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VOLUME 7

No. 1

January 2018

Good Corporate Governance and Organizational Performance in Nigeria

John N.N Ugoani

1

Impact of Diverse Values of Employees on Organizational Effectiveness

Meenakshi Gandhi & Tanu Sachdeva

11

Need to Test Proposed Theory on Social networking,
Community banking and empowerment of People: A Conceptual view

Muhammad Mahboob Ali

18

A Situational Analysis of Service Quality in Private Health Care Sector in Sri Lanka

Tharanga HTO, Dasanayaka SWSB & Kuruppu GN

34

Book Review

“AADHAR A Biometric History of INDIA’S 12 DIGIT REVOLUTION”,
Westland publications ltd, 2017

Nitin Shankar

43

Good Corporate Governance and Organizational Performance in Nigeria

John N.N Ugoani, PhD*

The purpose of the study was to explore the effect of good corporate governance on organizational performance in Nigeria and make necessary recommendations for implementation. The primary business of the BODs of a company is concerned with the efficient management of the company. Good corporate governance involves building and imbibing the culture of efficiency through cutting costs and prudent management of available resources that lead to high organizational performance. The exploratory research design was used for the study to investigate the degree of relationship between good corporate governance and organizational performance. Using regression analysis; it was found that good corporate governance has significant positive relationship with organizational performance. Good corporate governance enhances good corporate management, and in the light of the result of the study, it was suggested that BODs should be composed of qualified and knowledgeable people for proper control and profitable management of the company. Even though the result reflects the purpose and aim of good corporate governance, the study was limited by time and finance and therefore further investigation is still required to allow for the comparison of the respective contributions of the respective variables of study with organizational performance.

Keywords: Effectiveness, BODs, Profitability, Good management, Performance.

Introduction

A major import of the Cadbury Report on Corporate Governance remains to encourage self-regulation with the ultimate goal that in applying the recommendations a company will become more efficient, gain shareholder value, and equally increase market value. The OECD (1999) acknowledges that good corporate governance structure provides proper incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate organizational performance. The OECD believes that the importance of good corporate governance translates to the importance of good management; it recognizes that a lack of good corporate governance is actually a lack of good management and a failure of good corporate governance is a failure of good management. The matter of good corporate governance revolves around its principles. The principles suggest the importance of ethical approach; that recognizes cultures and society, the need to balance objectives in accordance with the views of each party in

decision-making, equity and due regard to the issues of accountability and transparency. These principles are based on the rules of best corporate governance practice that emphasize the relevance of ethics, alignment of business goals, strategic management, good organizational architecture which reflect the need for good corporate governance, and adequate reporting system that reinforces the principles of transparency and accountability in organizations. Good corporate governance does not exist in a vacuum, but rests on good management practices. The problem therefore, is that bad management or a lack of commitment to good management will not result to good corporate governance. According to Ayininuola (2007) in the context of developing countries like Nigeria, the case for good corporate governance is further strengthened by the desire to attract investments to support rapid economic growth. He posits that sound corporate governance policies and practices constitute a real source of comfort for investors, both local and global. He emphasizes that over the last many years, survey reports and ratings like those of Mckinsey and company among others, favour companies or organizations that put in place credible structures that would guarantee sound corporate governance practices. Interest in corporate governance became paramount as a result of the major problems

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encountered by companies, especially banks, as regards such issues as unethical practices, insider abuses, massive fraud, unprofessional conducts, poor quality services, bank failures, among other breaches. Good corporate governance demands that judicious and prudent management of resources, the preservation of assets, maintenance of ethical and professional standards and pursuit of corporate objectives are essential for organizational performance. According to Nzotta (2004) it seeks to ensure customer satisfaction, high employee morale, and the maintenance of market discipline. He asserts that good corporate governance entails efficient management of resources and provision of timely and quality information and the enforcement of sanctions for breaches in ethical standards, regulations and codes of conduct. Many countries have a code of corporate governance or laws as mechanisms for promoting good corporate governance. Organizational performance is a measure of how efficiently and effectively directors of a company use resources to satisfy customers and to achieve organizational goals. Organizational performance increases in direct proportion to increases in efficiency and effectiveness and highly depends on the competencies of the board. Jones and George (2003) posit that efficiency is a measure of how well or how productively resources are used to achieve a goal, and that organizations are efficient when directors minimize the amount of input of resources, such as labour, raw materials and other components, or the amount of time needed to produce a given output of goods and services. On the other hand, effectiveness is a measure of the appropriateness of the goals that directors have selected for the organization to pursue, and the degree to which the organization achieves these goals. Superior organizational performance cannot be divorced from good corporate governance because the latter highly depends on building and imbibing the culture of efficiency through cutting costs and prudent management of available resources that require the full attention of the BODs. This cannot be overemphasized because in Nigeria the directors are responsible for the preparation of financial statements to give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss for that year in compliance with the provisions of the Companies and Allied Matters Act, (1990), as amended in doing so, they ensure that adequate internal control procedures are instituted to safeguard the assets,

prevent and detect frauds and other irregularities, so as to achieve predetermined organizational objectives. To this extent, corporate giants like First Bank of Nigeria (FBN) Plc that has institutionalized the culture of good corporate governance, has continued to report robust organizational performance, characterized by high profitability over the last several decades up to the present day. In sharp contrast, many other emerging organizations drenched in corporate governance weaknesses often run into troubles of insolvency; like the recent Etisalat saga. In this case, the Nigerian Communications Commission (NCC) had to intervene to “safeguard the over 4,000 employees, and stabilize the telecommunication sector to ensure its contribution to the nation’s gross domestic product (GDP) while investment continues to thrive”. To achieve sound organizational performance, good corporate governance implicates that the BODs must conduct the business of the company with the highest level of integrity and in full compliance with applicable laws, regulations and procedures (Ajanaka, 2017, Ugwuanyim, 2017, Pfeffer, 1982).

Statement of the Problem

In the late 1980s, through 2011 the Nigerian Financial System (NFS) suffered huge losses due in most part to corporate governance breaches. The capital market and the money market were drenched in insider abuses. For example, prior to 1986, Nigeria had only 40 banks, but as a result of deregulation, the number rose to 120 by 1992. However, by 2009, this number had reduced to 24 as the result of mismanagement and poor corporate governance practices. According to Okorie and Uwaleke (2010) in a special audit of Nigerian banks, the Central Bank of Nigeria (CBN) discovered that some of them had general weakness in risk management practices, poor corporate governance practices and signs of illiquidity. In addition, the CBN discovered that some of the banks were exhibiting imminent signs of collapse, resulting to an extremely fragile Financial System (FS), a bad situation that was suffocated by macroeconomic instability caused by large and sudden capital outflows, major failures in corporate governance at banks, lack of investor and consumer protection, inadequate disclosure and transparency about the financial frameworks and regulation, uneven supervision and enforcement, unstructured

governance and management processes at the CBN and weaknesses in the business environment in the country. Such corporate failures led to bank failures that attracted an unprecedented bailout costing the country about N700billion in 2009 for ailing banks in the banking system. Major bank losses arising from corporate governance breaches in Nigeria during the financial crisis were associated with irregular audit relating to the defunct Afribank, Finbank, Intercontinental bank, Oceanic Bank, among others. However, at the height of corporate governance failures of the 2000s in Nigeria was the Cadbury Nigeria Plc, accounting and auditing scandal when its share price crashed from N65.52 per share in December, 2005 down to N8.65 in October, 2009. According to Okaro and Okafor (2013) in October, (2006) the BODs of Cadbury Nigeria Plc notified the world of the shocking discovery of overstatements in her accounts which had spanned many years. As a result of the falsified accounts, Cadbury Schweppes Plc, had to make a provision of £15million (Fifteen Million Sterling Pounds) as impairment of the goodwill held in respect of Cadbury Nigeria Plc as at 31st December, 2006. The sad situation was the result of lack of transparency and accountability in the conduct of the business of Cadbury Nigeria Plc by the BODs, coupled with lack of technical competence by management as well as fraudulent audit exercises for many years by the external auditors of the company. Arising from corporate governance problems, Access Bank booked an N4billion (\$13million) impairment on its loan extended to the former Etisalat Nigeria now known as 9mobile. According to Wigwe (2017) the bank had a direct exposure of N11billion to 9mobile, as well as an exposure of N35.39billion to the telecoms firm's suppliers. Regulatory authorities are in the forefront in pushing for good corporate governance in Nigeria. According to the Central Bank of Nigeria (CBN) (2017) the need for a comprehensive code of corporate governance resonated in the aftermath of the banking consolidation programme in 2005 when it was discovered that the governance mechanism in the banks was weak and many board members were reportedly unaware of their statutory and fiduciary responsibilities, and merely rubberstamped the proposals of their executive managements, regardless of their implications for the financial institutions. The CBN believes that adherence to corporate governance code by the BODs within the framework of transparency and accountability will

go a long way in determining Nigeria's competitive position in the global stage. It states that effective corporate governance enhances effective and efficient structure that works for the benefit of different stakeholders and the economy in general. The code of corporate governance emphasizes the importance of the duties of the BODs and managements, their size and composition, separation of powers, appointment and tenure of board committees, board appraisal rights and functions of shareholders, equity ownership, and protection of shareholders' rights, disclosure and transparency. Good corporate governance principles also emphasize quality reporting mechanism and that companies quoted on the Stock Exchange file their annual financial statements regularly. The process helps shareholders to keep track of their investments, and also serves as a monitor for the movement of, and appreciation or depreciation of their shares at any given point in time. Companies that fail to file their financial reports regularly in Nigeria are usually penalized by the Nigerian Stock Exchange (NSE) as it runs contrary to the law (Anuforo and Obienyi, 2017). Also, the spate of very high profile corporate frauds and business failures were recorded across the world since the late 1980s through the 1990s and beyond that helped to draw attention to the problems and dangers of weak corporate governance. Prominent among them were the cases of Bank of Credit and Commerce International (BCCI), Barings Bank, Enron and WorldCom. Ayininuola (2007) emphasizes that such bad cases clearly demonstrate that there is a strong link between the quality of corporate governance practices and organizational performance. In the USA and UK, for instance, between 2007-2008, many strong banks collapsed like a pack of cards, due to poor quality of corporate governance. In the USA, there was the failure of Lehman Brothers in 2008, and in the UK, the collapse of Northern Rock. The catastrophic development in the global FS raised serious questions about poor corporate governance practices around the world. Evidence of unethical or illegal practices in banks and financial services companies also emerged. In the USA, the government in January 2009, announced that it was investigating nine (9) European banks which were suspected of helping customers from developing countries such as Nigeria, Iran and Sudan, to transfer money through the US banking system in violation of its laws, rules, admitted to assisting

their customers in such a way, and agreed to pay a huge fine of \$350m. Also in the US, the banking and investment industries were rocked as a result of the poor corporate governance practices and fraud of about \$5 billion by the investment business of Mr. Bernie Madoff. In view of the importance of good corporate governance the Securities and Exchange Commission (SEC) in Nigeria has provided a new code of corporate governance for quoted companies to reduce the cases of corporate governance breaches. It is on this basis that this work becomes relevant because there are not many reports in Nigeria seeking to seriously address the need for good corporate governance and organizational performance in Nigeria. Good corporate governance is critical to organizational performance because organizational performance relates to the measurement of results that will satisfy all stakeholders' interests in terms of value addition, products and processes, productivity and profitability.

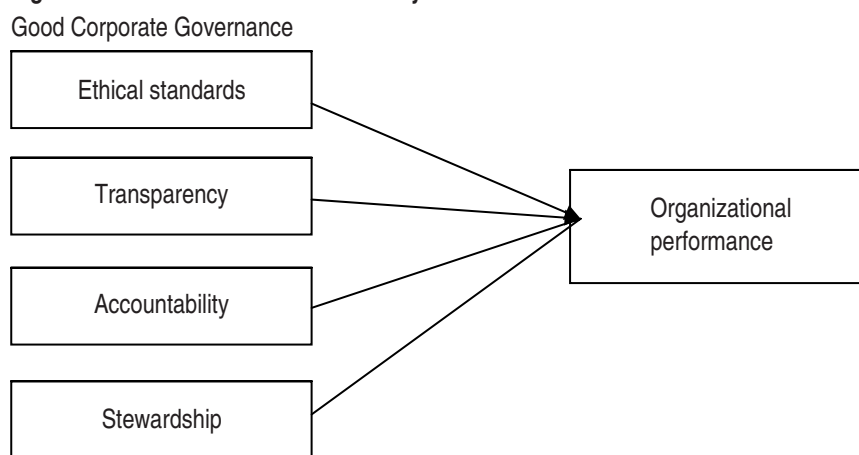
Conceptual Framework of the Study

A conceptual framework is a structure of the research idea or concept and how it is designed that elaborates the research problem in relation to relevant literature. It is often summarized in a schematic model that presents the major variables and hypothesized relationship (Gachoki and Rotich, 2013). The theoretical model of this is presented in figure 1. The concept of good corporate governance hinges to a large extent on the primacy of the Board of Directors (BODs). This provision in the code of corporate governance suggests that for good organizational performance, the BODs should

normally hire and fire executive managers, approve corporate plans and budgets, and monitor quarterly organizational performance and advise management. The BODs also has the primary responsibility to approve major investments, asset sales, and compensation plans, avoid self-serving practices, other preferential deals with insiders, establish an Audit Committee to review financial statements and maintain internal controls as well as setting up necessary mechanisms for corporate policy formulation and implementation (McNaughton, 1997, Adebayo, et al, 2013, Afolabi, 2015, Sanda, et al, 2005, Crisan and Fiilop, 2014, Adams, and Nowland, 2012). Shareholders play a key role in the promotion of good corporate governance. By electing a supervisory board and approving the BODs, the Audit Committee, and external auditors, shareholders are in a position to determine the direction of a company and its performance. The idea of corporate performance connotes optimum attainment of organizational activities and financial returns through effective and efficient utilization of human, financial and material resources of the enterprise (Oparama, 2010). In corporate governance perspective, financial returns is not the only parameter of measuring organizational performance, rather it includes the level of involvement of stakeholders in organizational processes as regards efficient board and ownership structures for effective monitoring and control (Avaran and Avasileai, 2014). Corporate governance is a diligent manner by which providers of corporate capital are judiciously and ethically rewarded. This process can be achieved through internal and external means. The internal means is

ANNEXURES

Figure 1 : Theoretical Model of the Study



Source: Author (2017)

through ownership design concerning voting rights and shareholding concentration; and BODs effective monitoring and controlling roles aimed at protecting the stakeholders' interests. The second is through external regulatory control mechanisms, compliance with corporate codes, procedures and processes and market discipline (Canter, et al, 2003, Chans, et al, 2012, Babatunde and Olaniran, 2009, Babalola and Adegbite, 1986, Klein, 2002). Based on the Resource Dependence Theory, (RDT) this study investigated the effect of good corporate governance, based on the role of the BODs on organizational performance in Nigeria. It is also imperative to emphasize the relevance of good corporate governance beyond the primary role of BODs to include the need of transparency, accountability and ethical standards, in accordance with the code of good management practices in developing countries and in tandem with the stewardship theory. (Adabayo, et al, 2014, Hemming and Shields, 2007).

Objective of the Study

The study is designed to explore the effect of good corporate governance on organizational performance in Nigeria.

Significance of the Study

The result of the study will help students, researchers, academics, corporate executives, and other people to appreciate the effect of good corporate governance on organizational performance in Nigeria.

Hypothesis

H₀: Good corporate governance has no positive effect on organizational performance in Nigeria.

H₁: Good corporate governance has positive effect on organizational performance in Nigeria.

Review of Literature

Resource Dependency Theory (RDT) examines how the external resources of organizations affect organizational behavior and performance. It has implications about the optimal organizational strategy, election of the BODs, executive management and other employees. Scholars like Boyd (1990), Davies and Cobb (2010), Drees and Heugens (2013), Sharif and Yeoh (2014) believe that while RDT does not specifically, explain organizational performance, it nevertheless, in

many ways, helps in explaining the actions of organizations, by forming strong alliances within the external environment. They opine that RDT believes that the BODs play a pivotal role in the performance and survival of the enterprise. According to Pfeffer and Salancik (1978) organizational actions are geared in response to interdependence and contingencies on external business environment, and how external resources affect its activities. To this extent, the survival of an organization partly depends on how it can obtain, sustain and utilize the essential resources from its external environment. Hence, board membership competency is viewed in terms of efficient services. This theory therefore holds that organizational performance portrays how its management depends on external resources for survival. The board independence, like any other parameters of corporate governance mechanisms, is subject to differing opinions. From RDT perspective, outside directors play important roles in ensuring enterprises' survival, especially in times of crisis, as it enhances greater access to external resources and specific competence. It has also been observed that the efficiency of the BODs depends to some extent on high number of outsiders on the board because of their independent views on various matters. Adebayo, et al (2013) in their study of the relationship between corporate governance and organizational performance based on the listed companies in Nigeria found that board independence contributes immensely to sound corporate governance as checks and balances mechanisms that enhance the board effectiveness and also help to improve discipline in the management, and prevent conflict of interest (Greenaway, et al, 2014, Hillman, et al, 2009, Torchia, et al, 2011, Hayward and Boeker, 1998).

Duties of BODs and Performance

In Nigeria the duties of the BODs are defined by the CAMA (1990). Directors may not necessarily be the promoters of a company but sometimes they are shareholders. Essentially, directors are to manage the affairs of a company on behalf of the shareholders. According to Van Greuning and Bratanovic (2003) a board must be strong, independent, and actively involved in organizational affairs. They postulate that both the directors and the executive management must adhere to high ethical standards and be fit and proper persons to serve. They emphasize that the

most important duty of the board is to ensure that the management team has the necessary skills, knowledge, experience, and the sense of judgment to manage the affairs of the business in a sound and responsible manner. It is paramount for the management team to be directly accountable to the board, and this mutual relationship should be supported by robust structures to drive efficiency and effectiveness necessary for organizational performance. It is expected that an effective board should have a sound understanding of the nature of the business of the enterprise and any associated risks. Van Greuning and Bratanovic (2003) strongly believe that the BODs should take reasonable steps to ensure that management has established strong systems to control the affairs of the enterprise so as to ensure high returns on equity. Internal control and regular audit exercises form part of the specific responsibilities of the BODs that enhances effectiveness. The BODs has responsibility for complying with relevant laws, rules, and regulations, and also ensuring the full disclosure of relevant information for the benefit of stakeholders and the investing public (Rechner and Dalton, 1988, Tricker, 1984, Vance, 1978, Zahra and Pearcell, 1989).

Transparency, Accountability and Performance

The theory of good corporate governance emphasizes the principle of transparency and accountability. This principle is critical to sound organizational performance. According to Van Greuning and Bratanovic (2003) transparency refers to the principle of creating an environment where information on existing conditions, decisions, and actions is made accessible, visible, and understandable to all stakeholders. Disclosure refers more specifically to the process and methodology of providing the information and making policy decisions known through timely dissemination and openness. They posit that accountability refers to the need for stakeholder, including the supervisory authorities, to justify their actions and policies and accept responsibility for both decisions and results. They opine that transparency is a prerequisite for accountability, especially to shareholders, the regulatory authorities and the public. Transparency is also a way to foster accountability, internal discipline, and better corporate governance system, while both

transparency and accountability improve the quality of decision-making by the BODs. They insist that transparency and accountability are mutually reinforcing. In this way, transparency enhances accountability by providing incentives for good corporate governance. Combined, transparency and accountability can also impose discipline that improves the quality of decision-making in the public interest. They caution that transparency and accountability are not ends in and of themselves, nor are they panaceas to solve all problems. The understanding is that they are rather designed to assist in increasing economic and organizational performance. On disclosure and transparency, the OECD stipulates timely and accurate disclosure of information on all material matters relating to the company as a measure of sound, efficient and effective management. These include its financial position, performance levels, ownership structure, the BODs and their remuneration. Additional requirements include the appointment of external auditors to audit the company annually in accordance with high quality standards. To enhance transparency, accountability, and performance, Cadbury Report (1992), emphasizes that the BODs should meet regularly, retain full and effective control over the company and monitor executive management, and where the chairman is also the Chief Executive Officer (CEO) it is essential that there should be a strong and independent element on the board, who is a recognized senior member (Ayininuola, 2007, Oparanma, 2010).

The Stewardship Approach and Performance

In their approach to good corporate governance and stewardship theory, Donaldson and Davis (1991) hypothesize that corporate governance like the kindred theory of organizational economics is concerned with efforts to forestall managerial opportunistic behavior which includes shirking and indulging in excessive perquisites at the expense of shareholder interests. According to them, a major structural mechanism to curtail such managerial opportunism is the BODs. The BODs provides a monitoring of critical managerial actions on behalf of shareholders. They suggest that such impartial view will only occur at high frequency where the chair person of the BODs is independent of executive management (EM). They strongly argue that where the CEO is also the chairperson of the

BODs the impartiality of the board is compromised Donaldson and Davies (1991) postulate that agency and organizational economics theories predict that when the CEO also holds the dual role of chairperson, at that point, the interests of the shareholders will be sacrificed to a degree in favour of management, in which case there will be managerial opportunism and agency loss. In accordance with good corporate governance principles, Donaldson and Davies (1991) report that stewardship theory argues that shareholder interests and organizational performance are maximized where the roles of the chairperson and CEO are not held by the same and one person consistent with the principles of good corporate governance (Jensen and Meckling, 1976, Kesner and Dalton, 1986, Carter, et al, 2003, Chang, et al, 2012, ICSA, 2009).

Methodology

Research Design

The quantitative technique of the exploratory research was used for the study. The design is historical in nature and does not require a large sample or structured questionnaire (Osuala, 2005).

Population and Sample

The population comprised of all the banks listed on the floor of the Nigerian Stock Exchange (NSE). The sample was selected by judgmental method. The sample size of nine (9) was determined by the purposive technique (Osuala, 2005).

Sources of Data

Data for the study were generated through primary and secondary sources such as interviews, observations, books, journals, government reports, newspaper reports, magazines and among others. The two methods of data collection were employed so as to complement, supplement and validate data through each other (Ali, 2016).

Treatment of Data

Data generated were organized, filtered and coded before they were classified, in readiness for analysis.

Data Analysis

Data were analyzed through the regression technique, using the Statistical Package for the Social Sciences (SPSS) and the result presented in tables.

Presentation of Result

Model Specification

The Regression Model of the relationship between good corporate governance (GCG) and organizational performance (OPER) is given as follows:

$$\text{OPER} = a_0 + a_1\text{GCG} + \mu_t \quad (1)$$

Where OPER is Organizational Performance, GCG is Good Corporate Governance and μ_t is the error term. The apriori expectation is that $\text{GCG} > 0$.

Descriptive Statistics and Discussion

Table 1: Descriptive Statistics of GCG and OPER

S/N		GCG	OPER
1.	No. of obs	9	9
2.	Mean	-0.2009	4.5222
3.	Variance	1.0007	9.4069
4.	Std dev	1.0003	3.0670
5.	Skewness	2.3443	1.5062
6.	Kurtosis	5.6392	6.30
7.	Jarque-Bera	20.1696	6.3014
8.	Minimum value	-0.8780	1.1
9.	Maximum value	2.2752	11.4

Note: P-value in square brackets, t-value in brackets, * significant at 5%.

From table 1, it was shown that the mean of GCG and OPER are -0.20 and 4.5 respectively. The standard deviation is 1.0003 for GCG and 3.0670 for OPER. The skewness and kurtosis coefficients under normality assumption are 0 and 3 respectively. But the skewness coefficients for GCG and OPER are 2.3443{0.0169} and 1.5062{0.1250} respectively, and the kurtosis coefficients for GCG and OPER are 5.6392{0.0261} and 2.7800{0.2728} respectively. The p-value of the coefficients of skewness and excess kurtosis of both GCG and OPER indicate that the variables are not significant at 90% confidence level, suggesting that the variables do not deviate from normal distribution at 10% significant level. Similarly, the Jarque-Bera statistic for OPER indicates evidence of normal distribution at 5% significance level. Descriptive statistics is useful in research. According to Feldman (2017) descriptive statistics is the branch of statistics that provides a means of summarizing data, presenting it in a usable and convenient form. The

equation of the result obtained using the ordinary least square (OLS) estimation technique is as follows.

$$\text{OPER} = 5.007 + 2.412a_1$$

(7.260) (3.373)
[0.0001] [0.0118]

$R^2 = 0.619$, $F(1, 7) = 11.37$ [0.011], Durbin Watson = 1.59

Table 2 : Regression Result

Variables	Coefficients	t-values	P-Values
Constant (a)	5.007	7.260	0.0001
GCG (ai)	2.142	3.373	0.0118

The regression results showed that 62% of the variations in OPER are explained by GCG. On the basis of apriori expectation, GCG coefficient is positive and significant at 1% level. The significance of the F-value at 1% level supports the greater than zero apriori expectation of GCG on OPER.

On the relationship between OPER and GCG, the coefficient of the computed t-value (3.373) is greater than the table t-value (2.365), and thereby provides support for the significance of GCG in explaining the OPER.

Similarly, the P-value coefficient [0.0118] indicates evidence against the null hypothesis of no significant impact of GCG on OPER. More so the Durbin-Watson estimate (1.59) is greater than the value of positive first order serial correlation.

In view of the above, it was concluded that with 95% confidence that GCG has explanatory power on OPER. OPER initiatives involve approaches towards enhancing organizational efficiency and effectiveness. To some degrees, these initiatives involve a variety of organizational change measures which may be structural, procedural among others that will bring about growth. This process is closely related to building high competitive advantage necessary to ensure that organizations reach and remain at the top of the competitive environment in which it operates. Competitive advantage demonstrate the ability and capacity of one organization to perform better than other peer organizations through producing desired goods or services more efficiently and effectively than other competitors in the industry. To achieve the desired levels of performance, the BODs of any company

must observe GCG principles to ensure that proper accounting records are kept, proper and applicable accounting standards are respected and followed, and that suitable accounting policies are adopted and consistently used, business judgments and estimates are made with a high degree of certainty and prudence, and that the financial statements are tailored and prepared on the going concern basis. Also to ensure organizational performance, the BODs must ensure that supreme audit (SA) is conducted in accordance with generally accepted auditing standards. Auditing is imperative for organizational efficacy and it involves examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and whether the accounting policies are appropriate to the organizations circumstances consistently applied and adequately disclosed to guarantee effectiveness. To enhance organizational effectiveness, the Companies and Allied Matters Act (CAMA) (1990), states that the auditors shall make a report to the members on the accounts examined by them, and on every balance sheet, every profit and loss account laid before the company in general meeting during their tenure of office (Olusanya, 2000). This new work found that GCG is critical to OPER. It supports the earlier reports of Vance (1978) Rechner and Dalton (1991), among others, that corporate governance has positive relations with high organizational performance.

Recommendations

- External auditors should not stay for more than 2 years in their assignment to ensure that they do not compromise ethical standards that can result to corporate failure.
- An independent non executive director (INED) on the BODs must be a person qualified and knowledgeable enough to make meaningful contributions for the profitable management of the company.
- Appointments to the board of both public and private corporations should be based on merit and record performance. This will not only motivate competent individuals, but will also enhance productivity.
- Decision-making by the BODs should always

reinforce the principles of transparency, accountability and equity to enhance perception of the corporate entity.

- Stakeholders in corporate organizations need to cultivate the habit of scrutinizing the financial statements of such organizations and providing useful information or criticism to help in the proper management of the organization.

Limitations and Implications for Future Research

Even though the result of this study reflects the purpose, and the aim of corporate governance principles, still there is need for further investigation on the variables and their interrelationship. This is imperative because the present study was limited by time and finance to make comparisons over the contribution of the individual variables of study with organizational performance.

Conclusion

The study explored the effect of GCG on OPER. Corporate governance is a system by which corporate organizations are directed and controlled by the BODs to achieve effectiveness. Efficiency and effectiveness are the prerequisites of OPER. GCG is important for OPER in Nigeria because it encourages the organization to deploy and utilize its resources in a more efficient manner, and to comply with global best practice while achieving its objectives. The exploratory research design was used for the study, and it was found that GCG has positive relationship with OPER. This new result supports the finding of Gachoki and Rotich (2013) that corporate governance has positive influence on the performance of public organizations in Kenya. This is the interest of this study.

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Impact of Diverse Values of Employees on Organizational Effectiveness

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PURPOSE: The purpose of this paper is to study the impact of diverse values held by employees on organizational effectiveness in consultancy firms in India. A sufficient amount of literature though is available on what could firms do to manage diverse workforce but very few studies have been done to explore the impact of values on organizational effectiveness which shall offer some useful directions and implications. The value systems held by employees has a bearing on their work and whether these employees are effective in their organization. This study attempts to explore this value - effectiveness relationship.

METHODOLOGY: This is an exploratory research conducted using a self-administered questionnaire on a sample of 251 employees working in consultancy firms in India. Values such as self-realization, Status enhancement, sulphitic values and socio economic support constituted the independent variables whose impact was seen on organizational effectiveness , which is measured on parameters of satisfaction, goal integration and group functioning.

FINDINGS: The result showed a significant positive relationship between the diverse value system of employees and organizational effectiveness. a probabilistic model is developed based on the findings of the study to represent the relationships of values on effectiveness showing the significant impact of sulphitic values(creativity, life style, risk taking, variety) on effectiveness which has earlier not emerged in any study. .

PRACTICAL IMPLICATIONS: The results have useful implications to the emerging global diverse workforce in organization today which brings in diverse values on account of their own diversity of regions, cultures and this has a significant impact on effectiveness. The results offer directions to managers to propose reward systems to employees whose value systems are aligned with organizational value systems and that these employees are effective. The success in reconciling these rewards to employees shall also encourage others to align them in the same direction, creating positive implications at work. The usefulness of this study is that it offers the perspective for leaders to look at value based action in management systems and decisions. If the workforce can be made to identify their own values, they would be better able to align them with organizational values, the ones that are able to create this fir would be effective and also suitable.

LIMITATIONS: The study is limited to one sector and results cannot be generalized. The results offer scope for further cross industry studies as well as comparisons across cultures.

Keywords: Organizational effectiveness, values, diversity

Introduction

Multicultural workforce is the emerging phenomena in today's world. It has become indispensable for the effective growth of any organization. Firms have now started realizing the importance of diverse employees as a source of competitive advantage. Business has realized that they must learn to retain and promote diverse people to keep the business intact and growing. Organizations now have understood that diversity is not simply to deal with but instead it is a reality

which builds their organization stronger and competitive. In this time of competition, in order to move ahead of competitors, organization should invest their resources and time on strategic matters. The VUCA (volatile, uncertain, complex, ambiguous) environment makes it imperative to have strategies to manage this workforce for effectiveness and goal achievement in the organization. Complexity of behavior of employees is effected by their value systems and good match of the two offers perspectives for human resource management (Bartscht, 2015).

Cultural diversity is the identity of Indian society and very few countries in the world are as diverse as India (Buddhapriya, 2013). It is home to different languages, traditions, food habits, dress pattern, dance styles and values. Diversity in organizations brings positive outcomes and a better work

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environment enabling a intercultural leaning enabled workforce if managed well, thereby focusing on the importance of human resource practices to manage diversity and generate effective results (Robinson & Dechant, 1997). Individuals have different upbringing, lifestyles, cultures and beliefs and accordingly their values system also differ. Yet youth and educated people living in rural areas and other states leaving their traditional jobs and moving out to other parts of the country in search of jobs and settle themselves where the best job opportunities are available. More migration leads to better diversity in the organization. However rural areas loss is the gain of diversity. After the emergence of globalization, labor mobility is on rise which leads to multiculturalism in the organization which adds more colors to diversity (Ely & Thomas, 2001). Thus, these employees bring different set of values in their raw form. This greater penetration creates a diverse value grid in the organization. Employees also differ in the things they want from their organizations (Sinha 1990). This paper talks about differences in terms of values of employees given their background, history, culture and lifestyle. Diverse employees bring with them the diversity in terms of values which impacts the effectiveness of organization. Values affect our priorities, decisions, desires, attitude, behaviors and also have a profound role in shaping the culture that develops in the organization. The need to study its impact on effectiveness becomes important as diversity has gained importance in the last 30 years which relates to the time when our demographic society has started changing (Amah & Ahiauzu); (Cole & Salimath, 2013).

Sufficient research is available on organizational effectiveness and factors like profitability, employee turnover, employee commitment and market share have gained much attention of the scholars. Organizational effectiveness is more than profitability and includes factors like employee satisfaction, goal integration and group functioning which are studied here.

To understand the impact of diversity on organizational effectiveness, this paper discusses about diverse value system of employees and its impact on organizational effectiveness. Less empirical evidence is available in this area particularly in India. The purpose of the study is to develop a model in which the effects of diverse values of employees on organizational effectiveness

could be understood using a sample survey data from junior and middle level employees of Consultancy firms.

Literature Review

Due to globalization, employees from different cultures, lifestyles, family background, traditions, values have become a part of workforce (White, 2005). Understanding these diverse employees have become a challenge for the managers (Hopkins & Scott, 2015) have raised significant issues on the diverse cultural values brought to a commonplace of work by a diverse workforce and that whether it can be reconciled to organizational values to create a fit between organizational goals and personal goals. Research indicates diverse workforce as a resource (Gotsis & Grimani, 2016) but also points to the need for exploring interventions that could be developed to create the best fit between employees and organizations to achieve organizational goals by focusing on values held by employees which shall be largely diverse due to the spread of demographic regions they represent and in a country like India even within the various regions in the country this range is seen with visible differences of values. Values are described as the belief that a person holds desirable or undesirable, shape our behavior, perception and preferences (Amah & Ahiauzu, 2014); (Saige & Elizur, 1996). It is unique and varies from person to person. It holds special importance in each one our life. Human behavior is the reflection of our values (Dension, et.al. 2003). It generally has a stable nature and does not change easily with time as is the case with attitude (Lusk & Oliver, 1974); (Dose, 1997). Values are defined as the guiding principles which guides individual about what is right or wrong in life. Even the thinking abilities of employees are reflective of their value system to an extent and that individuals behavior is determined by his/her value system (White, 2005); (Gregory, et.al., 2009). For some employees achieving the desired goals in a peaceful environment is considered important whereas for some employees social interactions and relationship are given more importance. Further there are kinds of employees who are risk averse and then there are employees in the same organization who are risk loving and enjoy challenging work (De Meuse & Hostager, 2001). The performance of the employees is greatly shaped by his value grid which ultimately impacts the effectiveness of the organization. Values such as achievement, advancement, work

satisfaction increases the commitment level of employees resulting improving effectiveness (Rana, et.al., 2016). Further, when organizations design strategies to realize values of different employees, it increases the level of satisfaction among the employees (Charles, et.al, 1991). It results in increasing the performance and effectiveness of the organization as a whole. In this paper, values are determined by self-realization values, sulphitic values, status enhancement values and social values. The first factor self-realization consists of values like ability utilization, achievement, advancement, creativity and peace. The second factor status enhancement consists of values like authority, altruism, prestige and physical activities. The factor sulphitic values include autonomy, life style, risk taking and variety. The last factor socio-economic support includes social relationships, interactions, working conditions, comforts and dependency.

The shared values of employees craft a culture in the organization which impacts the effectiveness of employees and enables them to achieve coordination and integration leading to explicit rules and regulations while reflecting a visible culture to outside world that speaks of it being worthy of being appreciated.(Amah & Ahiauzu, 2014). However in a globally diverse workforce it becomes imperative to reconcile the diverse values of employees which could be conflicting at times, thereby raising the need for leaders to be strategic in their approach to create that common understanding of what shall be practiced in the organization and needs to be aligned and imbibed by the employees.

Federic et.al(2016) conducted research on relational, development, contribution and business values on organizational effectiveness in The Republic of Croatia reporting that a significant impact of values on organizational effectiveness and that these values had a significant relationship with the behavior of employees with the customers and among themselves. Studies in the Indian context are few and there is lack of any study that uses the values applicable in the Indian context (Sinha & Sinha, 1990). Indian firms have usually sought to patronize western interventions believing them to be best quite often, which may be the case always, rather most of the times. This study fills that gap while utilizing the values as developed by Sinha JBP(1990) and explores its impact on effectiveness.

Value gaps must be closed as much as possible to bring about performance and effectiveness in employees (Busse, 2017). Heterogeneous teams have been reported to perform better when they share the same value systems, thereby pointing to the need for identifying value priorities held by employees. Human resource training interventions can be brought about to create values enactment only when employees have clarity on their own values and what values are considered worthy by the organizations for reward and growth. It is necessary for employees to have the alignment between organizational values and the values they could hold on to within the work arena to achieve common goals as set (Neil, et.al., 2017).

Organizational effectiveness is defined as the extent to which multiple goals are achieved (Price, 1972). An organization is said to be effective when it achieves its purpose and objective while providing maximum return to the society. Literature has described organizational effectiveness to be emerging from three different perspectives, first, the output measure which involves profit, second, the outcome measures which are seen in terms of market share or the stock prices and the third when there is a decline in the employee turnover, reduction in absenteeism as well as simultaneously increase in productivity (Richard & Johnson, 2001). It is a multidimensional concept that cannot be measured with single factor. Different scholars have measured it differently. This study measures effectiveness by goal integration, group functioning and employee satisfaction. A study by (Hagstrom & Gamberale, 1995) concluded that social values, like social relationships, are given higher importance in the workplace. Another interesting observation made by (Wong & Chung, 2003). revealed that comfortable work environment, working conditions have a major role to play in performance and effectiveness of any organization. Unsocial environment is one of the reasons for higher turnover and absenteeism among employees (White, et.al., 2001).

Thus the major objective of this paper is to understand the relationship between different factors of value system of employees such as self-realization, status enhancement, sulphitic values , socio economic values with dimensions of organizational effectiveness such as goal integration, group functioning and satisfaction of employees.

RESEARCH METHADODOLOGY

An empirical approach with a questionnaire survey method was used in this research using five point likert scale. The present study collected data from consultancy sector on the basis of stratified random sampling. Out of 251 respondents 59% were male and 41% were female respondents. In terms of age of the respondents, majority of the respondents(58%) were from 20 – 30 age group, 30% of the respondents were from the age group of 31- 40 years and 6% from the age group of 41- 50 years and remaining from the age group of 51 years and above. The respondents were highly diverse in terms of the state to which they belong.

Instrument

Organizational Effectiveness: In this study, Survey of organizations instrument by (Taylor & Bower, 1972) was used to measure organizational effectiveness. There are 14 items in the questionnaire divided into three factors namely; Satisfaction, group functioning and goal integration. A five point likert scale ranging from 1 to 5 was adopted.

Value System: In this study, The Value Grid scale developed by Sinha & Sinha (1990) was adopted to measure the level of values realized in the firm.

There are 21 items in the questionnaire which is divided into 4 factors namely: Self-realization, status enhancement, sulphitic values and socio economic support. A five point likert scale ranging from 1 to 5 (strongly agree to strongly disagree) was adopted.

Results

RELIABILITY: It is defined as its ability to provide consistent and stable results by assigning same score on repeated administration of the instrument. The widely and commonly used reliability coefficient is the cronbach’s alpha, which estimates internal consistency based on the average inter- item correlation. The value of cronbach’s alpha coefficient lies between 0 and 1. It is recognized by the scholars that the value closer to 1 indicates more internal consistency between the items or variables in the scale. The various cronbach’s alpha values of the scale are given below:

It can be seen from the above table that effectiveness measured using 14 statements are subdivided into three factors and the scale exhibit a high reliability as reflected by alpha value 0.833 . The three subscales have a high reliability ranging from .803 to .874. Further, values are measured using 21 item scale which was subdivided into four factors exhibit a

Table 1: Reliability Test showing Cronbach’s alpha for various factors:

Scale/ sub scale	No. of factors	Cronbach’s alpha
Effectiveness	3	.833
Satisfaction	6	.874
Goal integration	2	.803
Group functioning	6	.839
Level of value satisfaction	4	.869
Self-realization	6	.853
Status enhancement	4	.715
Sulphitic values	4	.655
Socio economic support	6	.752

Table 2 - Measurement Model Evaluation: Goodness –of-fit Statistics of SEM

FIT STATISTICS	FINAL SEM MODEL	DESIRED VALUE
TLI	.889	.90 or higher
NFI	.962	.90 or higher
IFI	.812	.90 or higher
CFI	.908	.90 or higher
RMR	.05	.05 or lower

high reliability as reflected by alpha value 0.869. The four subscales have a moderate high reliability ranging from .655 to .869.

Structural equation modeling method was used to examine how well the relationship is predicted between values and organizational effectiveness.

The validity of the measurement is determined using goodness of fit. GFI index is a marker of the proportion of covariance which ranges from 0 to 1. Further RMR means Root Mean Residual is associated to the residual in the trust model. It ranges from 0 to 1 where smaller RMR predicts better model. Higher values of Incremental Fit Index (IFI), Normed Fit index(NFI), Comparative Fit Index(CFI) shows better model. Table 1 shows that model is fitted to the data as GFI(.889),CFI(.908),NFI(.962), and IFI(.812) are greater or equal to .090 which is considered as acceptable. Further, RMR value is .05 which is equal or less than .05 which is again acceptable.

SEM was conducted with 4 independent and 3 dependent variables to study the relationship between value system of employees and organizational effectiveness. The result of the SEM stated that there is significant relationship between self-realization values with goal integration, satisfaction and group functioning($p < .05$). Moreover, SEC, and SV also had significant relationship with all the factors of effectiveness ($p < .05$). However, SE values have a significant relationship with group functioning and goal integration($p < .05$) but no significant relationship

with satisfaction level ($p > .05$). When organizations make efforts to achieve the values of the diverse employees then they will work at their maximum potential to achieve the goals of the organization.

Like previous studies, values like achievement, advancement, ability utilization (SR values) and Social interaction, relationships and working conditions(SEC Values) have an impact on all the dimensions of organizational effectiveness (GI, GF, SA). The major contribution of this study shows the relationship between creativity, life style, risk taking, variety (SV values) with organizational effectiveness. Moreover, values like authority, power and prestige (SE) have no significant relationship with employee satisfaction. The benefits of providing challenging and variety in jobs will not only satisfy employees but also bring laurels to the organization.

In all HRD attempts of bringing effectiveness in the organization, it would be worthwhile to work upon mechanisms of enhancing sulphitic values in the organization and to look at its further impact in enhancing effectiveness as a future research.

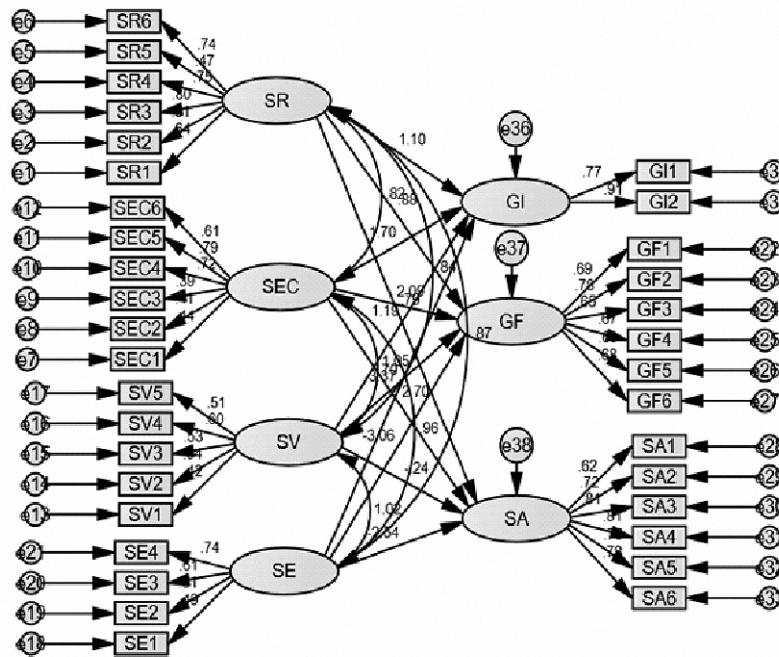
CONCLUSION

In today's environment, it is a challenge before the organization to manage such a large diverse workforce. To understand the impact of diversity on organizational effectiveness, this paper discusses about diverse value system of employees and its impact on organizational effectiveness. It concluded that there is significant relationship between different dimensions of organizational effectiveness

Table 3- Regression Weights: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
GI <--- SR	1.107	.645	1.717	.046	Significant
GF <--- SR	.768	.512	1.500	.034	Significant
SA <--- SR	.662	.480	1.378	.048	Significant
GI <--- SEC	3.047	1.963	1.552	.021	Significant
GF <--- SEC	3.240	1.492	2.172	.030	Significant
SA <--- SEC	4.041	1.466	2.756	.006	Significant
GI <--- SV	2.229	1.826	1.221	.022	Significant
GF <--- SV	1.137	1.142	.995	.020	Significant
SA <--- SV	-.369	1.640	-.225	.022	Significant
GI <--- SE	-5.077	2.008	-2.529	.011	Significant
GF <--- SE	-3.985	1.604	-2.484	.013	Significant
SA <--- SE	-3.193	1.772	-1.802	.072	Not Significant

Figure 1- Structural Equation Model Showing the Relationships of Factors



such as Group functioning, goal integration and satisfaction and the level of values realized. Firms should make efforts to realize the diverse value systems of the employees to boost their morale and confidence. Values like variety, autonomy, creativity, risk taking and like style have emerged as important contributor and should be encouraged as they have a significant impact on organizational effectiveness. The VUCA environment calls for a cultural intelligence wherein an intelligent interaction of employee skills, behaviors, values can be attained for effectiveness and the right match of role assignment with values be done. (Tuleja, E.A., 2017) The spirit to spot opportunities, learn and mitigate in a VUCA scenario as today shall enable firms to be competitive (Abidi & Joshi, 2015). The fast changing environment, enhanced competition, global workforce calls for innovative practices in the VUCA world (Joshi, 2017) of business while having employees who are best aligned with organizations values so as to have least conflict within the firm and efforts directed to design strategies to emerge successful among competitors. Value systems of employees are a far stable concept and difficult to change and therefore to match the values of workforce chosen to move the upward ladder with the organizational values assumes importance for corporate image and sustained growth.

Implications for Managers

This paper has explored a less studied dimension on the role of sulphuric values (creativity, life style, risk

taking, variety) as a contributor to organizational effectiveness. In the VUCA environment the behavior of the employee shall be determined to a large extent by the value systems held and innovative human resource interventions shall bring about the best effectiveness and fit in the organization. Socialization of employees result in organizational culture and this creates an environment which needs to be adaptive in VUCA scenarios while ensuring permeability within the organization, thereby the interaction of diverse workforce shall lead to effectiveness when work experiences in the organization do not clash with employee value systems held and simultaneously organizations are able to select those individuals which shall reap effective outcomes from work. Values guide behavior and enhance employee motivation so managers must select, promote and reward those individuals who present the best fit between personal and organizational values which shall lead to organizational effectiveness and goal achievement. The entire process of crafting strategies must also involve an effective support and feedback loop for organizations to be adaptive and evolutionary in a VUCA environment (Joshi, 2017). Employees should be encouraged to voice opinions and render alternatives for human resource interventions, the choice of selecting and designing the most appropriate ones remains with the human resource development division still. Indian firms need to organize efforts on this aspect. Value systems of employees reflect upon their decision

making and any shortcoming on this front is detrimental to a firm's image in the corporate world. Innovative firms shall continue to add value to the social, human and financial capital becoming torchbearers of growth and success (Joshi, et.al., 2017).

Limitations and Scope for Future Research :

The study is limited to the national capital region of Delhi and employees from consultancy firms have been taken as the sample. A larger sample drawn from other work groups could offer comparative results to draw better inferences and show comparisons. Cross cultural studies could generate a wider understanding of the phenomena being studied in this study and offer useful insights.

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Need to Test Proposed Theory on Social networking, Community banking and empowerment of People: A Conceptual view

Muhammad Mahboob Ali*

“What is needed is the spirit among the youth that - I can do it, we can do it and the nation can do it. Our(India) educational institutions have to concentrate on developing the leadership traits and the confidence to perform among every youth of the nation”.

A.P. J. Abul Kalam (2015)

Deprived and underprivileged people and those do not have any sort of access to the bank have to take adveting to the financial system so that equitable distribution and social justice can be achieved. Informal sector is playing vital role than formal sector of the country. Micro savings should under the working purview of the micro investment for which social networking and community banking is needed. Micro insurance has also its important role to play for empowerment of people. Research question of the sturdy is whether community banking and social networking can transform from micro savings to micro investment towards empowerment of the people? Time period of the study is from 1st January 2016 to 30 November, 2017. The theory was developed for considering financial inclusion, to attain income equality, equitable distribution and social justice. A theory was developed by Ali(2016) which need to be tested. The theory was also interlinked with the goals of Sustainable development goal. This theory was developed to remove poverty, creating equitable justice, eliminating income inequality through arranging linkage between social networking and community banking for empowerment of people. Micro saving gradients take extent, their full potential which is far from being understood. The theory which is in a process of development can be extensively examined(<http://vle.du.ac.in/mod/book/print.php?id=12779>,viewed on 1st June,2017).

Author also suggested for arranging micro insurance for rural people to attain sustainability and competitive advantage. Micro-investing has been a mi the growing popularity of non-traditional investment platforms, sinks the possibility of market failure for a particular product.

Theory developed by Ali(2016) on Social networking, community banking and empowerment of people may be empirically tested in different countries of the world and also at Bangladesh by various researchers to give a structural formation, cost-benefit analysis, shadow pricing, validation and reliability of the theory in the real life scenario both global and domestic perspectives with a request to inform the result to the author. World Bank or any other International /Domestic/Govt./Private organizations may test the model in a greater extent to practically involve in the process of. Economic development of the country.

Keywords: Micro savings, Micro investment, Micro insurance, Community banking, Social networking, empowerment of People, Gender equality, Formal and Informal sector, underground economy

JEL classifications:E26,G21,G22,G23,016,017,

Introduction

Poor people of the country often did not getting any sort of banking including financial services. Lack of banking services lead to accept non-banking services for those who are not included in the financial inclusion process. For marginalized and pauperization people who needs delivering services by the financiers to start-up businesses ,services and nano manufacturing by seeming ongoing

increasing impending. Informal sector is gradually expanding its activities. NGOs are currently rolling more than 77000 crore Taka out of which 16,000 crore taka is from PKSf to come out from vicious circle of poverty in Bangladesh. As such informal sector have been playing vital role in the economy without accountability and transparency. Micro savings ought to come under the operational purview of the micro investment through social networking and community banking based system is required. Otherwise micro savings cannot give good results rather it will have some problems which was observed in Uganda , Rawnda, Kenya etc. countries. Noose et al. (2011) argued that the double bottom-line business approach of savings

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banks is a powerful driver for financial inclusion. The promotion of access to financial services, especially micro savings, for all unbanked communities and individuals and maintaining a broad retail distribution network are parts of this social approach to banking. Bangladesh suffers from large underground economy which destabilizes macroeconomic strength of the country. Empowerment of people can lead to provide their skills especially soft skill, capitals, command, prospect, incentive, portion of accountability and responsible for consequences of their activities, which will donate to their capability and gratification.

As such considering Pareto's optimality criteria of utility theory, Hicks, Kaldor and Scitovsky which described that social welfare could be increased without making value judgments. Pareto optimality of the people can be attained in line of social welfare so that compensation package can create equitable distribution and social justice.

In the free market economy govt. can intervene at least invisible manner. For poorer section of people, govt. need to set up some procedure of redistribution, arranging equitable righteousness, removing income inequality and to attain social justice. A community bank is a depository institution that is typically locally owned and operated. Community banks tend to focus on the needs of the businesses and families where the bank holds branches and offices under unite banking process. Lending decisions are made by people who understand the local needs of families, small industries, businesses and farmers. Employees often reside within the communities they will serve(https://en.wikipedia.org/wiki/Community_bank on 1st June,2017). Social network is a sociological concept for a set of social relations between network elements that interact and which are in particular individuals. Social groups or teams, organizational units or whole organizations can also be network elements in the organization. Basic types of social network in the organization are: Formal organizational structure, Informal organizational structure(<https://managementmania.com/en/social-network> on 1st June,2017). As such the study wants to bring a theoretical development of a linkage between community banking and social networking for the empowerment of people, attain income equality, ensuring social justice and equitable distribution. If micro foundation is stronger than macro economy will be in the way of stabilization for the society as a whole.

Access to finance is a challenge in Bangladesh, where only 40 percent of the adult population holds a bank account at a formal financial institution. This is a major problem for the working poor, many of whom migrate from villages to towns, cities, and even overseas in search of work, and who have no choice but to use informal options to send money to home. Some found an acquaintance is willing to carry cash on the journey to their home village; others work with middlemen who charge high fees (Source: https://www.ifc.org/wps/wcm/connect/5c993b23-8dd1-40c5-88cf-eb64618e871b/bKash_FINAL_low+res.pdf?MOD=AJPERES,viewed on 23.08.17).As such we suggested for community banking as an alternative to serve the poor people and they can help micro savings to micro investment at costal areas, hilly areas as well as low land.

Social networking is the exercise of intensifying the quantity of one's business and/or social contacts by constructing acquaintances from side to side entities, often through social media along with social capital, social business and social investment. Social entrepreneurs are the people most able to deliver that innovation (Leadbeater,1997).This is a social structure entailing of persons or collections who are associated to each other, for example through social relationships. When these networks are characterized in a database and with a web interface, it is frequently mentioned to as a "social networking service". However, in traditional system there is no web interface or social media but social capital, social business and social investment works simultaneously along with caring attitude among friends relatives and neighbours. A social network perspective on strategic alliances can have both descriptive and normative outcomes that provide valuable insights for theories of strategic management, organizational theory, and sociology. Incorporating social network factors into our account of the alliance behavior of firms not only provides us with a more accurate representation of the key influences on the strategic actions of firms, but has important implications for managerial practice as well, many of which have yet to be explored (Gulat,1998). Interest rate on lending in the informal sector is very much high in Bangladesh than the formal sector of the country(Ali,2016). A significant portion of financial inclusion has been considered as sum of the quantity of persons who can be identified by a bank account. An individual possesses a bank account which has been painstaking to have straightforward financial transactions awareness.

Rahman (2013) described that financial inclusion promotes inclusive growth, productive capacity, youth employment and combats poverty by unblocking advancement opportunities for the disadvantaged poor. Lack of access to basic financial services may lead to important extent of social exclusion in education, employment opportunities and social safety net. Bangladesh economy is progressing but to sustain in the long run there is no other alternative to create employment opportunity with growth. Financial inclusion has been identified as an enabler for 7 of the 17 Sustainable Development Goals (Source: However, recent report suggests that Bangladesh scored a rank of 120 out of 157 countries in the SDG Index and Dashboards Report 2017 by the UN Sustainable Development Solutions Network. Its overall performance on the index was 56.2, lower than the regional average score of 63.3. Bhutan, India, Nepal and Sri Lanka all scored higher than Bangladesh on the index, while Pakistan and Afghanistan scored lower (Source: <http://bdnews24.com/economy/2017/07/10/bangladesh-lags-behind-its-peers-in-progress-report-on-sustainable-development-goals>, Viewed on 25 July, 2017). Actually to attain Sustainable development goals in Bangladesh needs some policy reformulation and involve participatory representatives in the all corner including member of the parliaments, grass root leaders, economists, industrialist, entrepreneurs, academicians, engineers. Rahman (2017) argued that central banks must put more focused emphasis on meeting the challenges of Human Resources Development to face the new challenges originating from ever changing technological development with huge implications for financial inclusion. Human Resources Development of the financial sector ought to be humane as well so that there is a desired change in their mindset to work for the unbanked and underserved as he observed.

FDIC (2014) described that as community leaders, community bank officials can work to gain the support of regional, state, and local government leadership for their bank/CDFI (Community Development Financial institutions) partnerships. Banks can encourage these and other economic development stakeholders to support bank/CDFI partnerships by directing resources to the partnerships' targeted areas. The local government may be helpful in providing financing tools, such as credit enhancements for loan pools to support bank/CDFI partnership activities. In rural areas, regional councils of government, state agencies, and some utility companies can provide support for

bank/CDFI partnerships and other community development activities.

The finance minister of Govt. of Bangladesh AMA Muhith has proposed to increase the volume and coverage of the government's social safety net programmes in the 2017-18 fiscal year to improve the living standards of the poor in the national budget speech. He proposed to raise the number of recipients of old age allowance to 3.5 million from 3.15 million, widow and oppressed women allowance to 1.27 million, disability allowance to 825,000, education stipend for students with disability to 10,000 at both primary and secondary levels, and maternity allowance to 600,000. Tk11.35 crore has been allocated as a special allowance for transgender people, while the allowance for financially insolvent disabled people has been increased to Tk700 per month. In addition, the government will continue the existing social protection programmes, including the Vulnerable Group Development (VGD) programme. The government has already employed emergency schemes to provide 30kg rice every month to each of the 330,000 bona fide destitute and flood-affected families in Haor areas, the finance minister said in his budget speech. In addition, Tk57 crore has been allocated to provide cash assistance to the affected people on a monthly basis. Tk82.07 crore has been allocated for 91,447 beneficiaries under the Employment Generation Programme for the Poorest (EGPP). (Source: Dhaka Tribune, 2nd June, 2017)

Rutherford (accessed on 1st June 2017) observed that in Bangladesh poor people manipulate their savings through a wide range of methods of saving up, saving down, and saving through, and they do it frequently and intensively. They found no less than 33 different money management systems in use. At the most formal end of the spectrum were banks, insurance companies, and NGOs. Less formal methods included savings clubs, moneylenders, buying goods on credit, and obtaining wage advances from employers. At the most informal end of the spectrum were loans between family members.

Still in Bangladesh informal sector is much larger than formal sector where employment opportunity is very high in Bangladesh. In the country, 87 per cent of the labor force is employed in the informal economy according to the labor report on 2010. Those who working in the informal economy include wage laborers, self-employed persons, unpaid family labor, piece-rate workers, and other

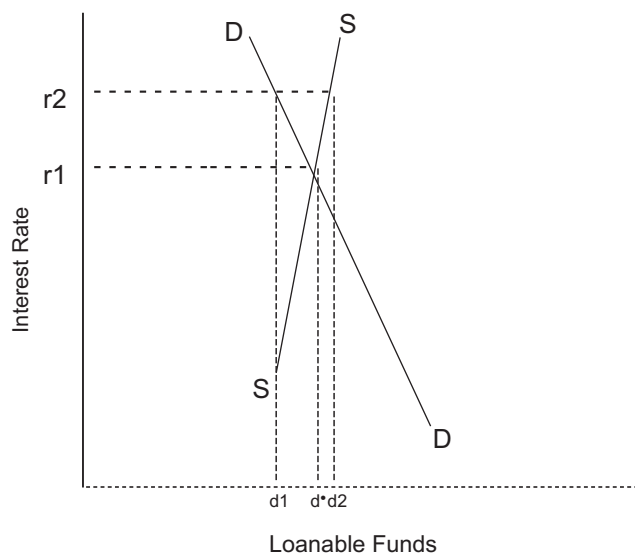
hired labour (Source:[http://ilo.org/dhaka/ Areasofwork/informal-economy/lang--en/index.htm](http://ilo.org/dhaka/Areasofwork/informal-economy/lang-en/index.htm), viewed on 1st March,2017).

Informal credit market in the absence of regulatory framework is working without any sort of hindrance in the country which needs to bring under supervisory framework. Siddique (2008) described that in the country credit is provided by informal lenders who may be friends and relatives, by mahjans who are intermediaries with trade and/or production relationships with enterprises ,and by traditional money-lenders. The informal market is potentially large and expanding. Below we have seen the informal credit market of the country in Figure:1.

Interest rate in the informal market is much higher than formal market and job security as well as obtaining direct taxation form the informal sector is not feasible. As such social networking and community banking may help to convert formal sector.

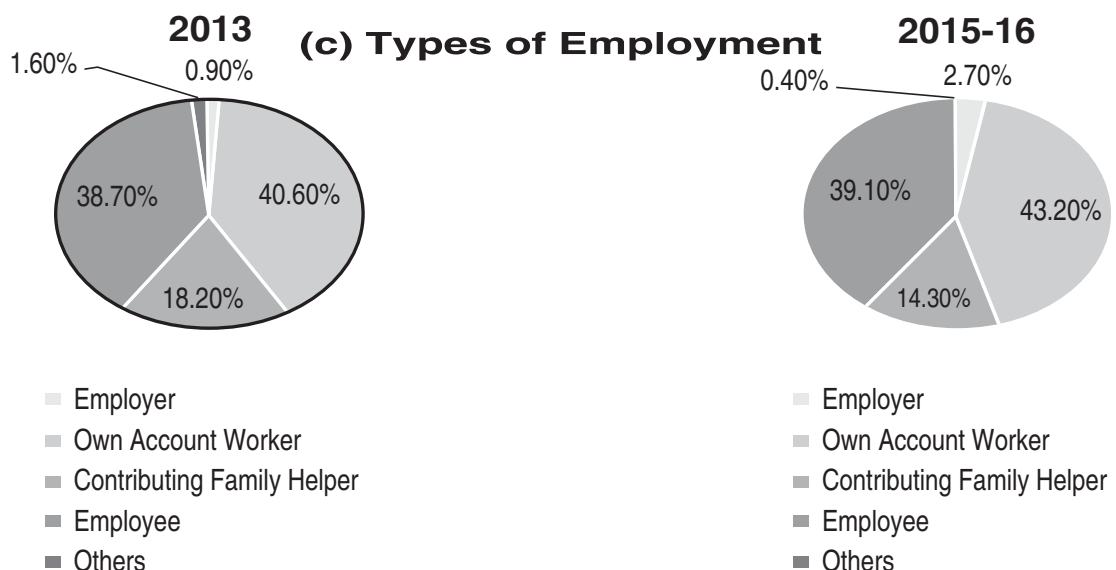
Rahman(2017) quoting labor force survey 2015-16, majority of employment is generated in the agriculture sector, but employment is gradually shifting to the services sector. Contribution of service sector employment has been growing, with 36.9% of employment generated in 2015-16, compared to 34.1% in 2013 is shown in following Figure: 2.

Figure:1 Bangladesh Informal credit Market



(Source: Siddique, 2008)

Figure:2 Types of Employment in Informal sector



(Source: Rahman ,2017)

In the informal sector 87.8 percent totally is working while 11.4 percent is working in the formal sector. As per the following data formally employed in multiple job is zero percent. Formally and informally employed in multiple jobs is 0.1 percent in totality basis. Informally employed multiple jobs are totality basis is 0.6 percent. On the basis of Table:1, the study has shown figure;3 below.

Note: A universal definition is that those who are not within any sort of contractual agreement or its entity than they will fall under the criteria of supernormal profit.

Entry towards the formal monetary system left to a contest for the underprivileged people of the country as existing financial system mostly ignoring them. Current banking system of the country has

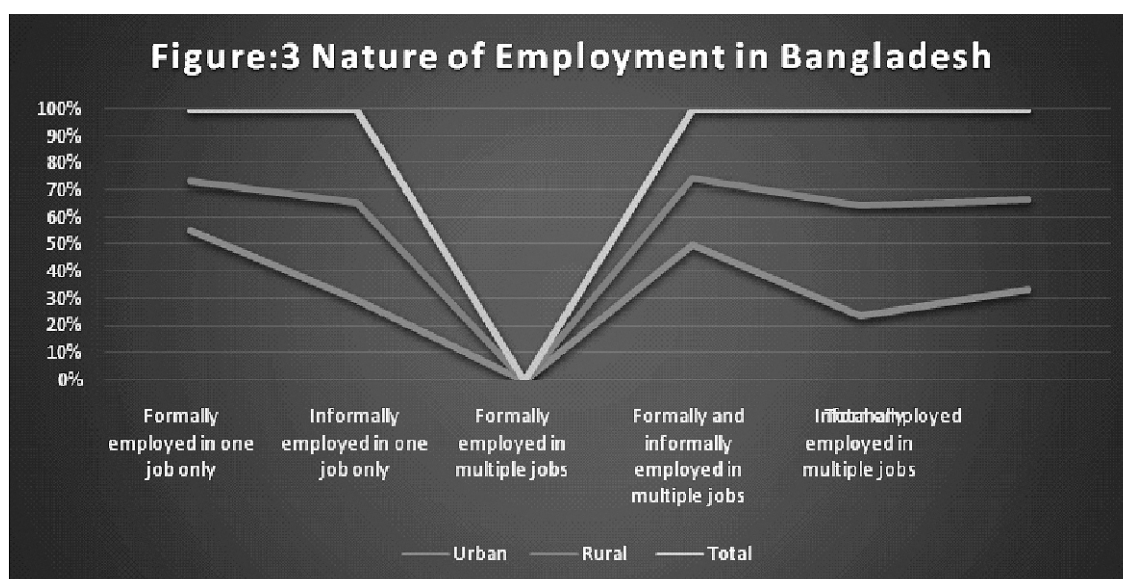
missing link to provide services for a larger portion of the rural people and participating in decision making process and creating empowerment of the people. As such Bangladesh needs alternative banking framework at a least cost combination and helping the underprivileged people at the grass root level. Moreover, some NGOs are not working due roles as they are charging higher interest rate which is not feasible for borrowers to repay without cutting welfare and social ignorance. Micro savings need to be encouraged to bring the unprivileged people to the banking system. With the introduction of the electronic banking current commercial banking rate is much higher.

We have shown Gini index of Bangladesh from 1967 to 2011 in Figure:4 below:

Table:1 Number of Employed Persons by Nature of Employment and Urban/Rural

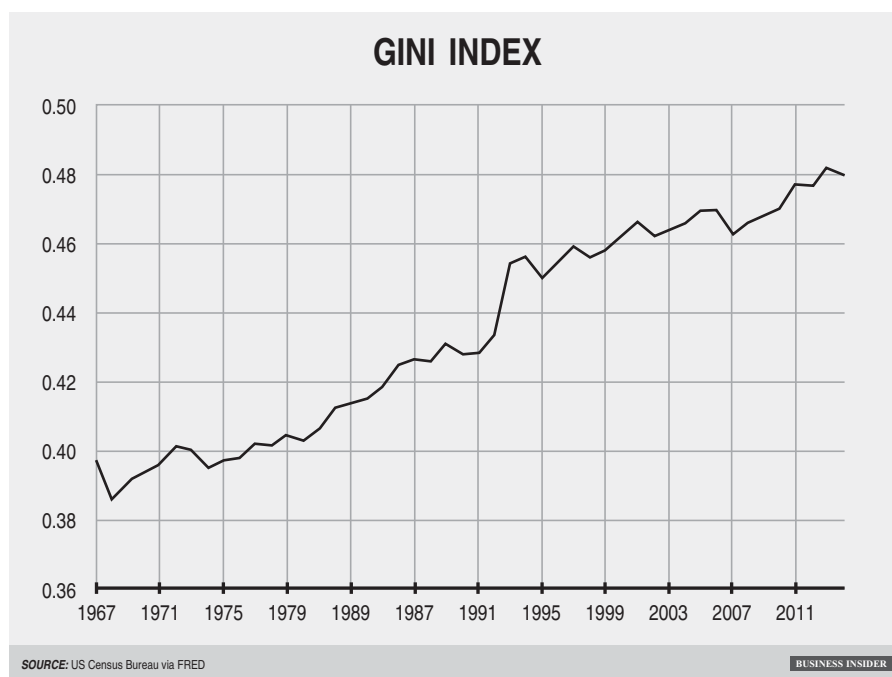
Nature of Employment	% to Total Number of Employed		
	Urban	Rural	Total
Formally employed in one job only	23.9	7.7	11.4
Informally employed in one job only	75.5	91.5	87.8
Formally employed in multiple jobs	0	0	0
Formally and informally employed in multiple jobs	0.2	0.1	0.1
Informally employed in multiple jobs	0.4	0.7	0.6
Total employed	100	100	100

(Source:<http://www.wiego.org/sites/default/files/publications/files/Asian-Devt-Bank-informal-sector-informal-employment-bangladesh.pdf>, Viewed on 1st June, 2017)



(Source: Drawn by author based on Table:1)

Figure:4 Gini Index of Bangladesh



(Source:<http://static2.businessinsider.com/image/56411769bd86ef17008c8767/the-united-states-has-become-more-unequal-over-time-the-gini-index-a-commonly-used-measure-of-income-inequality-among-households-has-steadily-risen-since-the-late-1960s.jpg>, Viewed on 1st November 2017)

Research question of the study is whether community banking and social networking can transform from micro savings to micro investment towards empowerment of the people?

Literature Review

UNCDF & UN DESA (2006) suggested that in a particular national context, processes to build inclusive financial sectors would include: Taking stock of the state of financial sector development and access; Analyzing constraints; Collaborating with external partners; Mobilizing technical and financial support from development partners; Mobilizing policymakers and stakeholders, and fostering their ownership of a dialogue process; Building a shared vision; Analyzing policy options and policy formulation; Ensuring implementation and ongoing review. Acemoglu and Ozdaglar (2009) described that social and economic networks refers to a set of people or groups of people with some pattern of contacts or interactions between them. Facebook, friendship networks, business relations between companies, intermarriages between families, labor markets. Recent years witnessed a substantial change in network research. From analysis of single small graphs (10-100 nodes) to statistical properties of large scale networks (million-billion nodes). Motivated by availability of computers and

computer networks that allow us to gather and analyze large scale data. Gangopadhyay and Dhar (2014) described that social networking and online privacy seriously turn out to be a serious concern when sensitive information is being shared and with the changing definition of 'social networking' in this internet age. Riggio (2014) described that Social intelligence (SI), is mostly learned. SI develops from experience with people and learning from success and failures in social settings. It is more commonly referred to as "tact," "common sense," or "street smarts". Lake and Huckfeldt (1998) argued that politically relevant social capital is generated in personal networks, that it is a by-product of the social interactions with a citizen's discussants, and that increasing levels of politically relevant social capital enhance the likelihood that a citizen will be engaged in politics. Further, the production of politically relevant social capital is a function of the political expertise within an individual's network of relations, the frequency of political interaction within the network, and the size or extensiveness of the network. The consequences of social relations within networks are not readily explained away on the basis of either human capital effects or the effects of organizational engagement. Actually social relations are very important. As such social intelligence and social entrepreneurship works with social networking. Social mixing should form an

integral part of social intelligence development in teenagers. It argues that parents may have an important role to play, as older generations own circles also remain relatively closed to different cultures, backgrounds and upbringing. (Source:

<http://movingonmagazine.co.uk/has-too-much-social-networking-stunted-your-social-intelligence/> (Viewed on 1st January, 2017). The success of a new venture often depends on an entrepreneur's ability to establish a network of supportive relationships.

Leadbeater (1997) argues that social entrepreneurs need to lead the way with schemes for self-help, particularly by promoting local, national and international twinning arrangements between projects to share ideas, contacts and staff. For liberal feminists, the optimum level of gender arrangement is one that facilitates the individuals to adopt the life style that suits him or her and also accepted or respected (Ritzer, 2001) by the society at large. However, liberal feminists are not in favor of structural change to a great extent. Furthermore, some of liberal feminists think that individual woman cannot make change; therefore, state intervention is prerequisite. BarNir and Smith (2002) argued that the social networks of senior executives account for 11–22 % of the variance in the degree to which firms engage in alliances, depending on the type of alliance. Results also show that the number of inter firm alliances is positively related to several networking properties (propensity to network, strength of ties, and network prestige. Hunt and Kasynathan (2002) pointed out that only a few number of women receiving credit had the ability to control their loans. Many women received loan by their own name and passed on the full amount of their loans directly to their husbands, sons or sons-in-law. Swain (2006) conducted a study following experimental research design in rural India and assessed the potential impacts of a microfinance institution named Self Help Group (SHG). The concept of women empowerment was defined as the process in which the women challenge the existing norms and culture to effectively improve their well-being.

Barr (2005) argued that community Reinvestment Act (CRA) has enhanced access to credit for low-income, moderate-income, and minority borrowers at relatively low cost, consistent with the theory that CRA is helping to overcome market failures. I argue that the form of CRA's legal directive, more akin to a

standard, is preferable to more rules-based approaches, on grounds of both efficiency and legitimacy.

Sen (1999) commented that freedoms are not only the primary ends of development, they are also among its principal means. In addition to acknowledging, foundationally, the evaluative importance of freedom, we also have to understand the remarkable empirical connection that links freedoms of different kinds with one another. Political freedoms help to promote economic security. Social opportunities facilitate economic participation. Economic facilities can help to generate personal abundance as well as public resources for social facilities. Freedoms of different kinds can strengthen one another.

Karnani (2007) summarized following problems of microcredit from various studies: Microloans are more beneficial to borrowers living above the poverty line than to borrowers living below the poverty line microcredit; seems to do more harm than good to the poorest; microcredit is the businesses it is intended to fund. Williams & Durrance (2008) found that across a number of instances of community technology, technology use is directly influenced of social networks, and social networks are directly influenced by technology use. Perron (2011) examined case by case the various approaches from companies, public sector entities, philanthropy, etc., and also institutional and private investors in their availability as well as their specific legal capacities and limitations to deliver the funding required supporting the growth. Such initiatives are vital in the fight against poverty and income inequalities. Batool (2013) commented that implementation of emotions intelligently in any organization by a leader to be effective and efficient plays a vital role to leader effectively. Emotional intelligence is one of the useful tools which helps a leader to judge people more clearly and closely and build a connection between people.

Bhattacharya et al. (2014) described that social networking has affected the process of marketing and how present day marketing activities is highly dependent on this phenomenal process of social networking. Also focus has been laid on how social networking affects the process of market signaling and hence reduces the possibility of asymmetric information within a market and lowers the possibility of market failure for a particular product. Yang et al. (2014) observed that social intelligence

and technology explore the roles of information, the Internet, and mobile technology in improving our understanding about human behaviors and social interaction in human society at the individual, interpersonal, and community levels—building a sustainable social environment, developing social intelligence, and having practical applications with major impacts in solving societal problems such as health, security, energy, and the environment. Ali(2016) suggested that establishment of integration fund to encourage creative entrepreneurship so that poor downtrodden people can come out with innovative business process through financial inclusion process, to remove poverty.

This alternative framework was an attempt to develop a theory on how social networking facilitates to empower people which were developed by Muhammad Mahboob Ali (2016) to test any country. The study will extensively tries to display an integral part regarding different dimensions of empowerment before involving in social networking and after involving in social capital, social along with business and social investment along with social intelligence, social enterprises along with micro savings transformed to micro investment. Social intelligence is also one of the key components to readdress to come out from poverty. In Current century a greater role is being played by social media for which interpersonal connectivity is vital. Environmental scanning for doing the business is vital especially to ease the business process and local economies. Empowerment of people rises from decision making process when people do have purchasing power capability. Community banking framework should be developed under a regulatory framework which will work starting in joint effort of PaliSanchya bank, Karmasonsthan bank, Bangladesh NGO Foundation and postal savings deposit and creating investment environment at nano and micro level.

Community banking idea is larger than agent banking or mobile banking. It will give the scope of financial inclusion and current 80% people who are working informal sector will gradually transformed to the formal sector. This will also help to raise direct taxation as well as employees' job satisfaction and job security.

Technological diffusion, innovation, creativity and suitable regulations by the local level planning with

local level law of the province are the key to deepening financial inclusion analysis where nano saving must be transformed to nano investment. Community banking will help to expedite the process of social networking and ultimately empowerment of people.

The Rabobank view(2005) described that Rabobank was founded in the Netherlands more than a hundred years ago as a co-operative bank providing access to financial services for small farmers and offering a secure option for savings to the local community. The driving force behind the Rabobank Group has always been to create opportunities for individuals and organizations to participate fully and independently in economic activities. Rabobank has developed an integrated concept of sustainable rural financing in developing countries. In addition, Rabobank participates through its different departments in international platforms and partnerships concerning the challenge of economic development in developing countries.

Dupas and Robinson(2006-07) depicted that the Bumala branch of the Financial Services Association (FSA) is a community-owned and operated "village bank" that receives support (in the form of initial physical assets and ongoing audit and training services) from the Kenya Rural Enterprise Development Agency (K-REP). They provide following results and following policy lessons: Impact on Bank Account Take-up: Eighty seven percent of study participants offered a free account agreed to open one, but 40 percent never made a deposit after opening the account. Of the 47 percent who did utilize their account, women (all market vendors) made significantly larger deposits, with a mean total deposit of 2,840Ksh (US\$40.57) for women, compared to 1,290Ksh (US\$18.42) for men (most of whom were bicycle-taxi drivers). Impact on Savings: Access to a bank account significantly increased savings among market women, but not among male bicycle-taxi drivers. Market women in the treatment group deposited 9.36Ksh per day in their account on average, while bank savings in the comparison group were zero since almost none of them opened an account on their own. Informal savings mechanisms (such as investments in livestock or participation in savings clubs) did not decrease for market women in the treatment group, suggesting a net increase in savings. Impact on Business Investment: Access to a bank account increased how much market women were able to

invest in their business, on average. Impact on Expenditures: Access to a bank account significantly increased expenditure levels for market force.

Mallick(2009) found that moneylender interest rates go up with the percentage of households borrowing from Micro Financial Institutes (MFIs). Productive investment of loan lowers moneylender interest rates. But MFI program expansion increases moneylender interest rates in the villages in which more loans are invested in productive economic activities. As loans are utilized in productive purposes, the likelihood of repayment increases so that moneylenders are able to charge lower interest rates.

Morduch (2010) observed that in banks profit from loans and want to hold on to customers' savings; the Rebuilder product reduces loan-taking and encourages withdrawals. Still, a bank with a strong social mission – or a belief that the product will encourage saving on net by making deposit accounts more useful – may be enticed to give customers better choices.

Dupas et al.(2012) depicted that while simply expanding access to banking services will benefit a minority, broader success may be unobtainable unless the quality of services is simultaneously improved. There are also challenges on the demand side, however. More works need to be done so that savings and credit products are best suited for the majority of rural households.

Ngalemwa(2013) described that village Community Banks (VICOBA) have benefited people in reducing their income poverty by playing an important role in enabling the poor to save and access credits. VICOBA lending model is a unique and an effective tool for development of rural communities.

Ahmad (2016) depicted that a necessary condition for successful poverty alleviation and sustained growth is poverty increase.

Halim et al. (2016) found that the series of income inequality and savings demonstrate a nonlinear relation in Bangladesh. Savings behave differently at different level of income inequality. Moreover, this nonlinear relationship is due to changes in economic policy. From our data set we can see that economic liberalization has improved the inequality situation of our country and caused savings GDP ratio to increase.

Valkenburg and Piotrowski(2017) argued that the negative spin that youth and media research often receives in the news can give most people the idea that media primarily have negative effects on children and adolescents.

Pulido and Italia (accessed on 2017) described that in the light of Sen's capability approach - where poverty is understood as a capability deprivation to live a good life – the best design for a microfinance program is not to provide microloans, but to provide micro savings and micro insurance, along with other non-financial service programs. Practices of community managed financial capital (strictly interconnected with social capital) implemented in developing countries stimulate a reflection on the possibility of reaching a social and economic balance in European countries, capable of recreating or extending the network of resources of those people whom the current economic system is forcing towards social exclusion and financial illiteracy.

The Sustainable Development Goals (SDGs) possesses 17 Goals build on the successes of the Millennium Development Goals, while including new areas such as climate change, economic inequality, innovation, sustainable consumption, peace and justice, among other priorities. The goals are interconnected – often the key to success on one will involve tackling issues more commonly associated with another. The SDGs work in the spirit of partnership and pragmatism to make the right choices now to improve life, in a sustainable way, for future generations. They provide clear guidelines and targets for all countries to adopt in accordance with their own priorities and the environmental challenges of the world at large. The SDGs are an inclusive agenda. They tackle the root causes of poverty and unite us together to make a positive change for both people and planet. "Supporting the 2030 Agenda is a top priority for UNDP," said UNDP Administrator Helen Clark. "The SDGs provide us with a common plan and agenda to tackle some of the pressing challenges facing our world such as poverty, climate change and conflict. UNDP has the experience and expertise to drive progress and help support countries on the path to sustainable development."(Source: <http://www.undp.org/content/undp/en/home/sustainable-development-goals.html>,1st March,2017)

Ali (2017) suggested that Bangladesh NGO

Foundation (BNF) may set up a business incubator as well can organize training, counseling and financial support to prospective nano and small entrepreneurs in performing with the sustainability in the long run. This will in turn play vital role for the socio-economic development of the country for which community banking is necessary. Micro savings should be used as Micro investment through arranging community banking in the formal sector under structured rules and regulations. As such we should enjoy pro-people activates with development and entrepreneurial ventures.

Ali et al.(2017) commented that policy makers should come forward to think how community banking with the applicability of the social networking can be used in local level planning system of the country. They also argued that people must be cautious about misuse of social media as reported by different dailies. They also argued that PKSf may play vital role as they arranged pro people centric research work.

Powel (2017 viewed) in a letter described that in USA Community banks are a critical component of their country's financial system and economy. They creatively meet a diverse array of consumer and commercial credit needs and are important partners in the economic stability of their communities. Over the years, community banks have successfully adapted to changing consumer and business preferences and challenges in local and national economies (<https://www.csbs.org/news/csbswhitepapers/Documents/FINALPUBLICATI ON.pdf> viewed on 23rd August,2017).

Justification of the Study

From the literature review it is pertinent that though there are various studies in the area of community banks or social networking but how these two can act as interlinked manner for empowerment of people doesn't discussed. The study arises to develop a theoretical framework how social networking which is working for long historical background can help community based development purpose so that poor income strata of the people can have better livelihood. If only micro savings is accumulated but allocation and distribution cannot occur than it will be a burden for those who keep the money at their hand due to time value of money. Moreover, sometimes in the country multilevel marketing (MLM) companies

are preying on regulatory and human weaknesses. They are managing funds and doing banking business illegally, but openly. Asset managers, merchant bankers, brokers or portfolio managers who manage others' wealth are subject to government license to operate (Daily Star, 2011).As such if community banking can be used under a regulatory basis then it may have a larger impact on transformation process of micro savings to micro investment and risk of theft-burglary will reduce. Most important thing is that current banking system despite creating new commercial banks are not performing at local level planning work as well as financial inclusion process in Bangladesh.

Objectives of the Study

The study has been undertaken with following objectives:

- i) To assess whether any need for a new theory for doing economic development of poorer segment;
- ii) To examine how social networking and community banking can help for attaining empowerment of people;
- iii) To provide some implications of the study for arranging distributional economic benefits and transformation from informal sector to formal sector.

Methodology of the study

Based on aforesaid literature review and also objectives of the study, we observed that there is no clear study on impact of social networking and community banking for transforming micro savings to micro investment. As such the study intends to develop the theoretical model. The study used secondary sources. Time period of the study is from 1st January 2016 to 30 November, 2017. The study tried to consider objectives of the study through conceptually for formulating the model. Further, through reviewing different literatures this study tried to develop some theoretical framework which helped to develop a proposed model. This is just a qualitative analysis not quantitative analysis.

In future a separate study may be done considering social networking as a dependent variable while another study may be done considering community banking. Independent variables may be social capital, social medial, social business, social education, social entrepreneurship, purchasing

capability, adding value, education level, and rise of income level among the people, Further another model can be done considering micro savings while independent variable will be social capital, social networking and community banking, competitive sustainability, efficiency, effectiveness, and micro investment. Through framing questionnaire, the future study may collect data and can do binary logistic regression equation, chi square test, and factor analysis. Otherwise structural equation may be done.

However, this study only develops a proposed model as it is a conceptual study.

Proposed Model

Chart:1 Social Networking Model ,Community Banking and empowerment of people is shown below:

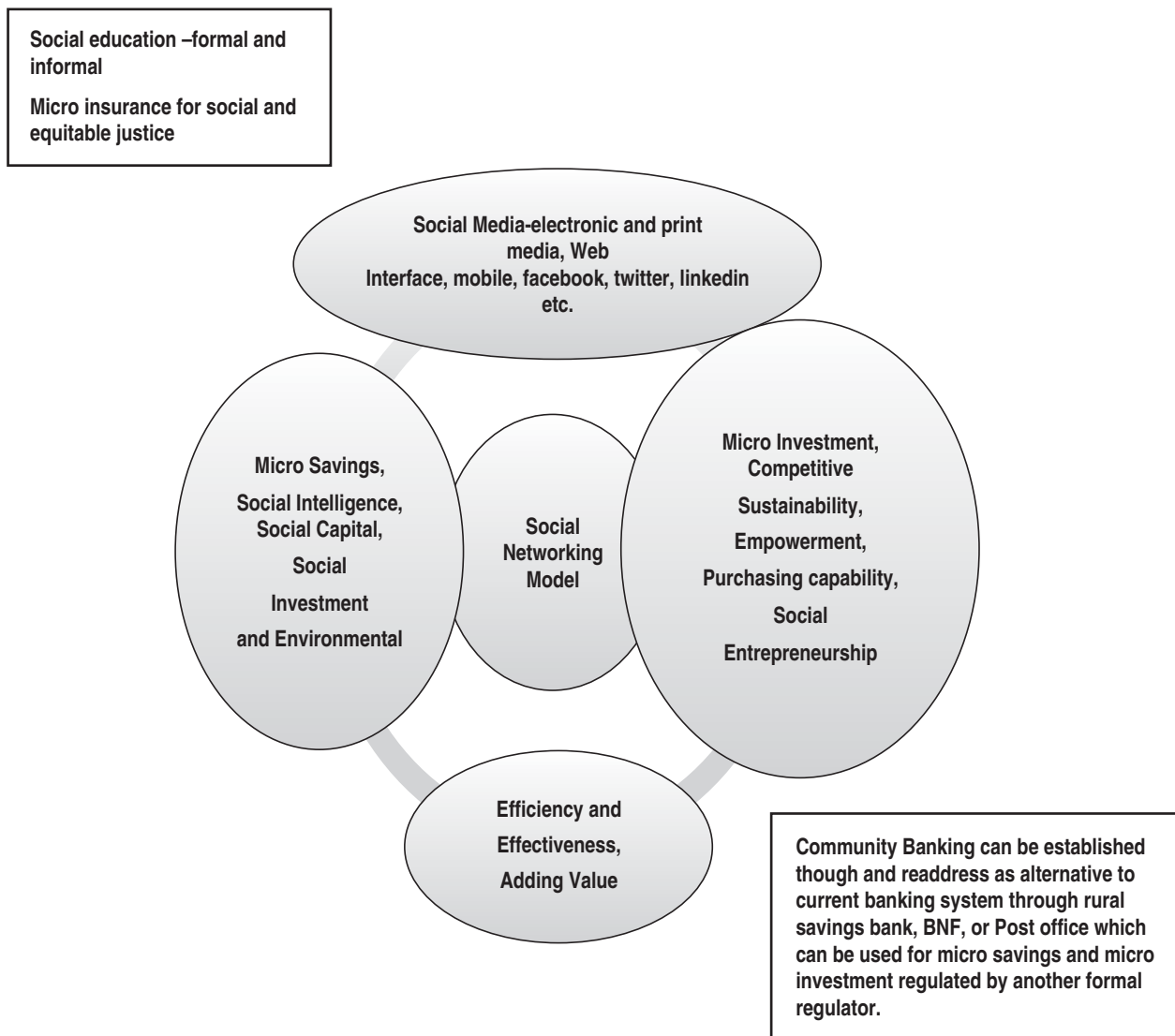


Chart:1 Social Networking Model ,Community Banking and empowerment of people through transformation of Micro savings to micro investment.

Aforesaid model is associated with several endogenous and exogenous variables for which interested researcher can contact with the author to build model for testing in real scenario.

In Chart:1 we have seen a model as concept developed by Ali(2016) based on aforesaid discussion in this section as Social Networking Model and empowerment of people through transformation of Micro savings to micro investment with the help of community banking .Social capital and social business will work as a push factor. As an outbound logistic, social entrepreneurship can work along with creating

(Source: Concept of a model built by Muhammad Mahboob Ali, 2016)
Aforesaid proposed model indicates how micro savings can be transformed into micro investments.

purchasing power as well as sustainability when competitive advantage can be added and micro investment works in a feasible method. Social media along with Internet and web interface should play vital role. However social education in the form of formal or non-formal is very important to act as a complementary factor. Micro insurance also substantive power to help in the process of economic development. Without social intelligence investment cannot be made positive i.e. return on investment may not be positive. Efficiency and effectiveness will add value in the domestic as well as global value chain if both primary and supportive activities work together.

Note: Aforesaid model may be tested by other researchers of various countries and inform to the author so that it can be scrutinized and further improvement of the model can be done, if necessary.

Analysis of the Findings and Discussions

The result from the study tried to describe those people's empowerment which is closely related with Social Networking, Social intelligence and social entrepreneurship along with social capital and social investment all work as a holistic approach. Community bank will help to attain financial inclusion which in turns endorses wide-ranging development, creative ideas and ventures, increasing occupational opportunities and contests lacking by releasing progressive changes for the underprivileged and deprived people of the country with the help of digitalization process. This will also reduce the fraudulent activities of the cooperative banks and fraud syndicates due to lack of proper supervision and monitoring. As such Govt. should take initiatives to set up community banking for the unbanked people at a cheaper rate but effective manner. Acemoglu and Ozdaglar (2009) commented on social and economic networks for improving the livelihood of the people as well as creating employment opportunity is feasible through using social networking and community banking. Social welfare is needed for the betterment of the poorer group of the country. Multilevel marketing (MLM) companies are doing different sorts of fraud by taking greediness and oppression among poorer section of the country. Morduch (2010) argued that banks profit is still prevailing in the traditional or conventional banking process. Alternatively we are suggesting

community banking for the services of the poor income strata.

Ngalemwa (2013) found on village Community Banks (VICOBA) which has benefited people in reducing their income poverty by playing an important role in enabling the poor to save and access credits can also be possible in Bangladesh if we try through community banking under separate regulator.

However, there has been report that by a section of the people that misuse occurs in case of social media towards less than 18 years and female group. Further some reports indicated that social media misuse by terrorists. Constant monitoring on social media is required to be arranged by the competent authority and cyber police of the respective country. Social integration should form an essential part of community aptitude expansion in adolescents. Guardians should have a significant role to play as adult age group hold loop so that staying comparatively closed to dissimilar societies, surroundings and rearing up in a meaningful manner when global world is opened.

Pulido and Italia (accessed on 2017) suggested that community managed financial capital (strictly interconnected with social capital) implemented in developing countries stimulate a reflection on the possibility of reaching a social and economic balance which is much needed in Bangladesh especially in rural areas. As such community banking with the help of social networking can act more enthusiastic way.

Social relationship is very much important. People's environments is not virtuous before accomplishment tangled in social networking and after attainment complicated in the income of the family had been increasing. After involving in social networking the women started to participate in different income generating activities. Then, they also started to control over income, expenditure, credit and savings. They could then participate in household decision making more than before. Rural savings will be turned to rural investment lead to social entrepreneurship for which we need implementation and help from local level planning. It will be found that in dimensions the people started to become more empowered than before involving in social networking. This may be supported by Technology, innovation and suitable regulations -the key to deepening financial

inclusion analysis where nano saving must be transformed to nano investment. Leadbeater(1997) proposed social entrepreneurship can be systematically developed through community banking which can act for social welfare. Community banking will reduce the informal lending at the rural area. Mallick's (2009) observation on Micro Financial Institutes (MFIs) needs to reduce interest rate and his observation for involving in the productive production process can reduce the interest rate. Sen's(1999) capability approach should be considered by the policy makers.

Rabobankat Netherlands works as a co-operative bank providing access to financial services for small farmers and offering a secure option for savings to the local community which may create an example for our country. Ngalemwa(2013) suggestion can be followed as village Community Banks (VICOPA) have benefited people in reducing their income poverty by playing an important role in enabling the poor to save and access credits .Employment opportunities with economic growth must be ensured at the formal sector for which informal sector should be gradually replaced by the formal sector. Strong political will associated with proper planning and implementation process is important in this aspect.

Concluding Remarks and Implications

Social networking and community banking may be applied for transforming micro savings to micro investment through creating social capital. This will also help to transfer to formal sector from informal sector. Employment opportunity accompanied with economic growth should be raised in the formal sector. This will help to attain equitable growth, social justice and removing income inequality. If we cannot take the benefits of demographic dividend then it may transform to demographic bomb. Actually financial inclusion is feasible thorough arranging community banking under regulatory measures otherwise it may create a disorder. As present government of the country is pro people so they need to take initiative to arrange community banking with a separate and strong regulator and reducing percentage of informal sector to formal sector. Emotional intelligence should be used to judge people and to empower themselves. This will also help to attain sustainable development goals. Side by side govt. should arrange micro insurance for which Insurance Development and

Regulatory Authority (IDRA) may work or it can be under the separate regulator of micro savings-micro investment and micro insurance.

Social welfare and grand utility will be tangent when equitable distribution can be attained. As such micro savings must be transformed to micro investment both rural and slum dwellers of the urban area. However, service charges and cost of transaction of the community banking must be kept very low so that the compensation criteria provided by the Hicks, Kaldor and Scitovsky. Noose et al. (2011) comment should be counted as it has a positive impact on financial inclusion. Community banking in Bangladesh can help to attain the goal as supply chain management of the banking sector for the unbanked people can be attained and add value in the society. Macroeconomic stabilization depends on successful implementation of investment and positive return on investment. Situation of the Gini coefficient ought to improve so that social justice and equitable distribution can be arranged and removing income inequality can be attained in the country. Empowerment of people may arrange the aforesaid situation to attain. Virtually to have dynamic economic situation along with people's welfare may be attained through converting collecting savings and channeling it in the investment procedure for which shall deposit can also help and as such a spate regulator is needed before establishing community banking. Multilevel marketing (MLM) companies should not be permitted to work as they are working without any legal status and doing fraud. Systematic procedure and legal status for community banking should be developed which will replace current agent banking system also. To implement sustainable development goal there is no other alternative but to creative alternative banking system in the rural areas so that poor people can not only save but also interested to invest in the local level planning process for which employment can be generated. As such productive investment through social entrepreneurship in the rural areas and changing the structure of the rural economic dynamics is very much important to add value in the domestic and global value chain with efficiency and effectiveness. Social education is also work as an important component to come out from the vicious circle of poverty. This theory was developed to remove poverty, creating equitable justice, eliminating income inequality through arranging linkage between social networking and community banking

for empowerment of people. This will in turn help to add value in both domestic –regional and global value chain if collaborative effort can be taken by the policy makers. Micro-insurance may trapped self-assuredly on the emblematic way of existing low salary recipients at the country if proper SWOT analysis won't be done or better proactive system cannot be arranged.

One suggestion for ENRICH program-those who want to build as per model of ENRICH house with middle income group may be encouraged and interest rate may be kept lower.

Violence against the girl and women should be stopped for which social networking should play pro-active role. Social media should be vigilant so that misuse cannot be done. Transformation of the society need to be sustained at long run for which micro-savings-micro-investment and micro insurance can work as a catalytic fashion. Theory did not consider graduation process from LDC of Bangladesh.

Limitations of the Study

The study is developed theoretically. With some co-authors in another paper we tried to test only two villages of the country and found it will have immense benefit for economic development. But to formulate the theory it needs more empirical tests not only Bangladesh but outside the country. If it is found workable than implementation of the theory into real life scenario is to be needed for which policy makers may take proper steps to implement.

Future Research Direction

The theory which was developed by Ali(2016) through presenting in a workshop on "social networking, community banking and empowerment of people: alternative framework for welfare of human being" may be empirically tested in different countries of the world and also at Bangladesh by various researchers to give a structural formation considering cost-benefit analysis, shadow pricing, chi square test, factor analysis, validation and reliability of the theory in the real life scenario both global and domestic perspectives with a request to inform the result to the author. Moreover, in this model if researchers can check the relationship among the variables of this model both exogenous and endogenous factor as well as pull factors and push factors first testing reliability test, data through regression technique

using LISERAL software or Structural Equation model or factor analysis, then this theory can add more contribution towards research. To test this theory in real life in a greater extent huge monetary and time factor is also being needed. World Bank or any other International /Domestic/Govt./Private organizations may test the model in a greater extent to practically involve in the process of Economic development of the country.

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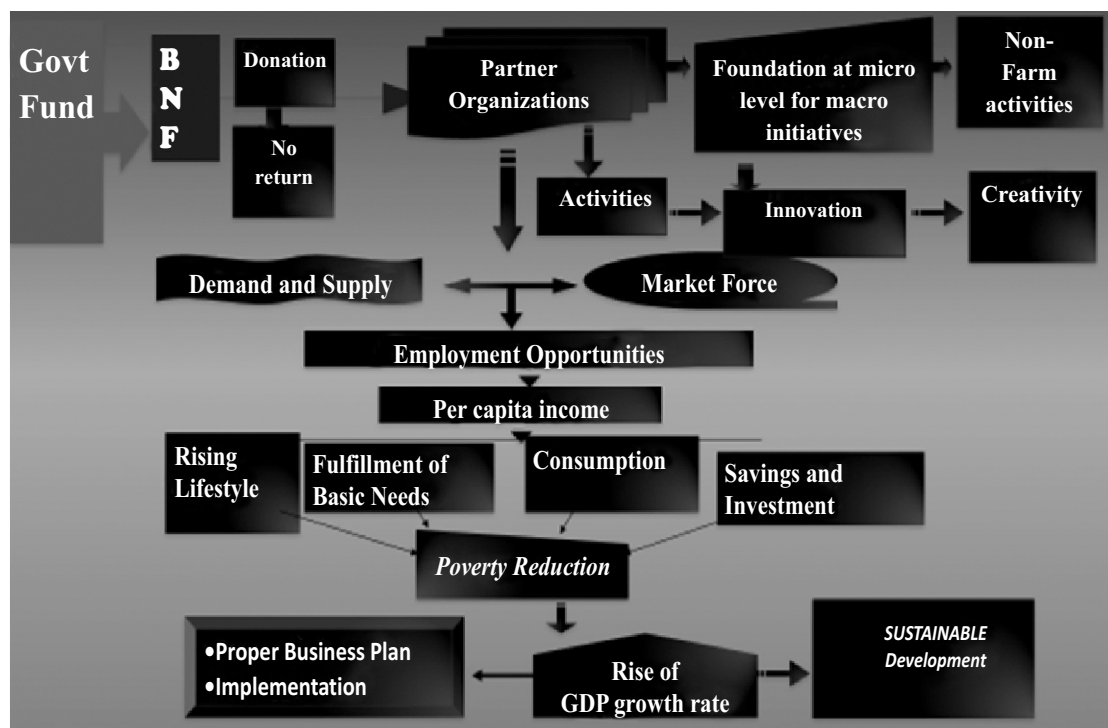
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Appendix:

BNF Grant Model:



(Developed by Muhammad Mahboob Ali 2016)

A Situational Analysis of Service Quality in Private Health Care Sector in Sri Lanka

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“Health care” industry, one of the most essential needs of every human, has become an industry with the fastest growth rate in Sri Lanka. There are several factors responsible for this phenomenon named as aging population, changing food habits to prefer fast food, spread of medical insurance, emergence of new technology in diagnosis, advancement in medicines, increase in purchasing power are some of the main factors that has increased the demand on health care profession. Interestingly, private sector is playing a significant role in Sri Lankan health care sector even though free public health care system is available throughout the country. Yet, there are problems in the private sector. Extreme cost, late appearance of channeled consultants or even unannounced cancellations are some of the problems that patients face in private sector creating dissatisfaction amongst the new profile of the younger patients who ask for the value for what they pay. This paper makes a situational analysis of the Private health care system with a view to highlight issues that need a solution by the state planners, private sector health care providers using secondary sources of data. The paper has used the approaches of exploratory field research. Although the study is confined to Sri Lanka, but the learning lesson could be of high interest to other situations in general and developing economies in particular in deployment of resources.

Keywords: Health care, Service quality, Hospital, Private sector.

Introduction

Health care industry has become a one of the fastest rising industries in the service economy due to reasons such as increasing aging population, competitive pressure and increase in purchasing power of patients with insurance facilities, technology and emergence of new treatments (Abramowitz, Cote, and Berry, 1987). On the other hand, technological advancements and globalization has changed the health care provider's practices intensely, in recent past. As a result, health care system has become a challenge for every government, state, political party and insurance agency due to high competition in this sector. This competition results in satisfying, acquiring and retaining patients through improvement in service quality dimensions, building trust and getting positive reputation (Rubin, 1990, Zsidisin, Jun, and Adams, 2000). Service quality is one of a key factor in

conserving competitive advantage to service sector including health care industry (Jabnoun, and Rassai, 2005). Importantly, the customer in health care industry is in interaction with the enterprise during the whole production process. Therefore, customer concerns about the quality of product arise from the production as well as the other elements of the service pack that the customer interacts during the whole production period (Uyguc, 1998). As a result, quality health care is one of the main urgencies of most of the countries (Markovic, Loncaric, and Loncaric, 2014) including Sri Lanka. Especially, private sector health care providers considering service quality as a very important aspect of health care as it has a vital association to profit, cost savings and market share (Devlinand Dong, 1994). On the other hand, favorable customer perception on service quality may help to achieve overall customer satisfaction and satisfied customer has behavioral intention namely, repeat purchases and willingness to recommend the service to others (Parasuraman et al. 1985, 1988, 1991, Spreng et al., 1996). This propensity has created severe competition among the private sector players as they are influenced by a higher profit motive than the government sector health care service providers (Rishard and Kodithuwakku, 2008). However, quality of service does not mean that it should have higher quantity of care or series of medical tests on a patient. As

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emphasized by Campbell et al. (2000) quality of service deals with individual user of health care. This relationship between competition and service quality has been counter-argued by scholars and they emphasized that competition and private ownership can lead to provision of better goods and services, quality is not assured as the competing objectives of equity, efficiency and resource. As highlighted by Paula, et al. (2001) in the effort of controlling cost or ensuring profitability, quality of service is compromised. Sri Lankan health care industry basically considers as an essential welfare service and hence government provides free service to the entire population (Perera, 2009). However, during last few decades the public health care system faced numerous challenges such as ongoing demographic and epidemiological transition, resource constraints, and pressing need to improve the quality of service provision. Moreover, there is a long wait for specialist care and more advanced procedures even though this system rapidly developed such that it has achieved a leading position among regional countries. Contrast; there have been many developments in health care industry around the world even though Sri Lankan public sector hasn't grown with those global trends. Many researches state that the low expenditures allocated to health care services from the government budget lead the Sri Lanka's public health care system not to reach up to global benchmarks (Dayarathne, 2013). On the other hand, as per the Central Bank Report (2014) there were 601 government hospitals with 76,918 beds in the country, which amounts to 3.7 beds for 1,000 persons by the end of June 2014. There were 17,903 qualified doctors in the health sector, a doctor for every 1,156 persons and 31,527 qualified nurses, a nurse for every 656 persons by end June 2014. These figures imply that free government health care system is not enough to cater the growing demand for health services in Sri Lanka as well. In Sri Lanka, the private sector addresses this gap with providing benefits for those who has the affordability. Moreover, the aging population and non-communicable diseases (NCD) increase the burden on Sri Lanka's health care while rising income increase the opportunity for private sector even though it is questionable whether Sri Lankan private health care industry players are addressing the opportunities well. Sri Lankan private health sector has shown significant growth in 1981 to 2000

with an expansion of services through hospitals laboratories and clinics. This sector provides both out-patient and in-patient curative care in urban and semi urban areas in Sri Lanka. Curative services yield higher profit margin and has a higher demand compare to preventive services which is mainly provided by the private sector in Sri Lanka. As per RAM (2013) Sri Lankan private health care mainly cater to out-patient care which is recorded as 50% of total out-patient volumes. Basically, this sector has centered to Western province, urban areas and not evenly distributed across the country because of the higher per capita income and higher population density of these areas (Govindaraj, Navaratne, Cavagnero, and Seshadri, 2014). The private sector as a profit motive industry identified new opportunities boom in the new middle class, associated with their rising quality of life. Moreover, they are introducing latest biomedical technologies at a high cost, newly built hospital infrastructure characterized by utmost cleanliness, and adequate parking facilities, etc. It seems that private sector service quality is at a higher level compare to the public sector service quality in Sri Lanka as it is cleaner, more patient-friendly, and offers greater choice, more privacy, and shorter wait times. Interesting fact is, even though, private sector shares the same human resources in public sector most of the time to serve the main health care facilities, they can provide patient-friendly and more privacy service to the patients (Govindaraj, et. al, 2014). On the other hand, the private sector is virtually dependent on the public sector for its supply of human resources. Similarly, late appearance of channeled consultants or even unannounced cancellations of appointments due to various reasons and patients waste their money and time in the private health care as well. This mainly happens due to these consultants have to travel from one hospital to another on city roads and in long traffic lines. Sometimes consultants were held too long than expected at the previous hospital and they get late for appointments at other private hospitals. Sometimes even though consultants meet their patients, consultants are exhausted with work in their busy schedules. Hence, they are not in a good mental state to treat or hear the patient. In many cases in-patients are also treated by visiting consultants. If emergency arise, sometime the consultant has to leave the channeling patients and attend to in-patient emergency. This has become a

very unsatisfactory situation for those channeling patients in private health care. Further, there is an overall increasing demand for the private sector health care services with many trends, on the other hand health care providers always seeks profits in order to survive in the market. Therefore, even though the private sector fills the vacuum made by public sector in Sri Lanka, it comes with the unaffordable cost (Dayarathne, 2013).

The main objective of the study is to carry out situational analysis of service quality of Sri Lankan private health care delivery. Considering that health care is a highly profitable service industry with a potential to grow, the paper also endeavors to identify gaps through situational analysis that when bridged can increase the patient-customer satisfaction to enhance economic returns, for the state, this analysis should help identify opportunities to enhance care of its citizens.

The scope of the research was limited only to hospitals even though health care comprises with hospitals, clinics, dispensaries, nursing homes, etc. The remains of the paper are organized as follows. Firstly, it discusses the literature, secondly it presents the research method adopted for the study and thirdly it discusses the findings, conclusion and implications. Finally, it presents areas for future research and limitations.

Literature Review

This literature review demonstrates the present situations, service quality and stakeholder profile in health care industry.

Health care is the one of the most intangible service available as the consumer cannot sample it before purchase and cannot evaluate it after consumption and hence the demand for a health care service cannot be predicted. The medical care provided varies from patient to patient, right from diagnosis to response to the treatment. There are many health professionals involved in treating a single ailment with a great variation of care. With highly involved risks, conceptualizing and measuring customer satisfaction and service quality more important and simultaneously more multifaceted in health care sector (Taner, and Anthony, 2006).

The health care system performs various functions, namely, oversight of the health system, public health service delivery, ambulatory service delivery

and in-patient care and financing options (World Bank, 2001). Further, health care sector has numerous consumers: patients, who actually consume the service provided; physicians, who recommend health care providers for their patients; third-party players, who dictate patients' choice of hospitals by their substantial financial influence (Padma, Rajendran, and Sai, 2009). Woodside, Frey, and Daly (1989) in the health care sector, choice of health care provider are greatly influenced by patients' perception of service quality of the particular service provider. Contrast, as patients are physically or psychologically ill, mainly attendants influence patients in choosing the hospital service providers (Strasser et al., 1995). Interestingly, the consumer and person who attend with the patient is not always the decision maker because it is the physician who sometimes recommends specific hospitals and therapists to the patients who mostly follow the advice (Padma, Rajendran, and Sai, 2009). As per Bucatariu & George (2017) patients in emerging markets are relying on convenience, specialties, reputation, and word of mouth when making their decision on health care. Therefore, service quality in health care has become an important element in the patient, attendants and physician choice of hospitals (Lynch, and Schuler, 1990).

Keeping the benefits of technological advances, there is a fundamental shift in health care consumerism or in other words patients are becoming more informed and involved in their own health care and more demanding (Padma, Rajendran, and Sai, 2009). Then, they look for newest and most advanced testing, medication and procedures available (Uphoff and Winn, 1999). Also, patients demand for superior health care, and with the complexity and high medical costs, the industry has a need for required improvements in the accuracy of results and make available the medical data for the patients (Poston et al., 2007). Hence, the elements of quality control, quality of service, and effectiveness of medical treatments have become significant characteristics of health care services today (Friedenberg, 1997) or delivering quality service becomes vital (Padma, Rajendran, and Sai, 2009). Therefore, hospitals focus to retain every profitable customer with for zero defection (Reichheld and Sasser, 1990). Zero defection requires continuous effort of improve the delivery system of hospital service (Lim and Tang, 2000).

Sri Lankan health care system has shown poor quality compare to most of the industrialized countries around the world. Explaining the reason behind that Jayasekara (2004) highlighted that the poor state of infrastructure and equipment, unreliable supply and quality of drugs, shortcomings in waste management and infection control, poor performance of personnel because of low motivation or insufficient technical skills and severe under financing of essential operating costs of health services. Moreover, frequent disruptions of health services due to labour disputes especially in public health care system also a factor which leads poor quality service (Central Bank Report, 2004). On the other hand, Fernando and Senanayake (2014) examined parental satisfaction with communication provided by different health care personnel at Lady Ridgeway Hospital for Children, Colombo and concluded that there was overall satisfaction among parents at the hospital but several aspects of communication that need improvement for delivery

of better quality in-door care. As a result of problem of shortage of medicine, equipment and facilities in public health care, people, and communication are more towards of selecting private sector health care service in Sri Lanka. Main reasons behind that convenience, the comfort of knowing the patient could select the specialist of his or her choice, and continuity with the same doctor were also considered important reasons. In addition, greater confidentiality in private settings as compared to public facilities was also identified as an important factor (Govindaraj, et.al., 2014). As per Gunarathne (2013) the emergence of private hospitals is driven by the demand of affluent members of the population who expect higher quality service. Further, new trends like medical tourism needs the quality focus in order to compete with the other regional markets in future (HSS, 2014).

Some investigations carried out in Sri Lankan context has summarized in Table 1.

Table 1: Health Care Studies in Sri Lanka

Title	Authors	Objective	Methodology	Findings
Management Practice Survey, Private Health Sector, Sri Lanka.	Navaratne and Kothalawala (2012)	To understand the management practices of the private sector firms in Sri Lanka.	A quantitative survey from the entire island (9 provinces)	More by sole proprietorship, second highest by private companies, and partnership.
Study of Quality of Care in Public and Private Sectors	Rannan-Eliya, et. al. (2012)	To assess levels and differences in quality of care in public and private medical sectors in Sri Lanka	covered hospitals and private GP clinics in Colombo, Gampaha, and Galle districts.	Overall inpatient treatment quality is mixed
Situational Analysis of the Private Health Sector.	Rannan-Eliya, Amarasinghe, De Alwis, Saleem and Dalpatadu(2012)	To profile selected dimensions of private health sector activity.	private hospitals and the private medical institutions	The total expenditure on health by source of financing is more in private sector.
Household Health Expenditures and Utilization of Private Health Services.	Cavagnero and Govindaraj(2012)	to assess the trends in magnitude and distribution of household out-of-pocket expenditure (OOPE)	Based on the secondary data.	OOPE as percent of total health expenditure is stable over time. The rich spend more than the poor, but the poor spend proportionately more
Mapping and Description of Private Health Sector Facilities in Four Divisions Areas of the North Western Province.	Kothalawala(2012)	Mapping of private health sector facilities utilizing GIS technology and providing a description of private health sector facilities	All the visible facility providers were mapped by using GIS,photographed, and interviewed or observed and documented.	Private facilities in urban areas are higher than in rural areas.
Review of Regulations Governing Provision of Health care in the Private Sector in Sri Lanka	Goonaratne(2012)	To review existing legislation and regulation		Most of the government sector doctors and other health care professionals are engaged in private practices.

Sources: Developed by the Researcher

Method

The method of the study was guided by the exploratory research discipline as per the nature of the research objective. Due to these facts, the following methods were adopted to gather secondary data in order to satisfy the research objectives.

“A literature review is a systematic, explicit, and reproducible design for identifying, evaluating, and interpreting the existing body of recorded documents” (Fink, 1998). Literature reviews usually aim at two objectives: first, they summarize existing research by identifying patterns, themes and issues. Second, this helps to identify the conceptual content of the field (Meredith, 1993) and can contribute to theory development. Hence, this research also follows the literature review in order to gather secondary data and summarize the information gathered through identifying the patterns, hence achieved the first objective of a literature review. Mainly, this analysis used only fifty papers in peer-reviewed scientific journals and conference articles in English.

Situational Analysis

The following sections trace the origin of the health care sector in Sri Lanka, the growth and the contribution of the sector and the present status of the industry.

Origin of Sri Lankan Private Health Care Industry

Sri Lankan health care sector consists of both the public and private sectors. The public sector dominates in the local health care sector due to free health care policy. Therefore, with the government support public sector holds widely-dispersed network of general hospitals, teaching hospitals, provincial hospitals and base hospitals, among others. As a result, the maternal mortality ratio, neonatal mortality rate, life expectancy at birth and many more health indices are comparable with those of the developed world (Annual Health Bulletin, 2012). Private sector boom starts when government doctors were permitted to work in private hospitals subsequent to completing their daily official working hours at public hospitals (Department of Health Services and Department of Statistics). Major three types of Private health facilities are: hospitals (specialized or general), clinics (specialized or general), and laboratories.

These facilities are not evenly distributed across Sri Lanka and largely concentrated in the Western Province, mainly in urban areas. This is almost certainly the higher per capita income and higher population density of this province (nearly 25 percent of the country's population lives in the Western Province and nearly 40 percent of the country's GDP is generated in that province) (Govindaraj, 2014).

Present Condition of the Industry

The private sector health care in Sri Lanka plays a vital role within last few decades and helping to reduce burden on the public health sector and supporting the emergence of health tourism. Moreover, rising income levels of public has made an increasing demand for the private health care in Sri Lanka. As at end of June 2014, there were 210 registered private hospitals and nursing homes while there were 717 registered medical laboratories, 398 registered medical centers, 490 full time medical clinics and 1,320 part times medical clinics operational in Sri Lanka (Central Bank Report, 2014). On the other hand, the availability of high-end medical equipment for testing and laboratory services has grown dramatically in the private sector. The role of private sector is still relatively small in terms of number of hospitals, bed capacity, etc. even though the demand grows for last decade. Sri Lankan private hospitals mainly consider in densely populated area where the rich and urban middle class are congregated (Dayarathne, 2013).

With the growing demand for private health services and the increased need for regulation of the sector, government of Sri Lanka introduced a Private Health Medical Regulations Act (PMIRA) in 2006, which requires private health institutions to be registered with the Ministry of Health. The law was enacted to ensure the provision of safe and efficient medical services to the public by private medical institutions. The law's primary objectives are to provide for the registration, regulation, monitoring, and inspection of private medical institutions, to foster the development of private medical institutions, and to provide for relevant needs. The PMIRA requires all private medical institutions to obtain and maintain a Certificate of Registration.

Sri Lankan private hospitals are doctor-centric rather than institution-centric as consultants who possess tremendous bargaining power. Sometimes

the influences of consultants have extended to capex decisions made by the hospital on medical equipment and facilities. Patients are keen on the consultant and hence volumes are depending on the consultant availability. Therefore, many scholars argued that Sri Lankan patients are drawn by the reputation of the doctor rather than the institution (Rathnayaka, 2007). Location, convenience and facilities are some other reasons for select a private hospital. Several hospitals have specialized in a particular area of medicine such as maternity health and cardiac care, which provides some insulation from competitive pressures.

Sri Lankan private hospitals revenue has generated through out-of-pocket expenditure. As per Dayarathne (2013), the private health insurance covers around 1 per cent of the total health expenditure, hence, it is not significantly satisfying the Sri Lankan patient's demand. Ram (2013) further revealed that near 5% of in-patients who are higher income earners or individuals who has medical insurance and 50% of out-patients are catered by the private sector in Sri Lanka. As per the Ram report (2013) Sri Lankan out of pocket expenditure dominates private health care spending, 80% and records very low health insurance penetration. Moreover, revenue of private hospital comprises of room charges, pharmacy sales and diagnostics which comprises of lab services and radiology. Most of the private hospitals offer different grades of private rooms with variety of modern amenities. Moreover, room charges can be varying according to the Facilities, intensity of the procedure and duration of stay. This mix of different prices for different rooms helps to maximize their resource utilization and hence they can maximize their revenue even though their bed capacity is limited. On the other hand, private hospitals keep large margins on pharmaceutical sales by taking the advantages of buying in bulk and the close relationship they maintain with the suppliers. However, bad inventory management practices with large lots of medicine affect the hospital revenue very badly. On the other hand, clinical test segment is another growing revenue area in this sector. Most of the hospitals have established their own collection points and drive a lot of volume through their lab services. These small collection points provide their services to smaller medical centers and clinics. Basic blood and urinary testing are the major revenue generation from clinical testing even though the radiology and imaging

units require the heaviest capital investment. Therefore, hospitals exploit economics of scale and scope by combining a specific set of assets, such as pharmacies and imaging departments, clinical laboratories, and emergency rooms (Rathnayaka, 2007).

However, private sector health care industry runs shortage of skilled medical personnel. As per the Ram report (2013) around 70% of annual graduates who qualified as doctors joined to public sector although they allowed to practice in the private sector. Anyhow, they have to complete the required number of hours at public hospitals. Therefore, only 12% out of average 900 doctors are absorbed to private sector on a full time basis per year. Patient care services are provided to patient under in-patient care and out-patient care (Annual Health Bulletin, 2012). Moreover, Sri Lanka has 0.680 general physician density (The world fact book, 2013) and 48 specialist psychiatrists for over 20 million populations (Jenkins et al., 2012). There were 16,500 medical officers in the public health sector, of whom about 4,750 worked part-time in private hospitals (Central Bank Annual Report, 2011). Limited access to finance, competition from providers, and restricted access to land were identified as the other important obstacles to the development of the private health sector in the country. Government regulations were not identified as a major constraint (Rathnayaka, 2007).

Growth of the Industry

As per the scholars' projections Sri Lankan population will increase to 21 million by the year 2020 and will stabilize this level by the middle of next century. As a result, Sri Lanka will have the fastest growing aging population in South Asia in 2020. There should be an increasing demand for health care services. On the other hand, diseases such as cancer, cardiovascular ailments, neurological and rheumatic diseases which has higher increasing trend among different age groups will require greater spending on health care in near future. Change of food consumption patterns, busy work life's, tobacco consumption is lead to high blood pressure and high cholesterol intake which increases the health care demand further. As per the Central Bank Statistics Western, North Western and Uva Provinces have the greatest demand for health care and the largest health care markets are the Western and North Western Provinces by considering the with income and health care

expenditure (Rathnayaka, 2007). Huge competition is a threat for the private health care industry expansion in long run. Moreover, the capital intensive nature of the business may increase the level of risk in the industry over the longer term (RAM, 2013).

Figure 4:1 has shown the number of registered hospitals within last five years and as per the figure it has shown a clear increment over the last five years. Moreover, figure 4:2, bed capacity of the Sri Lankan private hospitals has shown again rapid incensement after the year 2012 (Central Bank, 2011, 2012, 2013, 2014).

Other than that, overcrowding, long waiting times and the limited availability of medicines in government hospitals are some other reasons for increasing demand for private health care sector growth potential, relatively resilient demand, high entry barriers and flexibility of pricing creates new opportunity to Sri Lankan private health care sector (Ram, 2013). Private sector is more interested on investing in new equipment and technologies compare to public sector health care in Sri Lanka. On

the other hand, private sector concentrates on curative services than the preventive medical care provided by the government (Department of Health Services and Department of Statistics). As per the Ram (2013), private sector expenditure on health has continued to rise. Most of the private hospitals engage in capacity expansion for meet their competitive position. Some players opting to extended their geographical reach outside the capital, either via fully-fledged branches or mini hospitals. Others have focused on expanding capacity within Colombo or else some providers use acquisitions.

Conclusion and Policy Implications

This study was aimed to identify the present situation of the Sri Lankan private health care system in Sri Lanka using secondary data of literature in to consideration. As per the findings, it was identified that Sri Lankan people are willing to go for private sector health care treatment considering the quality of service. Especially, the resources possess by the private sector make huge

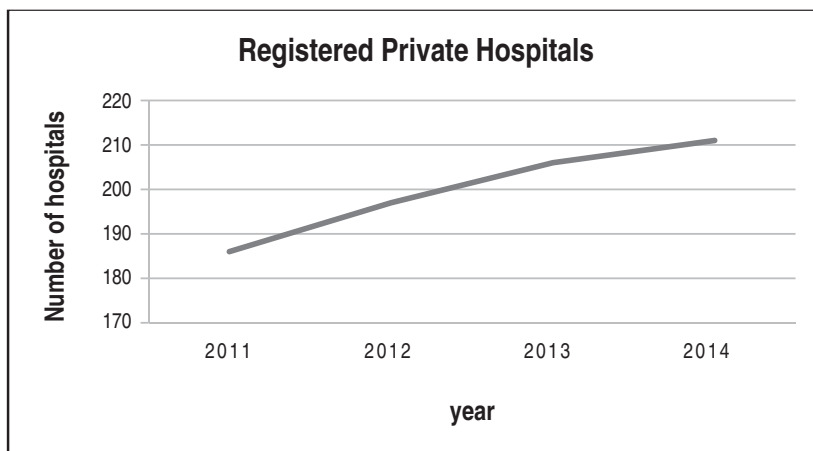


Figure 4-1 No. of Registered Private hospitals 2011-2014

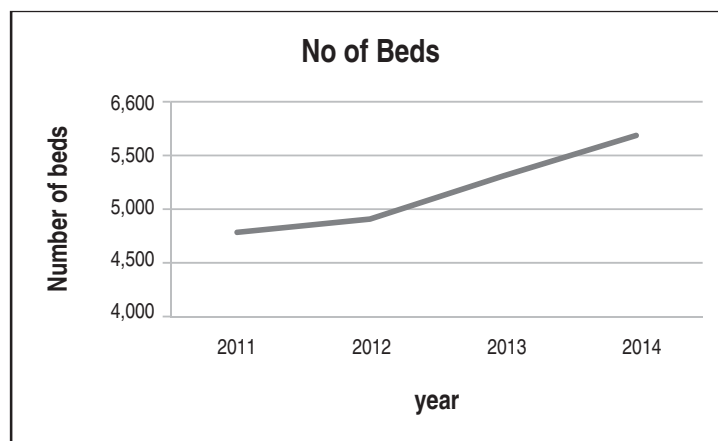


Figure 4-2 Bed Capacity of Private Hospitals 2011-2014

change between private and public health care system. Though, private sector makes huge changes between quality there are some limitation and weakness in the private healthcare system as well named as huge cost and sudden cancellation of appointments, etc.

Therefore, in order to give better service for the Sri Lankans government should encourage private and public partnerships in health care delivery. Further, government should impose rules and regulations in order to protect the patients from unnecessary price competition. Further, private sector health care providers should also focus on increase the quality of their service especially train and recruit their own employees, develop mechanism to avoid sudden cancelation and provide early information about those cancellation, etc through optimizing their operating performance. Further, both government and public sector should focus on new area such as tourism healthcare while increasing the quality of service and gaining competitive advantage of low cost compare to other countries in the region.

Future Research and Limitations

This study helps to identify the present situation of Sri Lankan private health care system though this has some limitations. Firstly, this study was mainly limited to secondary data based on literature review. Therefore, future study can be done using primary data with appropriate analytical tools in order to validate the findings. Secondly, this study was focused only on hospitals though this study considers about the health care system as whole. Therefore, this future study can be done using clinics, nursing home, etc in order to have a better understanding. Moreover, there is a need of comparative study of both private and public sector health care system in Sri Lanka and Sri Lankan private health care system and other developing country's private health care system.

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BOOK REVIEW

“AADHAR A Biometric History of INDIA’S 12 DIGIT REVOLUTION”, Westland publications ltd, 2017 ”

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Pultizer prize winning writer Journalist Thomas Friedman in an Recent interview when asked about India’s structural reforms he supported it for bigger goals keeping privacy & security issues in the mind citing Equifax. When concept of Unique Identity (UID) was floated it faced lot of uproar on right to privacy. Lot of civil society group raised questions on the security of data and sounded bell over incidents like Equifax; still the Nation of an Argumentative Indian gave birth to a sophisticated system with possible multiple uses called ‘AADHAR’. Shankar Aiyar takes us through this journey spread over decades for fight over IDENTITY. The Review is spread in three parts

- **THE CONCEPT**

Need is mother of all innovations and same holds true for AADHAR, its multi-pronged utility envisaged by every individuals and organisations uniquely and differently. For a last mile man the biggest everyday war was to prove his identity at every window for his claim. Since independence consecutive governments have introduced welfare schemes for weak and deprived however their right never reached them or they received the filtered residual. The system treated them as beggars who can have the left overs of the schemes created for them. The corruption could only be wiped or reduced through more transparency and less human intervention. This explains love for technology of our PM’s from Mr. Rajeev Gandhi to Mr. Narendra Modi. They have understood human can be corrupted but machines and software are more robust and very cost effective. For a nation of billion even saving a rupee per person turns out to be a saving of a Billion. So a cost effective technology

based system on low people to people intervention at various stages of the transaction became narrative of the solution called AADHAR.

The book takes to inception of the Idea from Vajpayee to UPA I & II to NDA, the author maintains the narrative. In the year 2000 the then Vajpayee government basis Kargil Review Committee form a GoM(Group of Ministers) to look in to issues pertaining to national security; One of the recommendations to come out of this was to introduce a multipurpose National Identity Card, the seeds were sown for the birth of UID. It was not as if there was dearth of any existing identity establishing number/card/document though be it PAN, Voter ID or Ration Card etc. each of these were designed to address specific purposes. As Mr Nandan Nilekani told K.P. Krishnan, “All that is needed is to induct technology to establish that you, K.P. Krishnan, are K.P. Krishnan and issue a unique identity number that can be validated across the Country. This simple excerpt from the book defined platform on which the future scrappers of UID will be built.

- **THE TEAM**

Nandan Nilekani remains the name synonyms with UID however the success of any project depends on the team. A heady cocktail of straight jacket bureaucrats with free flowing corporate honchos was going to be created. The talent pool from both worlds merged to create a unique platform, As the author interestingly calls it a ‘SarkariStartup’. The contribution of CFO Ram Sewak Sharma an IAS of 1978 batch having MS in computer science from University of California to UID program is huge. Being coding hobbyist and already having an

experience in implementing IT solution to various issues in a Sarkari Setup proved to be price less for UID program. He was the first one to be taken on board followed by M.S. Srikar a Karnataka Cadre IAS officer and a law prodigy was taken on board as the PS, who ensured the entire project kept flowing with in the gambit of the constitution. The last of trilogy to be inducted was Ms Ganga K a finance expert by profession and technology buff by choice joined as a CFO with a caveat that she will be allowed to actively participate in conceptualisation and implementation of project.

The author articulately lays down the premises for each and every team member. The team UID worked like force to reckon with, creating in house solution, designs. Every member using their linkages to bring in the technical know how to resolve issues. Most of the road blocks were cleared using back channels to ensure the project keeps moving ahead. The book also does justice by giving appropriate space to leaders of the nation who tirelessly supported, debated and fought for the cause. From Pranab Mukherjee, Rahul Gandhi To Narendra Modi AADHAR found musketeer in some one or the other.

• THE JOURNEY

Spread over more than a decade and program of such magnitude is bound to have challenges over its course. Author draws the issues precisely and paints the solutions beautifully. From finding the name to the program from an elderly Mongiya, Naiya Ram Rathore, lines of wisdom to iconic logo through crowdsource, UID program overcame creative issues brilliantly. The tougher nut was Right to privacy. Social welfare societies, NGO's, Ministers etc viewed UID programs as a government infringement in right to privacy. AADHAR teams's approach was to create an ID which become a platform for delivery of various services. The basic utility of AADHAR being a valid KYC documents was primary motive however UIDAI tireless worked towards making AADHAR enabled processes a solutions that would enable the

creation of an ecosystem for financial inclusion to be possible. The UIDAI team kept the dialogue open at various fronts to create such an ecosystem which can facilitate RBI, law makers, tech buffs in the web.

• EPILOGUE

Technology can be transformational and this book weaves story with this line in the back ground. The author summarises the stark reality is the wide claim between availability of provisions in laws and enforcement.

The entire gambit of fake and duplicate identities has been eroding government exchequer. The right to food bill act has been played with when owners of the Ration shop deny the beneficiary their entitlement and black market the channels.

The subsidies entitled for backward and down trodden section of the society never gets the credit and the affluent enjoy it. The entire black economy thrived or were offshoot of these loopholes, starting from crop procurement (MSP-Minimum Support Price) to Public distribution system the middleman always popped up to take advantage of the loopholes in the system.

A fractured system has given rise to a Fractured society AADHAR could plug in these loophole, DBT- direct benefit transfer has an example of this, creating a cleaner and just future societies.

Author through his book not only sizes up the innovation miracle which is AADHAR however he does not shy away from other side by putting up case for data protection and privacy issues which clearly transcends in to the domain of Right to Privacy act. The Road ahead requires society and government to take a pragmatic approach towards AADHAR, it cannot be a potion for all ills, though it has capacity and capability to restructure the level of effectiveness and transparency for various programs both regulatory and welfare.

However, as the author put its for so many identity is AADHAR for life.

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