line while the wages of teachers and pedagogues exceeded the subsistence minimum by a mere 1.1-1.4 times (See Table 4).

Table 4 : Relative Wage Levels by Economy Sectors, Russia, 1990-2000

Branch of Economy	Wage rate as % of national average				
	1990	1992	1995	1998	2000
Agriculture	95	66	50	45	40
Manufacturing & mining	103	118	112	115	123
Energy	121	221	209	203	181
Fuel	148	290	256	237	298
Ferrous metals	117	170	136	136	158
Non-ferrous metals	145	250	224	220	278
Engineering	101	87	85	89	95
Light	82	85	56	51	54
Food	103	127	118	116	108
Construction	124	134	126	127	126
Trade & catering	85	81	76	82	71
Housing & communal services	74	82	102	105	88
Health & social security	67	66	73	69	62
Education	67	61	65	63	56
Culture	62	52	61	62	55
R&D	113	64	77	99	122
Finances	135	204	163	199	244

Source: Rosstat, <http://www.gks.ru/wps/wcm/connect/rosstat/rosstatsite/main/>, accessed on 3 January 2011.

According to the first round of people's security survey (PSS) conducted by the Institute of Economy in three regions of Russia as a part of ILO Socio-Economic Security Program, among employees with wages below the subsistence minimum, 28.8 per cent possessed university education and another 43.3 per cent non-university tertiary education. The fall in wages in the public sector industries – that have been vital for human development and innovation and concentrating high skilled manpower – was more significant than in other industries. The inevitable result of these developments was the intensification of brain drain from the underprivileged sectors of economy.

Being a strong country with strong military, Russia's industrial economy prior to reforms enjoyed many millions of skilled workers who were engaged in high-tech and innovative activities. With reforms, the economy transformed into a middle income economy heavily dependent on oil and gas with negligible share of innovative goods and services either in GDP or in export. At macro-level the abundant human capital endowment was not used to direct innovation-based growth. On the micro-level the situation is even less encouraging because skilled labour was underpaid in Russia, which meant little or no monetary returns on human capital investment (Gregory and Kohlhase, 1988). During pre-reform times, acquiring tertiary education gave important intangible rewards like status, autonomy at work, higher job satisfaction and better working conditions. Since the turn of the millennium, most of the intangible rewards are gone while individual returns on education remain low. As a result, the relative ranking of national human capital stock can be readjusted downwards to 70-80 per cent of that of the United States if measured by accumulated education, and 10-20 per cent if measured by expected future earnings. This situation raises serious doubts over Russian educational endowments. The main reason for decline of human capital was unemployment, mismatching of jobs, low wages, which resulted in brain-drains from Russia to developed countries where wages and return on education and experience is high. Another cause of the decline of human capital was the unavailability of professionals who were able to manage the

economy when Russia shifted from planned to market-based economy.

Another negative trend of the 1990s was intensification of classical brain drain from the R&D sector, which devastated the elite strata of national human resources. According to expert assessments, between 1990 and 2000 public investment in R&D was slashed by 15-20 times (ФОРТОВ, 2002: 43). The fall of public research funds was accompanied by a reduction of corporate spending. During the first decade of reform the majority of Russian firms in the manufacturing sector experienced financial difficulties and, thus, were forced to abandon long-term development goals and accept the strategy of survival. The R&D expenditures were the first to be cut down by these firms.

Thus, the share of firms contribution in overall R&D expenditure decreased from 62 per cent to just 6 per cent (ЛЪВОВ and СОРОКИН, 2005: 133-135). The corporate demand for skilled research personnel almost evaporated, which drove out-migration of scientists and engineers. Employment in R&D decreased from 2.8 million in 1990 to 1.2 million in 1998 and 0.8 million in 2002. The direct outflow of researchers from the country accounted for a substantial part of the decrease. During the first decade of reforms, Russia lost 60 per cent of mathematicians and about 50 per cent of physicists and biologists. The brain drain reached its peak in the late 1990s when scientists quit Russia in teams, sometimes even managing to relocate abroad in teams (Голдфилд, 2007).

According to data from the national passport-visa service, the emigration of research personnel from Russia reached 5-6 thousand per year. However, independent assessments put the number as at least three times more. Thus, during the decade of economic decline human capital mismatch manifested itself mainly in underemployment (underutilization) of skilled labour. The inevitable result was undervaluation and gradual degradation of a substantial part of accumulated human capital and in some cases irreversible loss of unique technical qualifications and know-how bases, which caused path-dependence traps.

Druska et al. (2002) and Vinogradov (2004) link low returns on human capital in the post-Soviet Russia and the inability of highly educated manpower to contribute adequately to economic modernization and sustainable development, to a specific version of human capital mismatch, manifesting itself in a distorted occupational structure of human capital inherited from the centrally planned Soviet economy. In a non-market economy practicing centralized allocation of resources there was little need for professionals in sales, marketing or finance, reflecting the 'technocratic biases of professional education. A large share of students specialized in science and technology education, while training in humanities and social sciences was provided on a relatively modest scale. In the second half of the 20th century, engineers accounted for about one-third of total employment. Sometimes it is argued that market reforms led to per saltum depreciation and loss of a large portion of the national human capital that was accumulated during the Soviet regime, manifesting in a sharp fall of monetary and non-monetary rewards enjoyed by skilled labour (Нестерова and Сабирьянова, 1998).

HUMAN CAPITAL IN INDIA

India is the second largest populous countries of the world with a total population are around 1.19 billion with annual population growth rate of 1.46. It had highest illiteracy rate around 74.7 percent in 1950 and average years of schooling was only 0.98. In 2010 the population with zero schooling was 32.7 percent while the year of schooling was around 5.11, which is lowest among selected four emerging economies. Only 20% population

According to Ghosh (2010) India has never been a good performer in human development terms, despite the much higher indicators in some states particularly Kerala. Overall, both health and education indicators have lagged well below those in other countries at similar levels of development and with similar per capita income. Banerjee (2008) mention that poverty and hunger have reached alarming level in India particularly in certain states such as Punjab, Kerala, Andhra Pradesh and Assam. The National Family Health Survey for 2005-2006 shows that the proportion of underweight children below the age of five years was 45.5 percent in rural India and 32.7 percent in urban India, indicating hardly any change from the previous survey undertaken 8 years back. One-third of the rural population was also underweight. Anemia, which is an indicator of nutritional deprivation, was also widespread: 79.2 percent of children aged 12-23 months and 56.2 percent of ever-married women between 15 and 59 years were found to be anemic. The reason of poor health care services is that health expenditure of central and state governments in India taken together decline from more than 1 percent of GDP in the mid of 1980s to only 0.9 percent in the mid-2000. It means that benefits of economic growth in India have been concentrated and have not "trickled down" sufficiently to ensure improved consumption among the lower income groups. However, the pattern of growth opted in 1980s generated a shift of public expenditure and brought multiplier effects and more employment that benefited the rural poor to some extent (Sen and Ghosh, 1994). Thus, in India, rapid economic growth has not contributed to substantial human resources development because of the negative effects of microeconomic policies and processes on food prices and employment generation. The only positive feature in employment patterns was increased opportunities for educated people, largely related to the expansion of IT sector in metropolitan and other urban areas (Ghosh, 2010).

HUMAN CAPITAL IN BRAZIL

Brazil, the emerging economic giant of Latin America and the world 8th largest economy, has proved to experience a stable and increasing economic growth in the recent past. The economic and industrial growth of Brazil is not sudden rather quite gradual. Its growth performance has been the best one among Latin American countries since 1960s and somewhat parallel to the East Asian export performance. With an annualized 5% growth rate, it is likely to become world's fifth largest economy overtaking Britain and France in the decade after 2014. Its GDP per capita is 9,567 (PPP US\$) making it one of upper middle income countries with high potential of economic boom given its rapid industrialization, FDI, boasting export having the biggest share in of meat, coffee, sugar, and fruit But growth is not sufficient, though generally necessary, for achieving economic development. Unequal distribution of income and social spending, high extreme poverty, and the problem of racial discrimination and social inclusion along with larger control of public enterprises, lower education and social spending, and high inflation in the economy have substantially undermined the development prospects of the country. We will address here only three major problems or challenges that obstruct Brazil's development efforts: unequal income distribution, and deep-water oil discovery.

But Brazil, in its attempt to promote development, encounters the problem of low education performance that hinders its ability to reduce poverty and inequality in general. Though it's reported that Brazil's adult literacy rate is 85%, but independent observers have concluded that effective literacy is only 50% while in similar-income Costa Rica the literacy rate is 95%. According to UNDP data, a third of the poorest fifth cannot attend the primary school and more than 90% of the poorest fifth cannot afford secondary education. UNDP also concludes that four fifth of the scholarship granted fund chiefly to graduate students goes to the richest

fifth of the population. This low literacy rate and discriminatory education system has wider repercussions on the development process of Brazil. Lack of education makes people less able to pursue personal enjoyment and social functioning. It reduces their share to the income distribution, less aware about nutrition and health which also make them likely to lead a poor standard of life. Brazil is a rising economy having a huge potential for human development. It's progress in the recent past is also quite satisfactory. In 1993-2005, Brazil experienced five times bigger proportional poverty reduction than both China and India did. Government policy called helped growth trickle down to the poor ensuring a better distribution of grown wealth. Besides in some cases, Brazil outclasses the other BRICs (Russia, India and China). Brazil has the benefit of democracy while China lacks it. There is no internal problem of insurgency, ethnic divisions, religious conflicts and hostile neighbors of the country, unlike India. Smart policy, reduction in poverty and inequality, boasting consumption, new and ambitious Brazilian multinational corporations (i.e. Gerdau, a steelmaker or JBS, soon to be the world biggest meat producing industry) altogether posing a bright indicator that Brazil really takes off in the stage of world economy.

MISMATCH BETWEEN NUMBER AND TYPES OF JOBS

Despite a very interesting trend in the number of graduates in Brazil, the great majority of these human resources do not seem to be allocated in formal R& D and engineering activities. Engineers are lacking in certain industries, including IT and there is a mismatch between the number and kind of HRST in industries and supply. Brazil needs a more effective alignment between creation of knowledge and education of human resources in universities with the demand of professional expertise and technological bases for formation of firms and a clear use by companies of the university environment as a source for accumulation of technological capability. The entrants at tertiary level are 7.4 percent. The annual growth in number of entrants in higher education was 10% per annum between 2000 and 2006 and about 8 % in science and technology. The intensification of growth of human resources in manufacturing shows a tendency that talent is more concentrated in occupations such as plant and machine operators and assemblers. The nature of specific sectors and development stage capability are still in the process of evolving.

CONVERGENCE OF HUMAN CAPITAL

Rich countries have much higher stocks of human capital than emerging economies so the question is whether or not past performance in human capital accumulation indicates eventual convergence. The good news is that convergence in human capital has been observed in the past decades. The next question is that if convergence will happen, how many years will it take the emerging economies to catch up with current level of human capital of industrialized countries. It is clarified that the growth rate in human capital may slow when a country achieves a higher level of human capital as illustrated by the slow growth rates in industrialized countries. Hyun H.Son (2010) calculated that average years of schooling in 2010 in China was 8.2 and annual growth rate in years of schooling during 1950-2010 was 2.7. The years need for China to convergence is 10.5. Similarly India average years of schooling in 2010 were 5.1 and annual growth rate in years of schooling during 1950 and 2010 is 3.1 while India needs 24.6 years period for convergence.

FINDINGS AND RESULTS

Our study shows that Brazil, Russia, India and China have brought fundamental change in their policy framework to promote human development and accelerate economic growth since 2000. However, human capital development in these countries shows diverging trends. For example, China and India recorded tremendous positive growth which is measured by Human Development Index HDI. According to UNDP Report,2010, China's HDI increased 44.2 percent while India's HDI increased to 33.3 percent during 1990-2010 which shows tremendous improvement in human development indicators particularly improvement in literacy rate and poverty alleviation, healthcare services and level of educational attainment. (See Table 5).

Economic reforms introduced by BRIC brought a dramatic impact on their economies. The human development policies of China, India and Brazil brought a vital change in the social set up and economic environment of these countries, resulting fast economic growth. But economic reforms introduced in Russia could not produce desired results. During pre-reform period, acquiring tertiary education gave important intangible rewards like status, autonomy at work, higher job satisfaction and better working conditions. Since the turn of the millennium, most of the intangible rewards are gone while individual returns on education remain low. As a result, the relative ranking of national human capital stock can be readjusted downwards to 70-80 per cent of that of the United States if measured by accumulated education, and 10-20 per cent if measured by expected future earnings. This situation raises serious doubts over Russian educational endowments. The main reason for decline of human capital was unemployment, mismatching of jobs, low wages, which resulted in brain-drains from Russia to developed countries where wages and return on education and experience is high. Another cause of the decline of human capital was the unavailability of professionals who were able to manage the economy when Russia shifted from planned to market-based economy.

China and accumulated huge wealth by exporting industrial goods while Russia clinched benefit from high oil and gas prices in world market. High commodity prices benefited to Brazil. Based on a Forbes report released in March 2011, the BRIC countries numbered 301 billionaires among their combined populations, exceeding the number of billionaires in Europe, which stood at 300 in 2011. The rising number of billionaires in BRIC shows the prevalence of wide income inequality and regional disparity, creating different classes of people with different income. The increasing income inequality is the serious problem of BRIC and it might become a hurdle in their further economic development and poverty reduction efforts.

POLICY RECOMMENDATIONS

It is suggested that Brazil and Russia pay special attention on the proper utilization of human capital by expanding employment opportunities and by creating jobs that match with skill. China and India should reduce poverty through taxation, i.e., by taxing the rich and distributing resources among the poor. Now the question is not human capital development, but real question is that policies should be framed for its proper utilization.

Table 5: Economic and social indicators of BRICs-2010

Countries	China	Russia	Brazil	India	Total / Average
Area (Km)	9,640,011	17,098,242	8,514,877	3,287,263	28,910,042
% of world	6.5	11.5	5.7	2.3	26
GDP US\$ (Mn)	5,878,257	1,474,828	2,090,314	1,631,970	11,075,369
% of world	9.34	2.34	3.32	2.59	17.59
GDP Per Capita (PPP)	7,544	15,612	11,273	3,408	9,459
Population (000)	1,345,757	140,874	193,734	1,198,003	2,878,372/6,979,000
% of world	19.30	2.34	2.8	17	41.44
Population growth rate (%)	0.48	-0.51	1.26	1.46	2.69
GDP Growth rate (%)	10.30	4.00	7.49	11.1	6.56
Primary level enrolment %	97.43	91.49	95.82	89.68	93.60
Territory level enrolment %	7.5	64.1	16.5	10.50	24.75
Literacy rate (%)	95.9	99.5	90.0	75.0	90.10
Spending per student	12	20.5	12	23	16.5
School life expectancy (years)	12	14	14	12	13.0
Unemployment rate (%)	4.1	7.6	5.8	9.4	6.7
Average years of schooling	8.16	9.69	7.53	5.11	7.62
World average years of schooling					8.12
HDI % change during 1990-2010 (Brazil 2000-2010)	44.2	3.8	7.6	33.3	22.22

Source: International Monetary Funds, World Bank, Barro & Lee's (2010) data set, UNDP Human Development Report, 2010.

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Determinants of cross-cultural adjustment among expatriate employees: The role of personality

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ABSTRACT

The present paper examined the personality of the Indian expatriates. Along with the Multi personality questionnaire to assess personality, three levels of adjustment were also used. This paper focuses on such personal characteristics, like cultural empathy, open mindedness etc., as a personality characteristic that is expected to either facilitate or impede cross-cultural adaptation. In this research the Multi-culture personality questionnaire is administered on 340 expatriates out of which, 180 are from US and 160 are from Japan. The sample includes 204 males and 136 females. This study can also be helpful in the recruitment and selection process of the candidates for expatriation. Cultural empathy turns out to be the predictor of personal adjustment. Flexibility is strongly correlated to the social adjustment. Females are low on emotional stability & social Initiative.

Keywords: Expatriates, cultural empathy, open-mindedness, social initiative, emotional stability, flexibility

GEL Classification Code: J50; M12; M54

INTRODUCTION

In the era of globalization, the world has come closer and the national boundaries are no more the limiting boundary for the talent to permeate. The Multi- National Company's (MNC), when recruit and select people for the organization, expect that the candidate can be located in any of the subsidiaries, be it in any part of the world. In today's age of multicultural, global organizations, superiors and subordinates who must work together are often from different cultures (Mendenhall, Dunbar and Oddou 1987). International human resource experts agree it is imperative for multinational companies (MNCs) to attract, select, develop, and retain employees who can live and work effectively outside of their own national borders (Adler&Bartholomew 1992, Black,Gregersen&Mendenhall 1992, Mendenhall & Oddou ;1985, Stroh & Caligiuri 1998,Tung 1988, Tung & Miller 1990). These employees, who are sent from a parent company to live and work in another country for a period ranging from two to several years, are colloquially referred to as

"expatriates." The number of expatriates MNCs are sending on global assignments is increasing steadily (Laabs 1993,Stroh & Dennis & framer 1994). In order to adjust to a new culture and work efficiently, the expatriates need to accommodate their attitudes and behaviours to the new cultural context (Huang, Chi and Lawler 2005).

Expatriates represent a potential competitive advantage for multinational corporations. Expatriates carry out assignments such as facilitating the operation of foreign subsidiaries, establishing new international markets, spreading and sustaining corporate culture, and transferring technology, knowledge and skills (Brown, 1994;Klaus, 1995; Solomon, 1994).

The research has already shown that there are differences in the values held by people from various cultures around the world (Evans and Sculli 1981, Hofstede 1980, Hofstede and Bond 1984, 1988, Kelley, Whatley and Worthley 1987, Ralston, Cunniff and Gustafson in press, Ronen and Shenkar 1985, Tung 1991). Understanding the behavior patterns of individuals who are from different cultures is particularly salient for expatriate managers who not only must work with individuals from other cultures, but who also must work in a foreign culture (Mendenhall and Oddou 1985, Shaw 1990). To be effective in a foreign culture, expatriate managers must understand both the origin of their own behavior and the congruence of their behavior with that of individuals who are from the foreign culture (Black, Mendenhall and Oddou 1991, Internationalization 1989).

Personal characteristics are expected to facilitate or impede the formation of social networks, the ability to accomplish tasks and the expatriate's adjustment and performance (Stahl & Caligiuri, 2005). Since it is easier to develop interpersonal relations with peers who come from similar cultures, and who are of similar status, it is important to understand personal characteristics of those who are able to span the cultural boundaries that may exist between the expatriate and local staff (Aycan, 1997; Black, Mendenhall & Oddou, 1991; Harrison, Shaffer & Bhaskar-Shrinivas, 2004).

This paper focuses on such personal characteristics, like cultural empathy, open mindedness etc., as a personality characteristic that is expected to either facilitate or impede cross-cultural adaptation.

In this research the Multi-culture personality questionnaire is administered on 340 expatriates out of which, 180 are from US and 160 are from Japan. The sample includes 204 males and 136 females. This study can also be helpful in the recruitment and selection process of the candidates for expatriation.

Taking into account expatriate personality traits and contextual factors related to personal, social and Professional adjustment in Japan & United States (US), the present study contributes to the expatriate literature in four ways. First, the influence of expatriate personality traits on adjustment is examined using the Multicultural Personality Questionnaire (MPQ) instead of general personality scales that might not capture cross-cultural adjustment (Van der Zee and Van Oudenhoven 2000). Second, the MPQ is extended from exploratory studies with real expatriates living and working in foreign countries i.e Japan & US. Third, this study has purported to explore impact of the gender on the adjustment of expatriates; fourth, this study has further tried to analyze the relation between job satisfaction and personality traits.

LITERATURE REVIEW

Cross-cultural adjustment is the extent to which individuals are psychologically comfortable living outside of their home country (Black 1990, Black and Gregersen 1991). Cross-culturally adjusted expatriates "represent a more integrative approach to a new culture, (they) ... are open to the host culture, but integrate new behavior, norms and roles

into the foundation provided by (their) home cultures" (Church 1982, p. 543). On the other hand, maladjusted expatriates are unable or unwilling to accept the host countries' behaviors, norms, and roles: Very simply, cross-cultural adjustment is "the individual's affective psychological response to the new environment" (Black 1990, p. 122).

Many scholars have added to the list of factors which influence cross-cultural adjustment (e.g., Arthur and Bennett 1995, Baker and Ivancevich 1971, Black et al. 1991, Black and Stephens 1989, Harvey 1985, McEvoy and Parker 1995).

Recently, the MPQ, which covers the personality traits of cultural empathy, open-mindedness, social initiative, emotional stability, and flexibility, has been developed as a specific scale to measure expatriate adjustment (Van der Zee and Van Oudenhoven 2000).

In reviewing literature, it was found that surprisingly few scholars have focused on expatriate adjustment in Japan (Black 1988; Napier and Taylor 1995, 2002). A study by Black (1988) indicates that the work adjustment of 67 American Organizational Expatriates was related to work role ambiguity and discretion, and general adjustment to association with host nationals and the adjustment of their families. While examining a variety of adjustment issues confronted by 30 female expatriates in Japan, Napier and Taylor (1995) found that their ages and Japanese language skills were important dimensions of successful work adjustment. For these female expatriates, housing and health care were the most difficult aspects of non-work-related adjustment. A comparative study of female expatriates in China, Japan, and Turkey several years later provided largely similar results (Napier and Taylor 2002).

Raduan Che Rose, Subramaniam Sri Ramalu, Jegak Uli, Naresh Kumar (2010) in the article, "Expatriate Performance in International Assignments: The Role of Cultural Intelligence as Dynamic Intercultural Competency", investigates the effects of dynamic intercultural competency of cultural intelligence and its dimensions on expatriate job performance.

HYPOTHESIS

1. The research has shown that women overall tend to be higher in empathy toward different ethnic/cultural groups (Cundiff & Komarraju, 2008; Wang et al., 2003; Batson et al., 1996; Gault & Sabini, 2000; Lennon & Eisenberg, 1987; Macaskill et al. 2002; Schieman & Van Gundy, 2000). Thus, hypothesis examines the following:

Hypothesis 1: Females have more Cultural empathy differences than will males.

2. Women are less emotionally stable than men (e.g., Schmitt & Shackelford, 2008)

Hypothesis 2: Females are low on emotional stability than males.

3. Women have, on average, better social skills and are more empathic and self-aware than men (Harvey, 1997; Martin et al., 1998; Nicholson, 2000; Van Velsor et al., 1993; Westwood et al., 1994). These characteristics will help women to learn more quickly than men how to establish and maintain relationships in the host country.

Hypothesis 3: Females are higher on Social initiative than males.

METHOD

Respondents

The questionnaire was sent to 500 expatriates but only 340 were returned, making for an overall response rate of 68%. The sample of 340 respondents consisted of expatriates to Japan (160) and U.S (180). Of the respondents, 204 were male and 136 were female.

Instruments

A questionnaire was constructed that consisted of the following sections: biographical information, the Multicultural Personality Questionnaire, scales for personal adjustment and social support. The final section assessed respondents' professional adjustment.

Biographic information

In the first section respondents were asked to provide their name, address, nationality, date of birth, occupation, company, gender.

THE MULTICULTURAL PERSONALITY QUESTIONNAIRE (MPQ)

The Multicultural Personality Questionnaire (MPQ) is a personality assessment questionnaire that describes behavior when one is interacting with people from different cultures. The MPQ may be used to predict how easily people are likely to adjust to other cultures and come to feel at home with them. In the current study, the MPQ (Van der Zee and Van Oudenhoven, 2000, 2003) consisted of 78 items spread over five dimensions.

a. Cultural empathy

This scale assesses the capacity to identify with the feelings, thoughts and behavior of individuals from different cultural backgrounds. Cultural empathy, also referred to as sensitivity (Hawes and Kealey 1981), is an often mentioned aspect of multicultural effectiveness (e.g. Ruben 1976; Arthur and Bennett 1995).

b. Open-mindedness

This scale assesses people's capacity to be open and unprejudiced when encountering people outside of their own cultural group and who may have different values and norms. This ability, just like cultural empathy, seems vital to understanding the rules and values of other cultures and to coping with them in an effective manner.

Open-mindedness refers to an individual's open, unprejudiced attitude to out-group members and different cultural values (Arthur and Bennett 1995).

c. Social Initiative

Social initiative denotes people's tendency to approach social situations actively and to take initiative. This determines the degree to which they interact easily with people from different cultures and make friends within other cultures.

Social initiative is a tendency to stand out in a different culture, establish contact and be active (Van der Zee and Van Oudenhoven 2000). Expatriates who make social initiatives tend to be successful at living and working in foreign countries.

d. Emotional stability

This scale assesses the degree to which people tend to remain calm in stressful situations.

Emotional stability refers to the tendency to remain calm rather than showing strong emotional reactions in stressful situations (Van der Zee and Van Oudenhoven 2001).

Helping expatriates cope with acculturative stress and adapt to a new cultural and work environment, emotional stability has been identified as a crucial dimension for overseas success across different functions (Church 1982).

e. Flexibility

Flexibility is the ability and tendency to adjust one's familiar behavioural strategies to different or more restricted circumstances within a foreign culture (Van der Zee and Van Oudenhoven 2001). Expatriates need to be flexible and able to shift easily from one strategy to another, as familiar ways of handling things might not work in new cultural environments (Arthur and Bennett 1995).

PERSONAL ADJUSTMENT, SATISFACTION WITH LIFE

This construct was measured by the Satisfaction with Life Scale (Diener, Emmons, Larsen,

& Griffin, 1985). The construct was measured by five items on a 5-point answering scale ranging from strongly agree [1] to strongly disagree [5]. Examples of these items are: 'In most ways my life is close to my ideal' (+) and 'The conditions of my life are excellent' (+). Physical health was measured by the Rand 36-item Health Survey (Rand Health Sciences Program, 1992). The subscale for physical health consisted of six items, using a 5-point scale (□ □ =76). On the first of these items 'In general would you say your health is...' this scale ranged from poor [1] to excellent [5]. On the second item, 'During the past four weeks, how much of the time has your physical health or emotional problems interfered with your social activities (like visiting friends, relatives, etc.)?' this scale ranged from all of the time [1] to none of the time [5]. The other four items were scored on a scale ranging from definitely false [1] to definitely true [5].

Psychological Health was measured by two additional subscales of the Rand 36- item Health Survey, the mental health and the vitality scale, that were combined into one 9-item scale. The scale ranged from none of the time [1] to all of the time [5].

PROFESSIONAL ADJUSTMENT

The professional adjustment of the respondents was assessed using the Job Satisfaction Survey which is a 36-item scale to assess employee attitudes about the job and aspects of the job (Spector, 1997). This scale was used because its items referred to a wide range of job aspects: rewards, opportunities for promotion, supervision, relationships at the workplace, the nature of work, and satisfaction with operating conditions.

Social Adjustment was assessed by social support by peers Items could be answered on a 4-point scale ranging from seldom or never [1] to very often [4]. The scale (17 items) was a shortened version of the 41-item Social Support List-Interaction (Van Sonderen, 1993).

HYPOTHESIS TESTING

The Independent sample test was conducted to test the hypothesis.

Hypothesis 1: Females have more Cultural empathy differences than males.

As per Table 4, significance level of Cultural Empathy is 0.00, which indicates that the mean is different. So, the hypothesis is accepted.

Hypothesis 2: Females are low on emotional stability than males.

The mean of Emotional stability of females (13.60) is less than that of males (14.14). (Refer Table 3). Hence, the hypothesis is accepted.

Hypothesis 3: Females are higher on Social initiative than males.

The mean score of females on Social Initiative is 13.13, which is lower than the scores of males (14). So, the hypothesis is rejected. (Refer Table 3).

RESULTS

Table 1 & 2 show descriptive statistics of Expatriates to US & Expatriates to Japan respectively. The major differences between the expatriates posted to these two nations are:

CE for US (15.20) is more than Japan (14.69)

ES for US (14.80) is more than Japan (12.94)

Flexibility for US (12) is less than Japan (13)

Physical health is better in Japan (4.07) than US (3.57)

Social support is higher in Japan (3.08) than in US(2.71)

Job satisfaction is higher in Japan (4.05) than in US(3.67)

INSERT TABLE 1& 2.

Table 3. Shows the descriptive statistics of the variables based on gender, where "0" denotes males & "1" denotes females.

Hypothesis 2 is accepted and hypothesis 3 is rejected on the basis of this table. Three variables- Cultural empathy, emotional stability & Social Initiative have difference of one or more than one in the means of males & females.

INSERT TABLE 3

Table 4, shows, results of Independent sample t-test, to find out the difference in the means of the sample based on the gender.

For Cultural Empathy, ES, SI and Satisfaction With life, Significance level is 0.00, so the mean is different

OM Significance level is .074, F Significance level is 0.493, Psychological Significance level is 0.644, Social Support Significance level is 0.638, Job Satisfaction Significance level is 0.977, so the mean is same

INSERT TABLE 4

Table 5 shows the correlations between the variables under study. Job Satisfaction is significantly correlated to the personality variables, except OM & SI. The adjustment variables like satisfaction with life, social support & psychological health, also have significant relation with the personality variables.

INSERT TABLE 5

DISCUSSION

The current study is focused on the study of the personality of the expatriates posted to US & Japan by using Multicultural Personality Questionnaire and also their personal, social & professional adjustment

First it was observed that among sub factors of MPQ scale, the highest correlation is between open-mindedness and Flexibility (.429). The person, who is flexible in his approach, could be unprejudiced towards people from other cultures and accept the differences easily.

Second, it was observed that the MPQ scales could significantly predict all three facets of personal adjustment: satisfaction with life, physical health, and psychological well-being. The strongest relationship was found between cultural empathy and personal adjustment. This stands true, as it is easy for expatriate to adjust in any nation, if he has understanding of others' culture.

Third, with regard to the relationship between job satisfaction and the MPQ scales, Flexibility seems to be a significant predictor (.266). The expatriate who scores high on this dimension may easily adjust his or her behavior to the different working conditions in the host country. So, this factor should be taken into consideration while selecting an expatriate. The importance of reaching a satisfactory level of well-being at work should not be underestimated. Job satisfaction is an important predictor of commitment and turnover (e.g., Lee, Mitchell, Wise, & Fireman, 1996).

Fourthly, social adjustment which was measured by the variable -social support by peers. Flexibility is strongly correlated to the social support factor. Besides this, cultural empathy

also has high correlation with the social support by peer. Surprisingly, the dimension of social initiative did not appear as a significant predictor of social support. We can attribute this deviation to the assumption that, in intercultural interactions, lack of neuroticism, flexibility and being sensitive to other persons' perceptions and intentions is more critical to building up a satisfactory social network than taking an active approach in social interactions. The importance of cultural empathy as a determinant of social support in the host country implies that it may be desirable to focus training efforts on this dimension.

Fifthly, if we observe the means of the sub-factors of MPQ scale for Expatriates in US, we can infer that they score highest on Cultural Empathy (15.20) and second highest on Open mindedness (15). So, it is highly recommended that while the selection of expatriates to be posted to US, they should be checked for both these traits as the Job satisfaction of the sample expatriates is more than average (3.67), so their traits can be taken as benchmark for the selection procedure.

Sixthly, in case of Expatriates to Japan, they rank highest on open mindedness (15.31) and second on cultural empathy (14.69).

Seventhly, on basis of gender there is not much of a difference, so we can safely conclude that people with identified traits can be safely expatriated, irrespective of the gender.

CONCLUSION

Given the extraordinary high financial, relational, and emotional costs for expatriates (Black/Gregersen/Mendenhall 1992), their families (Caligiuri/Hyland/Joshi/ Bross 1998, Guzzo/Noonan/Elron 1994), and their organizations, pre-assessment of the personality of the prospective expatriate is a rational step. Based on this study, we can conclude that the personality characteristics of expatriates are indicator of job satisfaction, so, we can use this in expatriate selection systems. Selection systems for global assignments should include an assessment of personality at the very behest, in the selection process. Thus, the organizations are recommended to assess their potential expatriates for their personality characteristics.

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Table 1: Expatriates to US

Descriptive Statistics

	Mean	Std. Deviation	N
Cultural Empathy	15.20	1.169	180
OM	15.00	.897	180
ES	14.80	.750	180
SI	13.40	2.584	180
F	12.00	.897	180
Satisfaction with life	3.690	.4306	180
physical health	3.5700	.38164	180
psychological health	3.400	.6460	180
social support	2.7100	.39019	180
job satisfaction	3.6700	.43780	180

Table 2: Expatriates to Japan**Descriptive Statistics**

	Mean	Std. Deviation	N
Cultural Empathy	14.69	1.493	160
OM	15.31	1.493	160
ES	12.94	1.482	160
SI	13.94	1.482	160
F	13.00	1.176	160
Satisfaction with life	3.66	.463	160
physical health	4.07	.776	160
psychological health	3.594	.4180	160
social support	3.08	.454	160
job satisfaction	4.05	.495	160

Table 3: Descriptive statistics of variables, based on gender**Group Statistics**

	gender	N	Mean	Std. Deviation	Std. Error Mean
Cultural Empathy	0	204	15.20	1.466	.103
	1	136	14.60	1.077	.092
OM	0	204	15.04	1.042	.073
	1	136	15.30	1.442	.124
ES	0	204	14.14	1.692	.118
	1	136	13.60	1.014	.087
SI	0	204	14.00	2.445	.171
	1	136	13.13	1.475	.126
F	0	204	12.44	1.196	.084
	1	136	12.52	1.082	.093
Satisfaction with life	0	204	3.79	.413	.029
	1	136	3.50	.438	.038
physical health	0	204	3.87	.715	.050
	1	136	3.71	.520	.045
psychological health	0	204	3.481	.6337	.0444
	1	136	3.507	.4227	.0362
social support	0	204	2.90	.520	.036
	1	136	2.87	.354	.030
job satisfaction	0	204	3.85	.452	.032
	1	136	3.85	.571	.049

Table 4: Independent sample T-test

		Independent Samples Test								
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Cultural Empathy	Equal variances assumed	17.391	.000	4.046	338	.000	.593	.147	.305	.881
	Equal variances not assumed			4.296	334.785	.000	.593	.138	.322	.865
OM	Equal variances assumed	30.731	.000	-1.909	338	.057	-.257	.135	-.523	.008
	Equal variances not assumed			-1.793	227.146	.074	-.257	.144	-.540	.026
ES	Equal variances assumed	55.165	.000	3.384	338	.001	.547	.162	.229	.864
	Equal variances not assumed			3.720	334.614	.000	.547	.147	.258	.836
SI	Equal variances assumed	34.882	.000	3.711	338	.000	.868	.234	.408	1.328
	Equal variances not assumed			4.076	334.989	.000	.868	.213	.449	1.286
F	Equal variances assumed	12.536	.000	-.673	338	.501	-.086	.127	-.337	.165
	Equal variances not assumed			-.687	308.417	.493	-.086	.125	-.332	.160
Satisfaction with life	Equal variances assumed	1.254	.264	6.156	338	.000	.289	.047	.196	.381
	Equal variances not assumed			6.084	277.672	.000	.289	.047	.195	.382
physical health	Equal variances assumed	9.874	.002	2.288	338	.023	.163	.071	.023	.304
	Equal variances not assumed			2.434	335.413	.015	.163	.067	.031	.295
psychological health	Equal variances assumed	13.525	.000	-.428	338	.669	-.0265	.0619	-.1482	.0953
	Equal variances not assumed			-.462	337.999	.644	-.0265	.0573	-.1392	.0862
social support	Equal variances assumed	115.392	.000	.437	338	.662	.022	.051	-.078	.123
	Equal variances not assumed			.470	337.828	.638	.022	.047	-.071	.116
job satisfaction	Equal variances assumed	7.642	.006	.031	338	.975	.002	.056	-.108	.111
	Equal variances not assumed			.029	243.143	.977	.002	.058	-.113	.116

Note: In Table 3, for the analysis purpose, “0” denotes Males and “1” denotes Females.

Table 5: Correlations

		Correlations										
		Cultural Empathy	OM	ES	SI	F	Satisfaction with life	physical health	psychological health	social support	job satisfaction	Age
Cultural Empathy	Pearson Correlation	1	.221**	.378**	.325**	.081	.781**	.055	.306**	.204**	.131*	-.070
	Stg. (2-tailed)		.000	.000	.000	.138	.000	.310	.000	.000	.015	.201
	N	340	340	340	340	340	340	340	340	340	340	340
OM	Pearson Correlation	.221**	1	.283**	.210**	.429**	.303**	-.116*	-.114*	.192**	.136*	-.098
	Stg. (2-tailed)	.000		.000	.000	.000	.000	.033	.036	.000	.012	.070
	N	340	340	340	340	340	340	340	340	340	340	340
ES	Pearson Correlation	.378**	.283**	1	-.105	-.346**	.296**	-.007	-.311**	-.371**	-.121*	-.371**
	Stg. (2-tailed)	.000	.000		.054	.000	.000	.901	.000	.000	.026	.000
	N	340	340	340	340	340	340	340	340	340	340	340
SI	Pearson Correlation	.325**	.210**	-.105	1	.169**	.514**	-.033	.581**	.178**	-.012	-.127*
	Stg. (2-tailed)	.000	.000	.054		.002	.000	.538	.000	.001	.821	.019
	N	340	340	340	340	340	340	340	340	340	340	340
F	Pearson Correlation	.081	.429**	-.346**	.169**	1	.091	-.050	.156**	.865**	.266**	.297**
	Stg. (2-tailed)	.138	.000	.000	.002		.095	.358	.004	.000	.000	.000
	N	340	340	340	340	340	340	340	340	340	340	340
Satisfaction with life	Pearson Correlation	.781**	.303**	.296**	.514**	.091	1	.098	.103	.012	-.030	.058
	Stg. (2-tailed)	.000	.000	.000	.000	.095		.070	.057	.832	.578	.283
	N	340	340	340	340	340	340	340	340	340	340	340
physical health	Pearson Correlation	.055	-.116*	-.007	-.033	-.050	.098	1	-.029	-.074	.027	.204**
	Stg. (2-tailed)	.310	.033	.901	.538	.358	.070		.594	.174	.614	.000
	N	340	340	340	340	340	340	340	340	340	340	340
psychological health	Pearson Correlation	.306**	-.114*	-.311**	.581**	.156**	.103	-.029	1	.349**	.334**	-.034
	Stg. (2-tailed)	.000	.036	.000	.000	.004	.057	.594		.000	.000	.535
	N	340	340	340	340	340	340	340	340	340	340	340
social support	Pearson Correlation	.204**	.192**	-.371**	.178**	.865**	.012	-.074	.349**	1	.386**	-.192**
	Stg. (2-tailed)	.000	.000	.000	.001	.000	.832	.174	.000		.000	.000
	N	340	340	340	340	340	340	340	340	340	340	340
job satisfaction	Pearson Correlation	.131*	.136*	-.121*	-.012	.266**	-.030	.027	.334**	.386**	1	-.337**
	Stg. (2-tailed)	.015	.012	.026	.821	.000	.578	.614	.000	.000		.000
	N	340	340	340	340	340	340	340	340	340	340	340
Age	Pearson Correlation	-.070	-.098	-.371**	-.127*	.297**	.058	.204**	-.034	.192**	-.337**	1
	Stg. (2-tailed)	.201	.070	.000	.019	.000	.283	.000	.535	.000	.000	
	N	340	340	340	340	340	340	340	340	340	340	340

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

* . Correlation is significant at the 0.05 level (2-tailed).

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Effects of Interpersonal Problems at Workplace on Job Involvement

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ABSTRACT

Job involvement plays an important role to create positive job attitude which indicates strong psychological bonding of an employee to his or her job. On the other hand interpersonal problems at workplace make job conflict, increase job stress which is threatening to create positive job attitudes. The objective of this study was to investigate the relationship between interpersonal problems and job involvement, to explore how different types of interpersonal problems effect on job involvement and to examine the problem areas of interpersonal relationship in workplace that can create negative impact on job involvement. The measuring instruments used in this study were: Inventory of Interpersonal Problems (IIP-64) (Alden, Wiggins, Pincus & Horowitz, 2000) for measuring different types of interpersonal problems. And *Work Involvement Scale* (Kanungo, 1982) for measuring job involvement. According to the objective of the present study the obtain data were analyzed using Pearson product moment correlation and simple regression. The survey results revealed that interpersonal problem is negatively correlated to job involvement. The study also found that the people who are mostly face problems in cold / distant, overly accommodating and intrusive/needy domains in case of interpersonal relationship; they are more at risk to be less involved with job.

Key words: Interpersonal relationship; interpersonal conflict; interpersonal problems; job stress, job attitudes.

JEL Classification Code: M12

1. INTRODUCTION

The work environment is an important aspect of employee's work life that can affect on job attitudes in a positive and negative way. And an important component of the work environment is interpersonal relationships which are considered as an essential part of the psychosocial working conditions. Stress free, peaceful and trustworthy working conditions help people to perform the tasks well and to concentrate on the job more effectively.

1.1 Interpersonal relationship:

Interpersonal relationships defined as the interaction between co-workers or managers in everyday working conditions. It serves a critical role in the development and maintenance of trust and positive feelings to the employees in an organization.

1.2 Interpersonal Problems:

Although humans are fundamentally social creatures, interpersonal relationships are not always healthy. While interpersonal relationships may influence us in positive ways, they may also have important negative effects (Berscheid & Reis, 1998). Examples of unhealthy relationships include interpersonal problems. Interpersonal problems are recurrent difficulties in relating to others. (Horowitz, Rosenberg, & Bartholomew, 1993) "Interpersonal circle" (Kiesler, 1983) can be subdivided into eight octants. The present study tries to give emphasis on those eight sectors which are closely related with personality traits and describe the interpersonal problems from an individual view point. The sectors are-

1.2.1 Domineering/ Controlling

Domineering/ Controlling indicates difficulties in relinquishing control over others. People with described themselves as too controlling or manipulative. They might characterize their efforts to influence other people as hostile, but the emphasis here is more on control than hostility. Sometimes a loss of control is threatening to the person because it produces a feeling that he or she has lost dignity, worth, or self- respect. In extreme cases, the person's very identity is threatened- the person's sense of self gets rattled whenever another person sense seems to be giving him or her orders, guidance or instruction. Indeed, some people find it so unpleasant to relax control that they can not even listen to another person's point of view without challenging it. Unable to consider another person's perspective, the individual may argue excessively with others.

1.2.2 Vindictive / Self-centered

Vindictive / Self-centered describes problems of hostile dominance. The person readily experiences and expresses anger and irritability, is preoccupied with getting revenge, fights too much with other people. Person with this type of problem reflects distrust of and suspiciousness toward other people; the person suspects, for example, that other people are being exploitive or deceptive. The person hold grudges and finds it difficulty to forgive insults or slights. As a result the person reports feeling little support or concern for other people and not caring much about their needs, happiness, success or welfare.

1.2.3 Cold / Distant

Cold / Distant refers to low degrees of affection for and little connection with others. People with this problem not feel close to or loving toward others, and they find it hard to make and maintain long term commitments to other people. Such a person may describe himself or herself as a lone wolf, even enjoying the apparent freedom from social obligations, social conventions and other demands. However the person has come to realize that, relative to other people he or she is unusually lacking in sympathy, nurturance, generosity, forgiveness and warmth.

1.2.4 Socially Inhibited

Socially Inhibited indicates feelings of anxiety, timidity, or embarrassment in the presence of other people. The person finds it hard to initiate social interactions, express feelings to other people, join groups, or socialize. People who are socially avoidant are described as introverted, aloof, distant, and unsociable. In order to avoid humiliation, criticism, disapproval, or rejection, they have come to limit their social life and avoid activities that seem to entail personal social risks; for this reason they often refuse social invitations. Such

people do not desire or enjoy close relationships; they almost always choose solitary activities and lack close friends or confidants.

1.2.5 Nonassertive

Nonassertive indicates a severe lack of self confidence and self esteem. People with it describes as self doubting and unassertive. They have difficulty taking the initiative or being the center of attention. They especially avoid situations that involve social challenge or require the exercise of power or influence over other people (e.g., being another person's boss, expressing opinions authoritatively). Similarly, they have difficulty being firm with other people and sticking to their guns in the face opposition. Other people's disapproval or negative evaluation threatens their already shaky self esteem so they avoid making their wishes and needs known.

1.2.6 Overly Accommodating

Overly Accommodating indicates an excess of friendly submissiveness. In an effort to please other people and win their approval, they try to be inoffensive. They are reluctant to say no to other people and allow themselves to be easily persuaded. They may be contrasted with people whose problems fall in the vindictive or self centered; instead, they are loathe expressing or even to feel anger, lest they incur another person's hostility or retaliation. They assume that assertive acts offend and they avoid being assertive in order to maintain friendly relationships. They characterize themselves as obliging, accommodating, deferential, and gentle; they freely acknowledge their own errors and avoid being argumentative, egotistical or devious. Among their problems, they report being too exploitable, too easily taken advantage of by others and too gullible.

1.2.7 Self-Sacrificing

Self-Sacrificing indicates a tendency to affiliate excessively. The people in this domain regard themselves as warm, nurturant, generous and use terms like kind, sympathetic, forgiving to describe them. They easily connect with other people emotionally and readily provide help and care for people in need. However, these socially desirable characteristics have become problematic; describe themselves as too eager to serve and too ready to give-too generous, too caring, too trusting and too permissive. They complain that they find it difficult to set limits, to maintain boundaries on other people. He or she empathizes too readily with another person's misery and experiences the other person's needs as extremely pressing. They put other people's need before their own. This protective attitude towards others also makes it difficult to permit themselves to feel angry toward someone they like. In this way, they protect other people from their own hostility, anger or aggression.

1.2.8 Intrusive/Needy

Intrusive/Needy- describes problems with friendly dominance. People with it describe themselves as friendly, outgoing, and sociable. The person has a powerful need to feel engaged with other people and imposes his or her presence onto their attention. The person finds it difficulty to spend time alone. The person may disclose personal things in appropriately, involve himself or herself in another person's business in ways that others find offensive, and take in appropriate responsibility for solving other people's problems. In a word, the person's poor boundaries create interpersonal difficulty. People with it

report that they open up too much, tell personal things too much and have a hard time keeping things private from other people.

1.3 Job Involvement:

Involvement with different aspects of our lives, for instance work, family, religion or sport is characteristic of mankind. Individuals particularly get involved in certain activities when it is seen as having a potential of satisfying certain salient psychological needs (Kanungo, 1979, 1982b). Job involvement one of those fundamentally important factors in most people's work lives, implying being positively absorbed in fundamental aspects of the job (Kanungo, 1982b). It has positive organisational implications, influencing the degree to which the person supports organisational goals, and thus advancing productivity and efficiency (Brown, 1996). A positive state of intense psychological identification with one's job also leads to positive personal results of motivation, goal directed behaviour, personal growth and work satisfaction (Hackman & Lawler, 1971; Kahn, 1990; Lawler & Hall, 1970; Schultz & Schultz, 1994).

Job involvement can be elaborated that it is engagement regarding the internalization of values about the righteousness of work or the significance of work in the value of the individual (Lodahl & Kejner, 1965). It is a belief about one's current job and is a function of how much the job can satisfy one's wishes. Highly job involved individuals make the job a central part of their personal character. Besides, people with high job involvement focus most of their attention on their job (Hackett et al., 2001).

Job involvement is grouped into four diverse categories. These categories: 1) work as a central life interest, 2) active participation in the job, 3) performance as central to self-esteem, and 4) performance compatible with self-concept. In work as a central life interest, job involvement is thought of as the degree to which a person regards the work situation as important and as central to his/her identity because of the opportunity to satisfy main needs. In active participation in the job, high job involvement hints the opportunity to make job decisions, to make an important contribution to company goals, and self-determination. Active participation in the job is thought to ease the achievement of such needs as prestige, self-respect, autonomy, and self-regard. In performance as central to self-esteem, job involvement implies that performance on the job is central to his/her sense of worth. (Blau & Boal, 1987).

Job involvement is a function of individual difference and the work situation. Thus demographic and work experience variables are expected to relate to job involvement. Positive relationships are expected with age, tenure, years in occupation, education, having children, and gender. Job involvement is negatively associated with intentions to quit and positively related to job satisfaction and organizational climate perceptions (McElroy et al., 1995).

Individuals with high levels of job involvement should be the most motivated to go to work and to go on time. Individuals with low levels of job involvement should be the least motivated. Both highly motivated and non-motivated employees may miss work or come late for excusable reasons (e.g., illness, religious holiday, vacation time, and transportation problems). However, highly motivated employees cannot be thought as non-motivated employees to miss work or come late for inexcusable reasons. Individuals with higher levels

of job involvement is likely to exhibit less unexcused lateness and unexcused absence than individuals with lower levels of job involvement (Blau, 1986; Blau & Boal, 1987).

Developing positive attitude job involvement helps in overcoming stress, increases self esteem, confidence, and makes a person more productive or dynamic. Positive attitudes towards job also help to create a positive work environment, to encourage team building, to achieve goals and to increase productivity level.

Job involvement has significant impact on organizational and individual performance. If individual is involved in his job, he will probably be satisfied with job and committed to the organization (Knoop & Robert, 1995). Perspective of financial need (Gould & Werbel, 1983) regarding job involvement and organization commitment been studied by different researcher. Research on job involvement and organizational commitment on nurses showed that both have important predictors of unconstitutional tardiness and absence (Blau, 1986).

1.4 Literature Review

A deterioration of the organizational environment is accompanied by deterioration in organizational communication (Gilberg, 1993). A social cognitive approach to understanding interpersonal problems assumes that people who react differently to social situations think differently about those situations. It influence on interpersonal demands and –expectations about how others will react to the self and how the self will respond to those reactions. These individual differences in interpersonal expectations may explain some of the individual differences in interpersonal problems (Pierce&Lydon, 1998).

Interpersonal stress at work is concerned with the demands that are placed on us in developing working relationships with other people in our organizations (Knotts, 1996). Employees who suffer a lot of interpersonal problems may react more actively by creating interpersonal and intraorganizational conflicts involving escalating levels of communication problems. Workers may also experience effects in their psychological and physical health. Psychological consequences of interpersonal conflicts may include anxiety, boredom, low self-esteem, forgetfulness, depression, anger, apathy, or worry. These results are just a few of many stress outcomes that may result from the effects of interpersonal difficulties. Workers may also exhibit deviations in their behavior. Examples of departures from normal behavior may be overeating/loss of appetite, smoking, alcohol abuse, sleeping disorders, emotional outbursts, or violence and aggression (Randolfi, 1996). From the organizational aspect, it has many consequences. Reductions in effectiveness, productivity, and communication are results that are not as easy to identify; however, such outcomes can be among the most debilitating for both the organization and for the individual. Other results may include accidents in the workplace, job turnover, low morale, poor work relations, poor organizational climate, and absenteeism (Randolfi, 1996). “Absenteeism, for example, results in 4% of the work hours which are lost, and translates into millions of dollars annually” (Knotts, 1996).

Interpersonal difficulties related to interdepartmental activities within an organization included issues such as poor cooperation, organizational politics, and similar activities. Certain behaviors associated with job burnout have been observed in a wide variety of occupations. These behaviors include a tendency on the part of an individual to blame others in an organization for one's own problems, increased absenteeism, increased

involvement in interpersonal conflicts and confrontation, and increasing isolation from others in the organization (Maslack, 1997). Individuals suffering from job burnout frequently attempt to remove themselves from the situations they perceive to be the source of their problems without actually terminating their jobs. Their strategies in such attempts involve a breakdown in communication, and are often damaging to both their organizations and to their own careers. That's why this research will explore the effect of interpersonal problems on job involvement.

1.5 Hypothesis

On the basis of literature review following hypothesis was developed:

Hypothesis 1. *Interpersonal problem is negatively related to Job involvement.*

1.6 Research Questions

The research problem addressed through these research questions,

- Is job involvement related with the interpersonal problems?
- What are the aspects of interpersonal problems that can affect job involvement?
- Which type of interpersonal problems is more vulnerable for job involvement?

1.7 Objectives:

This research has the following objectives:

- To investigate the relationship between interpersonal problems and job involvement.
- To explore how different types of interpersonal problems effect on job involvement.
- To examine the problem areas of interpersonal relationship in workplace that can create negative impact on job involvement.

2. METHODOLOGY

2.1 Participants

The population of this research was 250 bankers working in different private banks in Bangladesh. According to annual report of Bangladesh Bank 2010, there are 33 private banks in Bangladesh. The research was conducted within Dhaka. The research sample was selected based on the simple random sampling technique from the list of bankers. For identifying the sample size, confidence level is 95% and confidence interval is 10.

2.2 Data Collection

To examine the research questions both primary and secondary data were obtained from different sources.

2.2.1 Primary Data

The primary data was collected by using the measuring scales.

Measures used

To measure the independent and dependent variables (interpersonal problems and job involvement) the following measuring scales were used.

- Inventory of Interpersonal Problems (IIP-64) (Alden, Wiggins, Pincus & Horowitz, 2000) for measuring different types of interpersonal problems.
- *Work Involvement Scale* (Kanungo, 1982) for measuring job involvement.

In addition a Demographic Information Blank was also used made by present researcher.

2.2.1.1 Inventory of Interpersonal Problem (IIP-64):

Inventory of Interpersonal Problems (IIP-64) (Alden, Wiggins, Pincus & Horowitz, 2000) was used to measure different types of interpersonal problems. The Inventory of Interpersonal Problems (IIP-64) is a self-report instrument that identifies a person's most salient interpersonal difficulties. The IIP-64 contains 64 statements describing common interpersonal problems drawn from an original pool of 127 items. This instrument may be administered to individuals or groups. The test and norms are approved for adults (18 years and older). The items of IIP-64 are divided into two sections: One section begins "The following are things you find hard to do with other people"; the other section begins "The following are things that you do too much". The IIP-64 contains the following eight subscales- Domineering/Controlling, Vindictive/Self-centered, Cold/Distant, Socially Inhibited, Nonassertive, Overly Accommodating, Self-Sacrificing, Intrusive/Needy. The original inventory consists of high level of test-retest reliability ($r=0.56-0.76$; for 8 subscales) and inter subscales correlation of 0.76 to 0.86. The original inventory contains high external validity. The correlation between IIP-64 and Beck Depression Inventory II was found 0.33 to 0.48 for 8 subscales. Also the correlation between IIP-64 and Beck Anxiety Inventory was found 0.31 to 0.44 for 8 subscales.

2.2.1.2 Work Involvement Scale

Job involvement was measured with the ten-item Job Involvement Scale developed by Kanungo (1982). This scale measures the degree of psychological importance of one's job using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). Sample items included "I consider my job to be very central to my existence" and "I am very much personally involved in my job." The internal reliability alpha coefficient was .86.

2.2.2 Secondary Data

The secondary data was collected from different sources, such as academic articles, journals, books, annual reports of Bangladesh Bank, labor and employment acts, and other published documents.

3. RESULTS

Pearson product moment correlation was used to determine the relationship between interpersonal problems and job involvement. The relationship between interpersonal problems and job involvement are shown in Table-1.

Table 1

Correlation of interpersonal problems with job involvement

Variables	<i>r</i>	significant level
<i>Interpersonal problems with job involvement</i>	-.523*	.05

The table 1 indicated that interpersonal problem is significantly negatively correlated with job involvement [$r = -.523, p < 0.05$]. Thus, the person who had high interpersonal problems had low involvement with his or her job. This result proved the hypothesis true that interpersonal problem is negatively related to job involvement. Correlation values among different types of interpersonal problems with job involvement are shown in Table 2. In table 2, the present study analyzed the eight types of interpersonal problems separately to clarify the effect of them on job involvement independently.

Table 2*Correlation of different types of interpersonal problems with job involvement:*

Variables	r
Domineering/ Controlling	-.106
Vindictive / Self-centered	-.314*
Cold / Distant	-.522**
Socially Inhibited	-.012
Nonassertive	-.284
Overly Accommodating	-.515**
Self-Sacrificing	-.302*
Intrusive/Needy	-.500**

Note: * $p < .05$, two-tailed ** $p < .01$, two-tailed

Table 2 indicates that all types of interpersonal problems are harmful for employees and results less involvement with their job. But three domains (cold / distant, overly accommodating and intrusive/needly) are significantly negative related with job involvement.

Table 3 shows the result of regression regarding interpersonal problems and job involvement. Interpersonal problems is significant negative relationship with job involvement ($\beta = -.56$, $p < .001$).

Table 3*Regression regarding interpersonal problems and job involvement*

Predictors	Job involvement		
	β	R ²	ΔR^2
Control Variables		.07	.07
Interpersonal problems	-0.56***	0.38	0.30***

Note: N = 250 *** Significance level < .001, ** Significance level < .01 * Significance level < .05 Reliabilities (α)

4. DISCUSSION

The importance of job involvement in human resource management and organizational behavior research is proved due to its clear and significant linkages with outcomes such as job performance, job satisfaction, organizational citizenship behavior, job stress, turnover intention and organizational commitment. The objective of this study was to investigate the relationship between interpersonal problems and job involvement, to explore how interpersonal problems effect on job involvement and to examine what types of interpersonal problems in workplace create more negative impact on job involvement. The results of the study revealed that the hypothesis developed in this research study got significant support and proved that interpersonal problem is negatively correlated to job involvement. Thus the people who are suffering from interpersonal relationships are less involved with their job. The study also found that the people who are mostly face problems in cold / distant, overly accommodating and intrusive/needly domains in case of interpersonal

relationship; they are more at risk to be less involved with job. Overall study proved the significance of interpersonal problems with job involvement. This clearly indicates that those organizations that have employees suffering from interpersonal problems are less involved with their job than those organizations who do not suffer from interpersonal problems.

5. MANAGERIAL IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

The practitioners and human resource managers can get insight from the findings of this study that interpersonal problems can decrease job involvement. It will not only decrease job involvement but indirectly or directly it will affect several other outcomes associated with job involvement. It will decrease the OCB, creativity, employee's in-role performance and it will increase job stress, turnover intention of the employees. Human resource managers and organizational development practitioners should focus on the culture, design and environmental factors which foster the interpersonal problems of the employees. Future research should look at the different mediators and moderator involved in interpersonal problems and job factors. The study is recommended with other outcomes such as creativity, burnout, turnover intention, psychological contract breach and cynicism. A longitudinal study is recommended to test the findings of our study in different context.

6. CONCLUSION

The present study indicates that studies on personality traits are necessary for understanding the underline patterns of individual issues to identify the interpersonal problems. More research still required in this field to discover the relationship with lot more other factors. Some limitations like economical, time and manpower hindered this study in different ways such as - the study was conducted only in Dhaka, sample size was too small, scales for measuring were not in Bengali version etc. So the study recommends further research on larger sample from different areas of Bangladesh, that is proper representative sample and with better methodological sophistication.

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Students' Matriculation Factors for Higher Education in Private Universities of Bangladesh

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ABSTRACT

The main objective of this research paper is to identify the matriculation factors of students for higher education in private universities of Bangladesh. A survey was conducted among 750 students of fifteen UGC (University Grant Commission) approved private universities in Bangladesh. A structured questionnaire was sent to Dhaka, Sylhet, Rahshahi, and Chittagong division to collect data from selected private universities. A number of statistical measures (e.g. demographic analysis, descriptive analysis, multiple regression analysis) have been used to draw conclusions and offer recommendations. The results show that the common factors related to the matriculation factors of students are the image of the university, preferred program, quality of teaching, medium of instruction, campus size, location of the campus, hostel facility, transportation facility, canteen facility, common room facility, tuition fees for the students etc.

Key Words: Bangladesh, Higher education, Matriculation factors, Private University and Student.

JEL Classification Code: I20; I23

INTRODUCTION

The development of a country largely depends on the attainment of higher education. But unfortunately the attainment of higher education is very low. According to UGC (University Grant Commission) statistics of 2008, there are 84 universities in Bangladesh of which 31 are public, 2 are international and 51 are private universities. The number of students in the public universities is around 176969 and in the private universities are around 182641 (UGC: 2008). Due to some limitations of public universities (limited enroll capacity, political unrest, excessive time etc.), in mid- 1990's a large number of private universities emerged to fulfill the demand for the higher education. During the period of 1991 to 1996, sixteen private universities were opened (14 were in Dhaka and 02 were in Chittagong). But during 1996 to 2001 the condition was not favorable to build huge private universities. At that time only four new private universities were built. After 2001, the growth of private universities got a boost again. In 2001, According to BANBEIS, the total number of enrolled students in private universities increased from 27245 to 124267 in 2006. Debnath (2007) mentioned that almost 100,000 students themselves admitted into the private universities each year. In recent years the students' matriculation in higher education at private universities has been rapidly growing due to some significant factors. Age is one of the

most important factors for students for matriculation of higher education in private universities in Bangladesh. In public as well as national universities it takes seven to eight years to complete the higher education. But from the private university they can complete their higher education within five years. Another important factor is credit transfer facility from one university to another university even though foreign university. We know that tuition fees of the private universities are generally high but most of the private universities offer a handsome waiver for the meritorious students and some of the universities offer special scholarship for poor students. Good and political unrest free environment is another important factor for higher matriculation in private universities of Bangladesh.

Objectives of the Study

The fundamental objective of this study is to investigate the matriculation behavior of the students' of private universities in Bangladesh. In order to emerge the fundamental objective, the researcher has considered the following objectives:

- To identify the market share of the students in private universities in Bangladesh.
- To know the demographic information of the students of private universities in Bangladesh.
- To determine the matriculation factors of the students of private universities in Bangladesh.

Research Methodology

The total sample of this research paper was the students' of the private universities in Bangladesh. A structured questionnaire was used to conduct this study. The questionnaire was classified into two parts to collect two types of information like

- To find out the demographic information of students
- To identify the matriculation factors of students.

To collect the information relating to demographic information of the students' a set of multiple choice questions had been developed and for collecting the information relating the matriculation behavior, 25 factors had been identified and a five-point "Likert Type" scale was applied. The five-point scale indicated 5 as "strongly agree" while 1 meant "strongly disagree". The questionnaire was pre-tested on the students' of the Metropolitan University, Sylhet. And finally, data were collected from 750 students during the autumn session of 2011 at fifteen UGC (University Grant Commission) approved private universities. To verify the collected data several statistical analyses and tests i.e., descriptive analysis, multiple regression analysis were conducted.

Hypothesis Testing

Hypothesis 01: The mean observation (image of the university) about the population is equal to 4.38.

Hypothesis 02: There is no difference among the factors to the matriculation behavior of students' for higher education in private universities of Bangladesh.

Literature Review

The progress of higher education in this country (Bangladesh) has largely been due to the rapid growth of private universities in recent years. Rezwanaul Huque Khan et al (2009), mentioned "Students are considered as the customers of the university" So it is very essential for a university to focus first on their targeted customers and ensuring the quality education. The quality education depends on some factors. Mamun and Das (1996)

undertook a study and pointed towards some other attracting factors such as library facilities, laboratory facilities and internship assistance for students as the key factors of students' choice of private universities. On the other hand Andaleeb (2003) analyzed seven issues crucial for effectively fostering higher education in Bangladesh, namely teaching quality, method, content, peer quality, direct facilities, indirect facilities and political climate. Majid, Mamun, and Siddique (2009) found the similar factors mentioned above and they identified teaching quality, teaching learning methodology, teaching aids and support facilities as the basic selection factors of business education in private institutions. On another research studied by Zahid, chowdhury and sogra(2009), and mentioned and extensive qualitative study of performance of business education in Bangladesh and identified the course system , quality of teaching , medium of instruction, campus size and location, accommodation for the students, campus facilities such as auditorium , parking, canteen, indoor and outdoor parking facilities as the factors of satisfaction.

Tuition fees are one of the important factors for the students to enroll themselves as a student of private university. For this reason Salahuddin et all (2008) mentioned that "it is obvious that students do consider cost and cost related factors more than anything else because private university education is still very expensive from an economic perspectives and a significant number of students are from middle- class families. On the other sense Schofield (1996), mentioned that tuition fees as the main factor affecting a student's choice of a private university in Bangladesh as the tuition fees of these universities very widely here. We everybody know that Bangladesh is a developing country and most of the students do not have any opportunity to engage themselves in any earning source. So they have to depend on their parents to pay their tuition fees. Sometimes it is considered as burden to the guardian who bears the educational expenses. Another important factor mentioned by Rezwanul Huque khan and et all (2009), that parents' decision has been considered as the selection factors of private university.

Thus the matriculation factors regarding private universities found from the literature review as few factors that may motivate the students to choose a university. In this case the researcher has focused some factors which are the lower tuition fees, library and laboratory facilities, location of the campus, market oriented subjects, credit transfer facility, and hostel facility for the students, common room facilities for the students, brand value of the university, parents' decision and approved by UGC (University Grant Commission).

Empirical Findings and Analysis

Table: 01 Demographic Analysis of the students

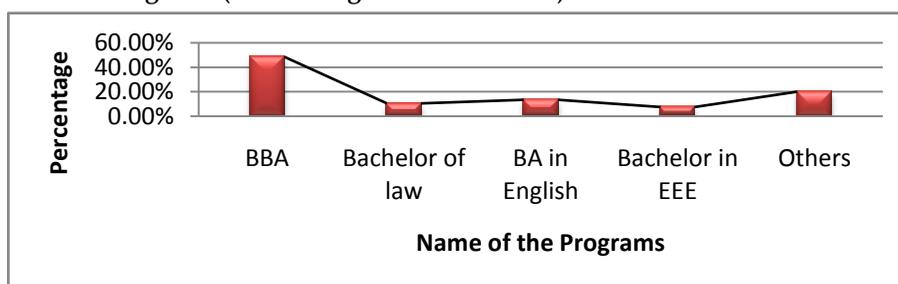
Variable	Categories	Total Respondents	No. of Responses	Percentages
Age	Below -19 Years	750	13	01.73%
	19-23 Years		491	65.47%
	24-28 Years		169	22.54%
	29-33 Years		47	06.26%
	33 Years- Above		30	04.00%
Guardian Income	Below-25,000	750	44	05.93%
	25,000-40,000		338	45.06%
	40,000-55000		222	29.54%
	55000- Above		146	19.47%

Passing Group in HSC	Science	750	294	39.20%
	Business Studies		278	37.07%
	Humilities		102	13.60%
	Others		76	10.13%
Religion	Islam	750	667	88.93%
	Hindu		53	07.07%
	Christian		15	02.00%
	Buddhist		12	01.60%
	Others		03	0.40%

The table shows the demographic information of the students. The demographic information of students' is designed on the basis of four important variables: Age, Guardian Income, Passing group in HSC (Higher Secondary Certificate) and Religion. The result on respondent's "Age" states that almost 65.47% students' age range between 19-23 years and 22.54% of the students are in the range of 24-28 years. So it can be said that most of the undergraduate students' age range is 19-23 years. The findings regarding the "Guardian Monthly Income" demonstrates that almost 45.06% students' guardian average monthly income is more than BDT 25000 but less than BDT 40000 which indicates that most of the students of the private universities come from middle class family. On the other hand 29.54% students' guardian average monthly income is more than BDT 40000 which indicates that a large portion of students' come from upper middle class family. This study also represents that 39.20% students' who are studying in private universities had their educational background in HSC (Higher Secondary Certificate) level in science, 37.07% students' educational background had business studies, 13.60% had humilities group and rest 10.13% of the students' are from other educational background like A level, Vocational and Madrasa etc. It has also been found from the research that 88.93% students have come from Muslim family while 07.07% of the students have come from Hindu family and 2%, 1.60% and 0.4% respectively from Christian, Buddhist and Other religions.

Students Matriculation at Different Arenas of Study

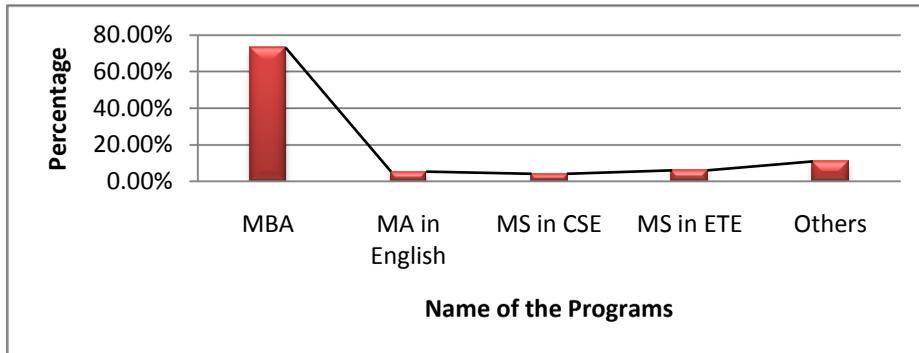
Preferred Programs (For Undergraduate Students)



The figure represents top undergraduate program for the students. The findings of the study show that majority of the students (48.43%) have been studying in BBA program followed by BA in English (13.43%), Bachelor of Law (10.51%), Bachelor of EEE (7.54%) and other program (20.06%). So it is clear that in terms of selecting preferred program BBA gets high priority than others program because the students in private universities think

that the demand of BBA program is increasing day by day and after completing BBA program it is easy to manage a demandable job.

Preferred Programs (For Post Graduate Students)



The figure represents top post graduate program for the students. The findings of the study show that majority of the students (73.12%) have been studying in MBA program followed by MS in ETE (Electronics and Telecom Engineering) (06.15%), MA in English (05.45%), MS in CSE (Computer Science and Engineering) (04.25%) and other program (11.03%). So it is clear that in terms of selecting preferred program MBA program gets high priority than others program.

Descriptive Statistics

Table: 02 Descriptive Statistics of Students' Matriculation Factors

No	Students' Matriculation Factors/ Independent Variable	Total Respo nses	Total Respon dents	Mean	SD	CV
1.	Permanent campus	3263	750	4.35	0.57	0.33
2.	Location of the campus	3092	750	4.12	0.69	0.48
3.	Library facility (Books, Journals, etc.)	2665	750	3.55	1.06	1.13
4.	Parents decision	3057	750	4.08	0.61	0.37
5.	Computer lab	2101	750	2.80	1.15	1.13
6.	Image of the university	3300	750	4.40	0.55	0.30
7.	Preferred program	3280	750	4.37	0.56	0.31
8.	Classroom facility	2962	750	3.95	0.67	0.45
9.	Canteen facility	1977	750	2.64	1.09	1.19
10.	Common room	2658	750	3.54	1.05	1.11
11.	Laboratory facility	1988	750	2.65	0.99	0.99
12.	Hostel facility	3250	750	4.33	0.59	0.35
13.	Indoor games facility	2007	750	2.68	1.10	1.21
14.	Prayer room	2351	750	3.13	0.96	0.93
15.	Medical facility	2011	750	2.68	1.09	1.19
16.	Transportation facility	3156	750	4.21	0.62	0.38

17.	Auditorium	2184	750	2.91	1.20	1.44
18.	Credit transfer facility	3224	750	4.30	0.60	0.36
19.	Cultural club	2007	750	2.68	1.10	1.21
20.	Social & academic status of the VC	2643	750	3.52	0.53	0.28
21.	Quality of teaching	3267	750	4.36	0.58	0.33
22.	Freedom to choose the major subject	2645	750	3.53	1.06	1.12
23.	Discussion room	2075	750	2.77	1.13	1.28
24.	Wash Room facility	2141	750	2.85	1.16	1.34
25.	Tuition fees	3034	750	4.05	0.62	0.38

Students were asked about 25 important factors relating to university, whether they were influenced by those factors and to what extent. Based on their answers (Mean, Standard deviation and Co-efficient of variance), it is observed that students are highly influenced by image of the university, preferred program, and quality of teaching (Table: 02). Majority of students consider an important factor that is permanent campus including some facilities like hostel facility, credit transfer facility, transportation facility, class room facility, common room facility, laboratory facility, medical facility, auditorium facility, wash room facility etc. From the above table it is found that location of the campus, parent's decision and tuition fees have significant impact to the enrolment factors of private universities of Bangladesh.

After analyzing the descriptive statistics the researchers have found maximum number of students at various private universities in Bangladesh think that image of a university is very important along with preferred program and permanent campus to enroll them as a student of a university especially a private university. So the researcher has decided to conduct a hypothesis testing regarding image of the university and tried to show the relationship independent variables (25 factors) and dependent variable (students' matriculation).

Hypothesis Testing

Hypothesis Testing: The mean observation (image of the university) about the population is equal to 4.38.

A sample of 750 students' is found to have a mean observation about image of the university is 4.40. Can it be reasonably regarded as a sample from a large population with mean observation about image of the university is 4.38 and Standard deviation is 0.31? Test at 5% level of significance.

Taking the null hypothesis that the mean observation (Image of the university) about the population is equal to 4.38, so we can write:

$$H_0: \mu = 4.38$$

$$H_a: \mu \neq 4.38$$

And the given information as $\bar{X}=4.40$, $\sigma_p = 0.31$, $n=750$ Assuming the population to be normal, we can work out the test statistic Z as under

$$Z = \frac{\bar{X} - \mu_{H_0}}{\frac{\sigma_p}{\sqrt{n}}}$$

$$= 1.81$$

As H_a is two-sided in the given question, we shall be applying a two-tailed test for determining the rejection regions at 5% level of significance which comes to as under, using normal curve area table:

$$R: Z < -1.96 \text{ or } Z > 1.96$$

The observed value Z is 1.81 which is less than the table value of Z and thus the null

hypothesis is accepted. So it may conclude that the given sample (Image of the university=4.40) can be regarded to have been taken a population with mean observation about image of the university 4.38 and standard deviation 0.31 at 5% level of significance.

Hypothesis Testing: There is no difference among the factors to the matriculation factors of students for higher education in private universities of Bangladesh.

Multiple Regression Analysis

As in our research, there are more than two independent variables, so the researchers have thought multiple regression analysis would be an ideal analysis.

From the appendix=01

$$Y (\text{Stu_Enr}) = \beta_i \cdot (-.005 (\text{Par_Cam}) + .001 (\text{Loc_Cam}) + .002 (\text{Lib_Fac}) + .004 (\text{Par_Dec}) + .009 (\text{Com_Lab}) + .959 (\text{Img_uni}) - .010 (\text{Pre_Prog}) - .013 (\text{Cls_Fac}) + .004 (\text{Can_Fac}) + .006 (\text{Com_Fac}) - .001 (\text{Lab_Fac}) - .019 (\text{Host_Fac}) + \beta_1 \cdot (-.004 (\text{Ind_Fac}) - .014 (\text{Pray_Fac}) - .074 (\text{Med_Fac}) - .011 (\text{Tran_Fac}) - .011 (\text{Audit_Fac}) + .021 (\text{Crd_Tran}) + .067 (\text{Cul_Club}) - .014 (\text{Sta_VC}) + .026 (\text{N_Qul_Tc}) - .006 (\text{Maj_Sub}) + .012 (\text{Dis_Room}) + .004 (\text{Wash_Room}) + .009 (\text{Tut_Fees})$$

Y: Student Matriculation	Ind_Fac=Indoor Game Facility
β_i : Constant	Pray_Fac=Prayer Room Facility
Par_Cam= Permanent Campus	Med_Fac=Medical Facility
Loc_Cam=Location of the Campus	Tran_Fac= Transportation Facility
Lib_Fac=Library Facility	(Audit_Fac= Auditorium Facility
Par_Dec= Parents Decision	Crd_Tran= Credit Transfer Facility
Com_Lab=Computer Lab	Cul_Club= Cultural Club
Img_Uni=Image of the University	Sta_VC= Status of Vic-chancellor
Cls_Fac=Class Room Facility	N.Qul_T=No of qualified teachers
Can_Fac=Canteen Facility	Maj_Sub= Major Subjects
Com_Fac=Common Room Facility	Dis_Room= Discussion Room
Lab_Fac=Labrotary Facility	Wash_Room=Wash room Facility
Host_Fac=Hostel Facility	Tut_Fees= Tuition Fees

The researcher has assumed the null hypothesis (H_0), there is no difference among the factors to the matriculation factors of the students' for higher education in private university of Bangladesh whereas alternative hypothesis (H_a) is that there are some differences among the factors the factors to the enrolment behavior of the students' for higher education in private university of Bangladesh.

The researcher assumes the β values of each independent variable as group parameters. If the β of all independent variable is same it indicates the independent variables (25 factors) have no effect on the dependent variable (student matriculation) which means the null hypothesis would be accepted. But if the β of all the independent variables are not same then it can be said that the null hypothesis is rejected and automatically the alternative hypothesis would be accepted. From the above relationship, it is clear that the β value associated with each independent variable is not same, that means the null hypothesis is rejected and alternative hypothesis is accepted for the matriculation factors of the students' for higher education in private universities of Bangladesh.

The researcher also uses the R^2 value to the test hypothesis. If this value is 0, then it can be said that there is no relationship among the independent and dependent variables for the

matriculation factors of the students' for higher education in private universities of Bangladesh. If not, then we can say there is some relationship among the variables, which means it can reject the null hypothesis and accept alternative hypothesis.

Description of the hypothesis with multiple regression analysis given below:

1st method using β
$\beta_1=\beta_2=\beta_3=\beta_4=\beta_5=\beta_6=\beta_7=\beta_8=\beta_9=\beta_{10}=\beta_{11}=\beta_{12}=\beta_{13}=\beta_{14}=\beta_{15}=\beta_{16}=\beta_{17}=\beta_{18}=\beta_{19}=\beta_{20}=\beta_{21}=\beta_{22}=\beta_{23}=\beta_{24}=\beta_{25}=0$
1st method using R^2 value
$H_0: R^2 = 0 \quad H_0: R^2 \neq 0$

From the result shown in the SPSS analysis for regression analysis, the following relationship was found for the independent and dependent variables-

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.961(a)	.924	.921	.15481

Here,

$$R^2 \text{ value} = 0.924$$

$$\text{Adjusted } R^2 = 0.921$$

Also $R^2 \neq 0$ which also means that the null hypothesis can be rejected and alternative hypothesis can be accepted. So, the hypothesis test can be done in both ways and result would be the same; rejection of null hypothesis and acceptance of alternative hypothesis. So, it can conclude that there are some relationships among the variables.

Conclusion

This study furnishes with some useful information for both business and academic community who are either involved or intense to get involved into higher education in private sectors. The development of a country largely depends on the attainment of higher education and this research paper shows a real picture of the matriculation factors of as well as Matriculation rate of higher education in private universities in Bangladesh. The matriculation rate in private universities of Bangladesh is increasing day by day. Out of them most of the students come from muslim family and their education expenses totally depends on their guardian income. Majority of the students studying in private universities had science in HSC level and the percentage of the students from other (Madrasa and English) background is very lower. The students mostly prefer BBA program followed by Bachelor of Arts in English and Bachelor of Law program. It also shows that in Post Graduate level more than half of the students are in MBA program followed by MA in English, MS in CSE(Computer Science and Engineering), MS in ETE(Electronic and Telecom Engineering). This research paper also indicates that there is a significant relationship between image of the university and permanent campus. That means the private universities who have their own campus including quality of teaching, medium of instructions, campus size, location of the campus, hostel facility for female,

transportation facility, canteen facility, common room facility for the students etc get some benefits to enroll the students. This study indicates some important factors relating to the matriculation factors such as image of the university, preferred programs, permanent campus, tuition fees, parent's decisions, quality of teaching etc.

Recommendations

The overall education rate is increasing day by day so the market share of the students will be increased. So the authority of the private universities should give special attention to the students in following specific important areas.

- a. The authority of the private universities should focus on BBA, English, law (Undergraduate Level), MBA and MA in English (Graduate Level).
- b. They should consider the quality of teaching including full time qualified teachers and modern teaching aids.
- c. To give some special offers for the students' who passed from other discipline (Madrasa, Vocational, etc.)
- d. To organize special scholarships for poor meritorious students.
- e. Keep political unrest free environment as much as possible.
- f. The authority of the private universities should focus on permanent campus including library and laboratory facilities, location of the campus, market oriented subjects, credit transfer facility, hostel facility, and common room facilities for the students.

Acknowledgement

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Appendix: 02 Name of the university from which data were collected

Division	Name of the University	Number of Respondents
Dhaka	Ahsanullah University of Science and Technology	50
	ASA University Bangladesh	50
	Atish Dipankar University of Science and Technology	50
	Independent University, Bangladesh	50
	Northern University, Bangladesh	50
	Asian University of Bangladesh	50
	Bangladesh University of Business and Technology	50
	Green University of Bangladesh	50
Sylhet	Metropolitan University, Sylhet	50
	Leading University, Sylhet	50
	Sylhet International University.	50
Chittagong	International Islamic University, Chittagong	50
	Premier University, Chittagong	50
	University of Science and Technology, Chittagong	50
Rajshahi	University of Information Technology and Sciences	50

Appendix: 01 Results found from the SPSS analysis

$Y (\text{Stu_Enr}) = \beta_0 + \beta_1 (\text{Par_Cam}) + \beta_2 (\text{Loc_Cam}) + \beta_3 (\text{Lib_Fac}) + \beta_4 (\text{Parn_Dec}) + \beta_5 (\text{Com_Lab}) + \beta_6 (\text{Img_uni}) + \beta_7 (\text{Pre_Prog}) + \beta_8 (\text{Cls_Fac}) + \beta_9 (\text{Can_Fac}) + \beta_{10} (\text{Com_Fac}) + \beta_{11} (\text{Lab_Fac}) + \beta_{12} (\text{Host_Fac}) + \beta_{13} (\text{Ind_Fac}) + \beta_{14} (\text{Pray_Fac}) + \beta_{15} (\text{Med_Fac}) + \beta_{16} (\text{Tran_Fac}) + \beta_{17} (\text{Audit_Fac}) + \beta_{18} (\text{Crd_Tran}) + \beta_{19} (\text{Cul_Club}) + \beta_{20} (\text{Sta_VC}) + \beta_{21} (\text{N.Qul_Tc}) + \beta_{22} (\text{Maj_Sub}) + \beta_{23} (\text{Dis_Room}) + \beta_{24} (\text{Wash_Room}) + \beta_{25} (\text{Tut_Fees})$

Mode I	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	Std. Error	Beta		
1					
(Constant)	.232	.145		1.606	.109
Par_Cam	-.005	.010	-.005	-.445	.656
Loc_Cam	.001	.008	.001	.121	.904
Lib_Fac	.002	.006	.004	.375	.708
Parn_Dec	.004	.010	.004	.389	.698
Com_Lab	.009	.005	.019	1.806	.071
Img_uni	.959	.011	.957	89.961	.000
Pre_Prog	-.010	.014	-.010	-.728	.467
Cls_Fac	-.013	.009	-.016	-1.533	.126
Can_Fac	.004	.005	.007	.673	.501
Com_Fac	.006	.006	.011	1.000	.318
Lab_Fac	-.001	.006	-.002	-.212	.832
Host_Fac	-.019	.011	-.021	-1.788	.074
Ind_Fac	-.004	.005	-.008	-.742	.458
Pray_Fac	-.014	.007	-.025	-2.125	.034
Med_Fac	-.074	.030	-.147	-2.462	.014
Tran_Fac	-.011	.010	-.012	-1.136	.256
Audit_Fac	-.001	.005	-.002	-.162	.871
Crd_Tran	.021	.012	.023	1.702	.089
Cul_Club	.067	.030	.134	2.237	.026
Sta_VC	-.014	.011	-.013	-1.241	.215
N.Qul_Tc	.026	.011	.028	2.376	.018
Maj_Sub	-.006	.006	-.011	-1.072	.284
Dis_Room	.012	.005	.025	2.340	.020
Wash_Room	.004	.005	.008	.701	.483
Tut_Fees	.009	.010	.010	.889	.374

Emergence of Corporate Philanthropy: Chapter Bangladesh

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ABSTRACT

The study objective is to focus on emergence of corporate philanthropy on Bangladesh. Corporate philanthropy is a phenomenon which associates the business sector with the social sector. Social historians and researchers alike as a subset of a larger corporate social responsibility (CSR) subject, philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization. The study also aims to find out, understand the perspective of attributes, legal context, importance, advantages and disadvantages, competitive advantage, Sectors contribution analysis of emergence of corporate philanthropy on Bangladesh. The study used published secondary source of data from various relevant sources reports, websites, journals, publications and the researcher have used own personal experience regarding the country's corporate behavior and following background and their impact on this research paper. After conceptualizing the various situations and literatures review the study find out that corporate philanthropy is a new concept in the corporate world and increasing clients/ customers demand on the products and services towards the corporate in the meantime cooperate responsibilities towards their clients/ customers also increasing day by day, so emergence of the corporate philanthropy in Bangladesh is a vital part of the corporate sector and Bangladeshi business culture for centuries and it seems that an emphasis on charitable contributions from philanthropic programs has enhanced the visibility of this practice in Bangladesh.

Keywords: Corporate Philanthropy, Community Benefits, Corporate Social Responsibility, Company Image, Community Support and Market Creation.

GEL Classification Code: M14; N30

INTRODUCTION

According to Philip L. Fioravante (2008) research paper, corporate philanthropy is a phenomenon which associates the business sector with the social sector. Social historians and researchers alike as a subset of a larger corporate social responsibility (CSR) subject, philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization (Gan, 2006; Madrigal & Boush, 2008). An organization is comprised of people who assume the responsibility of cultivating and maintaining a

culture supportive of philanthropy and its range of objectives. Successful philanthropy – achieving the goal is as vital to an organization as the “core business” (Bruch & Walter, 2005). Philanthropic initiatives are complex and thus need to be developed, communicated, implemented, monitored, and lastly sustained, in order to guarantee its viability as a strategic tool.

Corporate philanthropy, where a corporation donates a portion of its resources to a societal cause, has been an important part modern business corporation. Today it is examined that most of the famous and non famous corporation of the world that some amount of funds donated underscores the importance today’s corporations place on philanthropic activity. Philanthropy is defined as a means by which public organizations externally exhibit corporate social responsibility – widely defined by a myriad of scholarly authors (Carroll, 1979; Gan, 2006; Halme & Laurila, 2009). Corporate philanthropy, where a corporation donates a portion of its resources to a societal cause, has been an important part modern business corporation. Today it is examined that most of the famous and non famous corporation of the world that some amount of funds donated underscores the importance today’s corporations place on philanthropic activity. Corporate Philanthropy mirrors individual philanthropy except for the fact that a corporation, not an individual, is donating funds, time, or talent. Although done on a larger scale, corporate philanthropy is still done without any expectation of direct corporate gain such as increases in revenue, but usually involves indirect gains such as enhancing a company’s brand, engaging employees, recognition, etc.

Corporate philanthropy is a phenomenon which associates the business sector with the social sector. Social historians and researchers alike as a subset of a larger corporate social responsibility (CSR) subject, philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization. An organization is comprised of people who assume the responsibility of cultivating and maintaining a culture supportive of philanthropy and its range of objectives. Successful philanthropy – achieving the goal is as vital to an organization as the core business. Philanthropic initiatives are complex and thus need to be developed, communicated, implemented, monitored, and lastly sustained, in order to guarantee its viability as a strategic tool.

There can be internal institutional benefits as well. Increased interaction between staff of corporate giving units and business divisions can help build understanding within the company of how it can address the often complex social issues that exist in various places within their global market. The emergence of a cadre of personnel with experience in both fields is likely to further encourage cross-fertilization of ideas and skills. While many companies have long-standing philanthropy programs, many have begun to apply business thinking and models to their philanthropic objectives. For a growing number of firms, philanthropy is no longer developed separately from corporate strategy. The issues that companies target for financial support are increasingly aligned with corporate risk management and bottom-line objectives.

Purpose

Corporate philanthropy, where a corporation donates a portion of its resources to a societal cause, has been an important part modern business corporation. Today it is examined that most of the famous and non famous corporation of the world that some amount of funds donated underscores the importance today’s corporations place on philanthropic activity. The study focuses on emergence of corporate philanthropy on

Bangladesh. Corporate philanthropy is a phenomenon which associates the business sector with the social sector. Social historians and researchers alike as a subset of a larger corporate social responsibility (CSR) subject, philanthropy provides an opportunity for corporations to establish an ethical and moral mantra within the organization. This paper also aims at understanding the perspective of attributes, legal context, importance, advantages and disadvantages, competitive advantage, Sectors contribution analysis of emergence of corporate philanthropy on Bangladesh.

Methodology

The study uses secondary data collected mainly from the various published documents, office circular, official web folders other related websites, journals, publications etc. all information and reference is provided in the reference section of this research paper. In addition to this the researcher has used personal observation and experience regarding the country's socio economic and corporate sectors and their impact and standpoint of emergence corporate philanthropy on Bangladesh.

Literature Review

Many types of research articles, based on analytical, empirical, qualitative and mixed methods approaches inquisitive about CSR (corporate social responsibility) now authors innovate the new phenomenon of "Philanthropy" as a subset of CSR (corporate social responsibility). According to Friedman (1970) showed his self-professed communalist propensity and his theories concerning market mechanisms, capital structure, and the conception of social responsibility. His hypothetical spot centered on the word "social" and concluded, "There are no 'social' values, no 'social' responsibilities in any sense other than the public values and responsibilities of individuals" (p.126). This perspective may initially appear to have a positivist paradigm. However, Friedman (1970) later asserted there is a association between the company and the consumer in an economic sense that drives the rules the rendezvous in an open, free of fraud, and responsible manner. Corporate social responsibility as evidenced continues to play a role in the strategic direction and financial performance of a company. The economic aspects have reasonable correlation to positive market presence and therefore consumer perception. In addition, these perceptions and the extent of CSR exhibited by a company affect buying behaviors (Bird, Hall, Momentè & Reggiani, 2007; Lockett, Moon & Visser, 2006). Continuing, Lockett et al. (2006) stated, "A though CSR [philanthropy] is addressed by many disciplines [it] has become an increasingly salient feature of business and the environment, to which managers are expected to respond" (p. 115). Agreeing with this postulation creates the further opportunity to study cause and effect variables such as brand strategy and how it is affected by philanthropic initiatives employing a qualitative (phenomenological) design study. According to Philip L. Fioravante (2008) social sciences such as sociology and psychology contribute to ethical decision-making, consumer perceptions and brand loyalty. Data analysis within case studies and interviews have provided clear correlations between CSR [philanthropy] and "marketing" objectives such as revenue generation, market share, brand reputation, and market differentiation. Understanding the potential impact of philanthropy in all of its forms enables a corporation to alter its value proposition and ultimately shape the manner in which it employs this phenomenon in the business strategy. Strategic marketing has a myriad of meanings and applications across industries. Philanthropy can add altruistic and capitalistic contribution to an organization. By analyzing how corporations use

philanthropy for strategic marketing purposes, conclusions are possible that are drawn on the deep value beyond the “feel good” and towards a business growth driver.

Attributes of Corporate philanthropy

- Like standard philanthropy, corporate philanthropy focuses on the treating the cause of a problem or issue instead of the symptom.
- Unlike standard philanthropy, corporate philanthropy must be done through a corporation directly or a corporation’s own non-profit entity.
- Funding for corporate philanthropy mainly comes from the company’s contributions and is usually treated as a business expense.
 - Funding can also consist of individual donations if, for example, someone wanted to donate to a corporation’s non-profit.
 - Companies are allowed to deduct up to ten percent of pre-tax income for direct charitable contributions - this includes giving to the company’s foundation. Most companies deduct closer to one percent.
- **Some of the common forms of corporate philanthropy are:**
 - **Cash donations:** including grants, donations, sponsorships – whenever money exchanges hands.
 - **In-kind donations:** such as donating products, access to employee volunteer groups, the use of a company’s facilities, property, or services as examples – whenever non-monetary support is given.

These are some basic attributes discussed in above. It is not framed within these small characteristics. The days are passing and new corporation build up. So, new concept of philanthropy is introduced in corporate sector. Because in the era of modern evolution of Corporate Social Responsibility (CSR).

The legal context of corporate philanthropy and law in Bangladesh

The concept of philanthropy in Bangladesh is rooted in custom, tradition and religion. Philanthropy in Bangladesh has transcended generations and spanned communities. Influenced by an amalgam of cultures derived from Hinduism, Buddhism, Christianity and Islam, Bangladesh has a rich and traditional heritage manifest in its diverse customs, art, literature, music and people’s way of life.

Throughout Bangladesh’s history, the practice of giving to others without expecting any return and helping the distressed often began at home and formed a crucial part of the socialization process in which family values and traditions were instilled in young people. These activities had both voluntary and religious dimensions.

Over time, individuals and groups in Bangladesh undertaking philanthropic initiatives have worked to incorporate professionalism and expertise through organizational and management structures to make their work more sustainable. Therefore, what started out as a purely humanitarian effort has evolved into concrete mechanisms for providing services to the public. To these end societies, trusts, clubs, associations, foundations and other entities were established with the primary objective of rendering social services. More recently, the Bangladeshi business community and corporations has also been engaged in social welfare activities. Well-established corporate bodies have engaged in nonprofit welfare activities ranging from job creation to providing education and medical care.

The Ispahani Group for example, a prominent business house, is well known for its charitable activities and specifically an eye hospital. Corporate donors and employers associations have also established schools to train child laborers following U.S. pressure on the child labor industries. Yet while there is a great deal of potential for corporate philanthropy activities, contributions from business enterprises to charitable activities remain negligible.

Why corporate philanthropy in Bangladesh?

The corporate philanthropy has a long history in Bangladesh. These philanthropic activities included donations to different charitable organizations, poor people and religious institutions. Till now, most of the businesses in Bangladesh are family owned and first generation businesses. They are involved in community development work in the form of charity without having any definite policy regarding the expenses or any concrete motive regarding financial gains in many instances.

The discussions on corporate philanthropy practices in Bangladesh in its modern global terms, are relatively new, but not so for the concept itself. Because, being a part of the global market, it is difficult to ignore philanthropy standard specifically in the export sector.

In general, it is true that in Bangladesh, the status of labor rights practices, environmental management and transparency in corporate governance are not satisfactory, largely due to poor enforcement of existing laws and inadequate pressure from civil society and interest groups like Consumer Forums.

Globally, as philanthropy practices are gradually being integrated into international business practices and hence is becoming one of the determining factors for market accesses, it is becoming equally instrumental for local acceptability. A focus on CSR in Bangladesh would be useful, not only for improving corporate governance, labor rights, work place safety, fair treatment of workers, community development and environment management, but also for industrialization and ensuring global market access.

The Importance of corporate philanthropy in Bangladesh

Corporate philanthropy in Bangladesh ranges from financial contributions to employees volunteering time on the clock. While philanthropy costs the company, it also provides benefits for the company, community and employees. Understanding the significance of corporate philanthropy helps each company justify the expense to upper management and investors.

Community Benefits: No matter what the motivation for corporate philanthropy, the community and specific organizations helped through the program benefit. When a company offers financial support, local organizations are able to afford supplies and programs that might otherwise go unfunded. These benefits for the recipients of the philanthropic efforts strengthen the community as a whole. Depending on the specific help offered by a corporation, the efforts may result in a cleaner community, more opportunities for residents and a boost to the local economy.

Morale: Companies who emphasize public service and volunteerism may notice a boost in morale, particularly if the employees value the idea of giving back to the community. Employees who work together on a charity project gets to know one another beyond the typical scope of work. The work may even improve teamwork on work projects. When companies of Bangladesh allow employees to volunteer during the work day, you show them that the company cares about the community and emphasizes a sense of giving.

Recruitment: In Bangladesh most employees want to do philanthropic work. Establishing each company in Bangladesh as a philanthropic company gives the company a potential edge when recruiting new employees. Job seekers who see that financial giving is part of the company culture are likely to see that as a positive for the company. Individuals who already volunteer, work with charities and do other philanthropic work on their own are particularly likely to be drawn to a company with the same values. The company's philanthropic efforts give you one more bullet point to add to recruitment information.

Company Image: As news of the company's philanthropy spreads, the community develops an impression of the company. People tend to view philanthropic businesses favorably because they are supporting the community that provides them with business. In some cases, this positive image encourages community members to utilize company's services over a competitor who fails to become involved with the community. To maintain a positive company image, the philanthropic efforts need to be helpful and done primarily for the benefit of the recipients. By arranging some philanthropic works companies of Bangladesh can build their company's image throughout the world.

Advantages and Disadvantages of Corporate philanthropy in Bangladesh

Corporate philanthropy is a general term for the actions that businesses take to improve their communities and society in general. Corporate philanthropy can include donations of money or of time and labor at community centers or for improvement projects, or for fundraising for a cause. There are both clear advantages to corporate philanthropy, as well as a disadvantage.

Community Support and Market Creation: A major advantage that companies gain from their philanthropic practices is the support of communities and the surrounding markets. Essentially, by using profits derived from the community to benefit that same community businesses can greatly increase their prospects of future revenue flows.

Market Development through Reputation: Market development can also occur through the improved reputation of the business. The goodwill that a company can generate through corporate philanthropy can increase customer's interest and favorable opinions of the company. This may lead to increased sales, especially when the philanthropy is combined with effective advertising and co-branding.

Direct Giving can hamper Goals: On the other side direct philanthropy created through pure donations of money can make it difficult for a business to actually change what it wants to change. A donation to a nonprofit agency may put control of the funds beyond the reach of the business. There is no guarantee that the agency will improve the community or offer any of the benefits that the business can gain from philanthropy. If we think this in the perspective of Bangladesh than the situation is very dangerous. There are many community agencies are formed in Bangladesh whose main purpose is to undertake some community wealth and uprooted the business in secret. So, this makes a bad impression about philanthropic work by the business community.

Time, Cost, and Decisions: If a corporation decides and invest money in the community itself, then there are other disadvantages. The business must form a team and decide how much money to give and where it should be given to produce the most impact. Decisions affect not only the length of the project, but also any marketing that goes along with it. In

the end, the company must be prepared to spend time, money and decision-making power on a project that has no direct benefits.

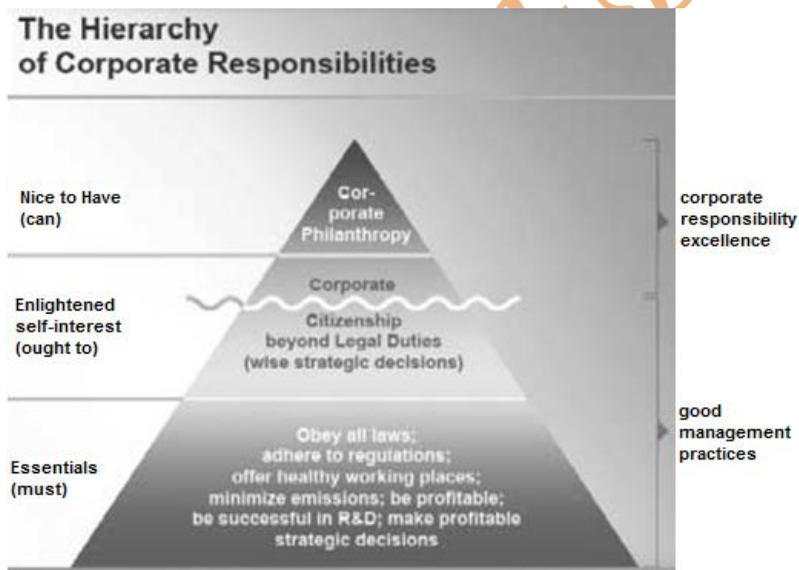
The competitive advantage of Corporate philanthropy

When it comes to philanthropy, executives increasingly see themselves as caught between critics demanding ever higher levels of corporate social responsibility and investors applying pressure to maximize short-term profits. Increasingly, philanthropy is used as a form of public relations or advertising, promoting a company's image through high-profile sponsorships. But there is a more truly strategic way to think about philanthropy.

Corporations can use their charitable efforts to improve their competitive context--the quality of the business environment in the locations where they operate.

Using philanthropy to enhance competitive context aligns social and economic goals and improves a company's long-term business prospects. Addressing context enables a company not only to give money but also leverage its capabilities and relationships in support of charitable causes. Taking this new direction requires fundamental changes in the way companies approach their contribution programs. Adopting a context-focused approach requires a far more disciplined approach than is prevalent today. But it can make a company's philanthropic activities far more effective.

Corporate philanthropy is on the top of CRS hierarchy



Source: Google Image.

Sectors contributing in philanthropy in Bangladesh

Many corporations of Bangladesh have come forward to arrange philanthropic work. Bangladesh is a developing country and it is properly understood by different companies in Bangladesh. So, they are come together in arranging a campaign of philanthropy. Donation of different charitable funds, helping poor and affected people, providing scholarship for students, make different initiatives funds etc. The Banking Sector continues to make the largest

contribution to philanthropy in Bangladesh as their corporate philanthropy. The Commercial Banks directed and encouraged by the Bank of Bangladesh have made cash donations to individuals and projects in a wide variety of sectors. Trade Associations such as BGMEA and BKMEA and the International Brands sourcing from Bangladesh garment factories have set up training centers, work place day nurseries and have welfare funds, worker insurance schemes and education and cultural activities as part of their corporate philanthropy.

Conclusion

Corporate philanthropy involves members of corporations taking responsibility for the society but it also expects people who have more resources and more influence to use their privileged position to help those who are less well off. While the phenomenon of philanthropy has been a necessary part of Bangladeshi business culture for centuries, it seems that an emphasis on charitable contributions from philanthropic programs has enhanced the visibility of this practice. By understanding and the importance of corporate philanthropy one of the Government Ministries should devise a 'world-class' Bangladesh specific definition of corporate philanthropy and a Bangladesh philanthropic Policy. However, the principal motivation of Bangladeshi firms to engage in philanthropic activities has stemmed from a sense of their moral obligation to give back to society as businesses control a bulk of society's resources and the financial inability of the government to fix social problems.

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Appendix A

Bangladesh Economy

The economy has grown 5-6% over the past few years despite inefficient state-owned enterprises, delays in exploiting natural gas resources, insufficient power supplies, and slow implementation of economic reforms. Bangladesh remains a poor, overpopulated, and inefficiently-governed nation. Although more than half of GDP is generated through the service sector, nearly two-thirds of Bangladeshis are employed in the agriculture sector, with rice as the single-most-important product. Garment exports and remittances from Bangladeshis working overseas, mainly in the Middle East and East Asia, fuel economic growth.

GDP:	\$208.3 billion (2007 est.)
GDP growth rate:	6.3%
GDP per capita:	\$1,400
GDP composition by sector:	agriculture: 19%; industry: 28.7%; services: 52.3%
Labor force:	66.6 million note: extensive export of labor to Saudi Arabia, Kuwait, UAE, Oman, Qatar, and Malaysia; workers' remittances estimated at \$1.71 billion in 1998-99
Labor force by occupation:	agriculture: 63%; industry: 11%; services: 26%
Unemployment:	2.5% (includes underemployment)
Budget:	revenues: \$5.993 billion expenditures: \$8.598 billion
Industries:	cotton textiles, jute, garments, tea processing, paper newsprint, cement, chemical fertilizer, light engineering, sugar
Electricity production by source:	fossil fuel: 93.7%; hydro: 6.3%; nuclear: 0%; other: 0%
Agriculture:	rice, jute, tea, wheat, sugarcane, potatoes, tobacco, pulses, oilseeds, spices, fruit; beef, milk, poultry
Exports:	garments, jute and jute goods, leather, frozen fish and seafood
Export partners:	US 24.2%, Germany 13.2%, UK 10.6%, France 6%
Imports:	machinery and equipment, chemicals, iron and steel, textiles, foodstuffs, petroleum products, cement
Import partners:	India 14.7%, China 14.6%, Kuwait 8%, Singapore 6%, Japan 4.4%, Hong Kong 4.1%
Economic aid recipient:	\$1.575 billion
Currency:	taka (BDT)

SOURCES: *The CIA World Fact book, U.S. Department of State, Area Handbook of the US Library of Congress.*

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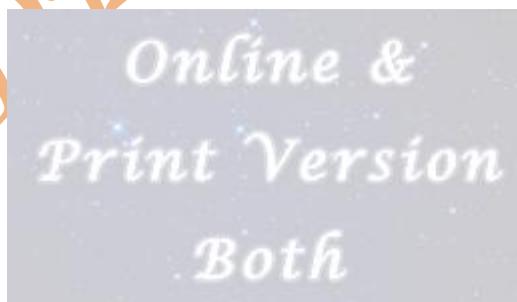
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