



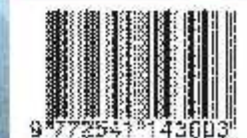
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Kata Pengantar

Puji Syukur kami panjatkan kehadiran Tuhan Yang Maha Esa karena atas rahmat dan karunianya Jurnal Aplikasi Manajemen Ekonomi dan Bisnis selesai tanpa mengalami hambatan dan kesulitan. Jurnal Aplikasi Manajemen Ekonomi dan Bisnis (JAMEB) pada dasarnya dibuat untuk membahas permasalahan-permasalahan yang sedang terjadi dibidang manajemen, ekonomi dan bisnis sehingga menjadi topik yang menarik untuk didiskusikan. Untuk itu diperlukan suatu wadah untuk mendiskusikan isu-isu hangat tersebut. Atas dasar inilah STIM Lasharan Jaya membuat jurnal yang berjudul Jurnal Aplikasi Manajemen, Ekonomi dan Bisnis (JAMEB) sebagai sarana untuk menyebarluaskan hasil penelitian dibidang manajemen, ekonomi dan bisnis. Tujuan utama dari penerbitan jurnal ini adalah mendiskusikan dan mencari solusi tentang realitas-realitas yang sedang terjadi saat ini dalam bentuk studi kasus, studi empiris maupun kajian pustaka dalam upaya untuk mendapatkan ilmu pengetahuan dan pemanfaatan teknologi baru serta metodologi baru. Kami berharap agar jurnal ini dapat menjadi referensi dalam memperluas ilmu pengetahuan dan wawasan dibidang manajemen, ekonomi dan bisnis.

Hormat saya,



Muh. Amsal Sahban, Ph.D
Pimpinan Redaksi

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Determination of Efficient and Inefficient Stocks with the Capital Asset Price Model (CAPM) Method

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ABSTRACTS

Stock selection by an investor needs to be done with a variety of existing analysis for example the application of the Capital Asset Price Model. In the Composite Stock Index known as LQ45 shares. LQ45 shares have a unique characteristic that is their shares are liquid, meaning their shares are favored by investors because the average has very good fundamentals. For this reason, in this study the selected stocks, LQ45 shares, are used to determine which shares are worth buying and which shares are not worth buying. Because the names of companies incorporated in LQ45 continue to change from year to year, in this study using a sample of LQ45 company data, amounting to 30 companies where the company was chosen because from 2017 to 2019, the company remains in the LQ45 stock group. For research data sources sourced from Yahoo Finance and take a variety of reading sources both through journals and online media. As for determining efficient and inefficient stocks lies in the value of the individual Expected Return or often abbreviated as $[E(R_i)]$. If the Individual Expected Return is greater than the value of the Individual Return (R_i) then the shares are in the efficient stock.

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INTRODUCTION

The Indonesian financial system is more and more affected by the Indonesian home market in very proper situation in sustaining the economy. Indonesia is a united states that has the fourth biggest population, the 1/3 largest democratic power, and for the degree of Southeast Asia the Indonesian economic system is at the 13th degree in the world so that this causes local and foreign traders to be involved in investing in Indonesia in the hope of getting a return on investment already implanted. A united states can be said to be advanced if the country's financial boom has developed rapidly. Owned shares will furnish benefits for shareholders who are regularly recognized through the charge return acquired in accordance with the stage of hazard that can be borne by way of traders (Susanti & Putra, 2019). In addition to being influenced via the domestic market, Indonesia's economic system is additionally affected with the aid of the stock market, recognised as the Composite Stock Price Index (CSPI). The percentage alternate in the IHSG has an evaluation in calculating the return cost of shares on the Indonesia Stock Exchange (Adisetiawan, 2017).

In inspecting the advantages and risks that will be confronted by investors, the CAPM can be used as an analysis to describe the relationship between returns and risks contained in a stock traded on the Indonesia Stock Exchange (Liani, 2017). When the market is in balance, the danger evaluation of stocks will be more influenced by means of the Beta indicator (β) with the capital price asset model (CPAM). CPAM consists of Risk market (R_m), Risk free (R_f), beta (β) and Expected Return $[E(R_i)]$. In addition, the CAPM evaluation is used to determine the forecasting of hazard correlations with expected returns and decide the price of company assets (Ditha Indah et al., 2019). The assumption contained

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in the CAPM is that the capital market is efficient so that all belongings owned through agencies that are categorised into LQ45 on the Indonesia Stock Exchange will be perfectly divided and at the time of sale and purchase, the company's shares are sold. At CAPM, market portfolios are very influential the place traders will normally diversify and select an most useful portfolio based totally on know how of the risks and returns provided by way of these shares. A stock will have an overvalued and overrated state, where these two conditions provide a signal that the shares that are grouped in LQ45 are in an environment friendly or inefficient situation (Riska et al., 2014).

When the shares are overvalued, the shares are ready to be sold. On the opposite when the shares are undervalued, the shares are well worth buying. This is completed by traders by means of capacity of undervalued shares which are efficient shares and selling shares that are overvalued or inefficient. The shares on the Indonesia Stock Exchange are LQ45 kind shares and normal shares, for LQ45 shares amounting to 45 organizations that have high capital and liquidity. From the lookup of 45 corporations categorized as LQ45 shares, solely 30 companies had been selected to be sampled in this study. A pattern of 30 corporations used to be chosen because these shares continually fall into the LQ45 category from 2017-2019. The LQ45 team company facts protected in this study are:

Table 1. LQ45 Company Sample Data from 2017-2019

No.	Stock Code	Company Name
1.	ADRO	PT. Adaro Energy Tbk
2.	AKRA	PT. AKR Corporindo Tbk
3.	ANTM	PT. Aneka Tambang Tbk
4.	ASII	PT. Astra International Tbk
5.	BBCA	PT. Bank Central Asia Tbk
6.	BBNI	PT. Bank Negara Indonesia Tbk
7.	BBRI	PT. Bank Rakyat Indonesia Tbk
8.	BBTN	PT. Bank Tabungan Negara Tbk
9.	BMRI	PT. Bank Mandiri Tbk
10.	BRPT	PT. Barito Pacific Tbk
11.	BSDE	PT. Bumi Serpong Damai Tbk
12.	EXCL	PT. XL Axiata Tbk.
13.	GGRM	PT. Gudang Garam Tbk.
14.	HMSP	PT. Hanjaya Mandala Sampoerna Tbk
15.	ICBP	PT. Indofood CBP Sukses Makmur Tbk
16.	INCO	PT. Vale Indonesia Tbk
17.	INDF	PT. Indofood Sukses Makmur Tbk
18.	INTP	PT. Indocement Tunggal Prakarsa Tbk
19.	JSMR	PT. Jasa Marga (Persero) Tbk
20.	KLBF	PT. Kalbe Farma Tbk.
21.	LPPF	PT. Matahari Department Store Tbk
22.	MNCN	PT. Media Nusantara Citra Tbk
23.	PGAS	PT. Perusahaan Gas Negara Tbk
24.	PTBA	PT. Bukit Asam Tbk
25.	PTPP	PT. PP (Persero) Tbk
26.	SCMA	PT. Surya Citra Media Tbk
27.	SMGR	PT. Semen Indonesia (Persero) Tbk

28.	SRIL	PT. Sri Rejeki Isman Tbk
29.	TLKM	PT. Telekomunikasi Indonesia Tbk
30.	UNTR	PT. United Tractors Tbk

Source: Yahoo Finance, 2020

Furthermore, for the common closing of the stock price from 2017-2019 as follows:

Table 2. Closing Stock Price of LQ45 Company Stock Prices from 2017-2019

No.	Stock Code	Company Name	Average Stock Price	
1	ADRO	PT. Adaro Energy Tbk	Rp	1.634
2	AKRA	PT. AKR Corporindo Tbk	Rp	1.634
3	ANTM	PT. Aneka Tambang Tbk	Rp	1.634
4	ASII	PT. Astra International Tbk	Rp	7.679
5	BBCA	PT. Bank Central Asia Tbk	Rp	24.001
6	BBNI	PT. Bank Negara Indonesia Tbk	Rp	7.927
7	BBRI	PT. Bank Rakyat Indonesia Tbk	Rp	3.476
8	BBTN	PT. Bank Tabungan Negara Tbk	Rp	2.625
9	BMRI	PT. Bank Mandiri Tbk	Rp	7.067
10	BRPT	PT. Barito Pacific Tbk	Rp	856
11	BSDE	PT. Bumi Serpong Damai Tbk	Rp	1.551
12	EXCL	PT. XL Axiata Tbk.	Rp	2.928
13	GGRM	PT. Gudang Garam Tbk.	Rp	72.294
14	HMSP	PT. Hanjaya Mandala Sampoerna Tbk	Rp	3.609
15	ICBP	PT. Indofood CBP Sukses Makmur Tbk	Rp	9.434
16	INCO	PT. Vale Indonesia Tbk	Rp	3.117
17	INDF	PT. Indofood Sukses Makmur Tbk	Rp	7.447
18	INTP	PT. Indocement Tunggul Prakarsa Tbk	Rp	18.834
19	JSMR	PT. Jasa Marga (Persero) Tbk	Rp	5.189
20	KLBF	PT. Kalbe Farma Tbk.	Rp	1.532
21	LPPF	PT. Matahari Department Store Tbk	Rp	8.193
22	MNCN	PT. Media Nusantara Citra Tbk	Rp	1.284
23	PGAS	PT. Perusahaan Gas Negara Tbk	Rp	2.189
24	PTBA	PT. Bukit Asam Tbk	Rp	3.103
25	PTPP	PT. PP (Persero) Tbk	Rp	2.384
26	SCMA	PT. Surya Citra Media Tbk	Rp	2.092
27	SMGR	PT. Semen Indonesia (Persero) Tbk	Rp	10.655
28	SRIL	PT. Sri Rejeki Isman Tbk	Rp	335
29	TLKM	PT. Telekomunikasi Indonesia Tbk	Rp	4.029
30	UNTR	PT. United Tractors Tbk	Rp	9.332

Source : Data Processed, 2020

As for numerous studies conducted by means of Wildan Deny et al. (2015) related to the use of CPAM analysis in figuring out environment friendly or inefficient stocks, where the outcomes generated from three sample groups were 21 shares categorised as efficient and 16 shares classified as inefficient shares. In addition, the consequences of lookup conducted by means of Riska et al. (2014) states that there are six businesses that can be grouped into environment friendly shares and one inefficient stock. Besides that, a find out

about carried out via Susanti & Putra (2019) noted that there had been 10 LQ45 shares which had been categorised as environment friendly shares while the ultimate 10 company share of LQ45 had been categorized as inefficient shares.

RESEARCH METHOD

The records analysis approach uses descriptive quantitative analysis. The populace consists of the LQ45 Index from 2017-2019. For secondary data in this find out about obtained from quite a number parties such as Library Research and Online Research are additionally utilized in this study. While the sampling technique uses purposive sampling method. According to Susanti & Putra (2019) states the price of return of character shares or regularly abbreviated as Ri (Return Individual) is an analysis to calculate the price of return of a stock in a positive period. As for how to calculate the charge of return of character shares, namely:

$$Ri = \frac{P_t - (P_{t-1})}{P_{t-1}}$$

With Ri is Rate of return of man or woman shares, and Pt is duration share rate t and then Pt-1 is Share charge length t-1. For data evaluation of market returns used are sourced from the Composite Stock Price Index. The Composite Stock Price Index is one of the analyzes consisting of normal inventory rate data which has a very influential energy in monetary occasions that take place in Indonesia (Ni Wayan Sri & Masithah, 2016). According to Susanti & Putra (2019), the system used to calculate market returns is as follows:

$$Rm = \frac{IHSG_t - IHSG_{t-1}}{IHSG_{t-1}}$$

Where Rm is Market rate of return, and IHSG is duration for stock charge index t then IHSGt-1 is stock price index length t-1. Beside that in evaluation return of stock, ought to be calculate hazard free. Risk free is an analysis to calculate the safe fee of return. The information used in this Risk free calculation is Bank Indonesia Certification (Susanti & Putra, 2019). After analysis return market, the subsequent step for calculate anticipated return of persona is calculate sytematic risk. According to Siti & Yaya (2018) one way to calculate systematic threat is to use beta analysis. Beta comparison is a system of examining the movement of the price of returns in a protection or can also be said as an evaluation of the fee of market returns. According Susanti & Putra (2019), the components used in calculating the fee of the Stock Beta is :

$$\beta_i = \frac{\sigma_{im}}{\sigma^2_m}$$

Where β_i is stock beta and σ_{im} is covariance return market also σ^2_m is variance market. After examining person returns, market returns, chance free and beta values on stocks, it is continued by means of examining expected returns. Expected return (expected return) is one of the analyzes aimed at making policies in investing.

The anticipated investment return evaluation has very essential function compared to different funding analyzes (Alifiani, 2017). According to Susanti & Putra (2019), this anticipated rate of return analysis can also make a calculation between hazard and predicted investment consist of predicted returns person [(Ri)], risk free (Rf), beta (β) and expected return market [E (Rm)] can be make system as under :

$$E(Ri) = Rf + \beta_i [E(Rm) - Rf]$$

To illustrate the price of an individual's anticipated return, a Security Market Line plan is made the place this design illustrates the relationship between the cost of an individual's expected return and systematic chance (Beta). The analysis in the Security Market Line if the increased the beta fee of a stock, the expected return on funding will be even larger (JylhÄ, 2018).

RESULT AND DISCUSSION

Profit in shares which is regularly referred to as dividends as a form of income sharing for shareholders is one structure of individual stock returns. Monthly closing fee information on shares is used to analyze the person returns of each LQ45 enterprise stock. Based on an analysis of 30 company shares that are labeled into LQ45 produces statistics on individual stock returns as follows:

Table 3. Return Individual Company Stock Returns LQ45 from 2017-2019

No.	Stock Code	Company Name	Return Individual (Ri)
1.	ADRO	PT. Adaro Energy Tbk	0,30 %
2.	AKRA	PT. AKR Corporindo Tbk	0,29 %
3.	ANTM	PT. Aneka Tambang Tbk	-0,30 %
4.	ASII	PT. Astra International Tbk	-0,24 %
5.	BBCA	PT. Bank Central Asia Tbk	2,27 %
6.	BBNI	PT. Bank Negara Indonesia Tbk	1,19 %
7.	BBRI	PT. Bank Rakyat Indonesia Tbk	1,92 %
8.	BBTN	PT. Bank Tabungan Negara Tbk	0,86 %
9.	BMRI	PT. Bank Mandiri Tbk	1,06 %
10.	BRPT	PT. Barito Pacific Tbk	0,30 %
11.	BSDE	PT. Bumi Serpong Damai Tbk	0,29 %
12.	EXCL	PT. XL Axiata Tbk.	-0,30 %
13.	GGRM	PT. Gudang Garam Tbk.	-0,24 %
14.	HMSP	PT. Hanjaya Mandala Sampoerna Tbk	2,27 %
15.	ICBP	PT. Indofood CBP Sukses Makmur Tbk	1,19 %
16.	INCO	PT. Vale Indonesia Tbk	1,92 %
17.	INDF	PT. Indofood Sukses Makmur Tbk	0,86 %
18.	INTP	PT. Indocement Tungal Prakarsa Tbk	1,06 %
19.	JSMR	PT. Jasa Marga (Persero) Tbk	2,12 %
20.	KLBF	PT. Kalbe Farma Tbk.	0,15 %
21.	LPPF	PT. Matahari Department Store Tbk	1,26 %
22.	MNCN	PT. Media Nusantara Citra Tbk	0,86 %
23.	PGAS	PT. Perusahaan Gas Negara Tbk	0,46 %
24.	PTBA	PT. Bukit Asam Tbk	-2,57 %
25.	PTPP	PT. PP (Persero) Tbk	0,80 %
26.	SCMA	PT. Surya Citra Media Tbk	0,00 %
27.	SMGR	PT. Semen Indonesia (Persero) Tbk	0,99 %
28.	SRIL	PT. Sri Rejeki Isman Tbk	0,70 %
29.	TLKM	PT. Telekomunikasi Indonesia Tbk	0,21 %
30.	UNTR	PT. United Tractors Tbk	0,25 %

Source : Data Processed, 2020

In Table 3, LQ45 Company's Individual Stock Returns in 2017-2019, it can be seen that the enterprise with the very best stock return is PT Barito Pacific Tbk (BRPT), with a

Ri price of 23.99% and the lowest stock return is located at the Matahari Department Store (LPPF), which is -2.57%. The effects of this learn about differed performed by using Susanti & Putra (2019) where the consequences of LQ45 organization lookup from 2012-2016 bought had been the highest stock return value held via Indofood Sukses Makmur, Tbk (ICBP) with a Ri value of 3.18% and a value of The lowest stock return is held by using Semen Indonesia (Persero) Tbk (SMGR) of -1.1%. For the evaluation of calculations of market returns, the source of the statistics used is the Composite Stock Index (CSPI) data. The Composite Stock Index is used because it is capable to signify the whole trading things to do of shares contained in the Indonesia Stock Exchange (IDX).

Table 4. Market Returns (IHSG) for 2017-2019

No.	Month	IHSG	Return	No.	Month	IHSG	Return
1.	January 2017	6.299,54	36,50%	19.	July 2018	5.799,24	-2,31%
2.	February 2017	6.011,83	-4,57%	20.	Agust 2018	5.983,59	3,18%
3.	March 2017	6.228,32	3,60%	21.	September 2018	5.994,60	0,18%
4.	April 2017	6.169,10	-0,95%	22.	October 2018	6.188,99	3,24%
5.	May 2017	6.328,47	2,58%	23.	November 2018	6.597,22	6,60%
6.	June 2017	6.390,50	0,98%	24.	December 2018	6.605,63	0,13%
7.	July 2017	6.358,63	-0,50%	25.	January 2019	6.355,65	-3,78%
8.	August 2017	6.209,12	-2,35%	26.	February 2019	5.952,14	-6,35%
9.	September 2017	6.455,35	3,97%	27.	March 2019	6.005,78	0,90%
10.	October 2017	6.468,75	0,21%	28.	April 2019	5.900,85	-1,75%
11.	November 2017	6.443,35	-0,39%	29.	May 2019	5.864,06	-0,62%
12.	December 2017	6.532,97	1,39%	30.	June 2019	5.840,94	-0,39%
13.	January 2018	6.194,50	-5,18%	31.	July 2019	5.829,71	-0,19%
14.	February 2018	6.056,12	-2,23%	32.	Agust 2019	5.738,15	-1,57%
15.	March 2018	5.831,65	-3,71%	33.	September 2019	5.685,30	-0,92%
16.	April 2018	5.976,55	2,48%	34.	October 2019	5.568,11	-2,06%
17.	May 2018	6.018,46	0,70%	35.	November 2019	5.386,69	-3,26%
18.	June 2018	5.936,44	-1,36%	36.	December 2019	5.294,10	-1,72%
Total		20,47%		Maximum			36,50%
E(Rm)		-5,79%		Minimum			-6,35%

Source : Data Processed, 2020

Table 4 explains, the LQ45 Company's Market Return from 2017-2019 which can be analyzed that the average market return (Rm) is -5,79%. From the evaluation it can additionally be explained that in February 2019 it has the lowest market price of return of -6,35% so that it can be defined that in that month IHSG trading skilled an unfavourable state of affairs for investors. Different from January 2017 from the desk information above the very best market return is 36,50%, this occurs because there is a very big soar from the CSPI where in December 2016, the CSPI used to be 4.615,16 whilst in January 2017 the CSPI was 6.299,54 so that in January 2017 the JCI return fee was 36,50%. This should imply JCI index skilled a favorable state of affairs for investors. The outcome acquired in desk 4 vary from results of research performed through Susanti & Putra (2019) the place the outcome of lookup on LQ45 corporations from 2012-2016 get a market return of 1%. For records sources from risk free returns sourced from Bank Indonesia hobby rates. The risk free (Rf) degree outcomes are as follows:

Table 5. Risk Free (Rf) level results from 2017-2019

No.	Month	In 2017	In 2018	In 2019
-----	-------	---------	---------	---------

1.	January	4,75%	4,25%	6,00%
2.	February	4,75%	4,25%	6,00%
3.	March	4,75%	4,25%	6,00%
4.	April	4,75%	4,25%	6,00%
5.	May	4,75%	4,50%	6,00%
6.	June	4,75%	5,25%	6,00%
7.	July	4,75%	5,25%	5,75%
8.	Agust	4,50%	5,50%	5,50%
9.	September	4,25%	5,75%	5,25%
10.	October	4,25%	5,75%	5,00%
11.	November	4,25%	6,00%	5,00%
12.	December	4,25%	6,00%	5,00%
Average		4,56%	5,08%	5,63%
Average in 3 Years			5,09%	
Maxsimum			6,00%	
Minimum			4,25%	

Source : Data Processed, 2020

In table 5 above, the R_f calculation effects from 2017-2019 can be viewed that the average cost of risk free from 2017-2019 is 5,09% with the absolute best hazard free rate of 6,00% and the lowest of 4,25%. This result is distinctive from lookup conducted via Susanti & Putra (2019) the place for 2012-2016 the threat free value is 6,66%. Systematic chance is a chance held by using shares which is regularly referred to as Beta (β_i). The relationship between the charge of return of a stock with the price of market return will be seen by calculating the inventory beta. The data on the systematic chance analysis of 30 organisation shares in this study is sourced from Yahoo Finance data, namely:

Table 6. Results of the calculation of Systematic Risk of Individual Stocks (β_i)

No.	Code Stock	Company Name	Beta
1.	ADRO	PT. Adaro Energy Tbk	1,26
2.	AKRA	PT. AKR Corporindo Tbk	0,43
3.	ANTM	PT. Aneka Tambang Tbk	1,16
4.	ASII	PT. Astra International Tbk	0,44
5.	BBCA	PT. Bank Central Asia Tbk	0,34
6.	BBNI	PT. Bank Negara Indonesia Tbk	0,70
7.	BBRI	PT. Bank Rakyat Indonesia Tbk	0,57
8.	BBTN	PT. Bank Tabungan Negara Tbk	0,82
9.	BMRI	PT. Bank Mandiri Tbk	0,49
10.	BRPT	PT. Barito Pacific Tbk	1,16
11.	BSDE	PT. Bumi Serpong Damai Tbk	0,80
12.	EXCL	PT. XL Axiata Tbk.	0,28
13.	GGRM	PT. Gudang Garam Tbk.	0,20
14.	HMSP	PT. Hanjaya Mandala Sampoerna Tbk	0,20
15.	ICBP	PT. Indofood CBP Sukses Makmur Tbk	-0,08
16.	INCO	PT. Vale Indonesia Tbk	1,49
17.	INDF	PT. Indofood Sukses Makmur Tbk	0,30
18.	INTP	PT. Indocement Tungal Prakarsa Tbk	0,56

19.	JSMR	PT. Jasa Marga (Persero) Tbk	0,39
20.	KLBF	PT. Kalbe Farma Tbk.	0,62
21.	LPPF	PT. Matahari Department Store Tbk	0,72
22.	MNCN	PT. Media Nusantara Citra Tbk	1,10
23.	PGAS	PT. Perusahaan Gas Negara Tbk	1,28
24.	PTBA	PT. Bukit Asam Tbk	1,39
25.	PTPP	PT. PP (Persero) Tbk	1,31
26.	SCMA	PT. Surya Citra Media Tbk	0,75
27.	SMGR	PT. Semen Indonesia (Persero) Tbk	0,79
28.	SRIL	PT. Sri Rejeki Isman Tbk	0,56
29.	TLKM	PT. Telekomunikasi Indonesia Tbk	-0,13
30.	UNTR	PT. United Tractors Tbk	0,63

Source : Data Processed, 2020

From the table in 6, it can be viewed the consequences of the systematic risk calculation of stocks which indicates an common cost of β_i of 0,69 which potential that universal business enterprise shares that are grouped into LQ45 have little systematic danger and are no longer too sensitive in responding to changes in market costs. This is extra is extraordinary from lookup carried out by way of Susanti & Putra (2019) the place the consequences of the beta value of shares received amounted to 0,1410577. After evaluation of calculation of Systematic Risk of Individual Stocks, the subsequent step is calculate Expected Return of Individual [E(Ri)]. The degree of profits to be anticipated via buyers from stock investments made is regularly known with the aid of the identify of the anticipated rate of return [E(Ri)]. The outcomes of the [E(Ri)] calculation are as follows:

Table 7. The calculation results [E(Ri)]

No.	Code Stock	E(Ri) CAPM	No.	Code Stock	E(Ri) CAPM
1.	ADRO	-8,62%	16.	INCO	-11,12%
2.	AKRA	0,41%	17.	INDF	1,83%
3.	ANTM	-7,53%	18.	INTP	-1,00%
4.	ASII	0,30%	19.	JSMR	0,85%
5.	BBCA	1,39%	20.	KLBF	-1,65%
6.	BBNI	-2,52%	21.	LPPF	-2,74%
7.	BBRI	-1,11%	22.	MNCN	-6,88%
8.	BBTN	-3,83%	23.	PGAS	-8,83%
9.	BMRI	-0,24%	24.	PTBA	-10,03%
10.	BRPT	-7,53%	25.	PTPP	-9,16%
11.	BSDE	-3,61%	26.	SCMA	-3,07%
12.	EXCL	2,04%	27.	SMGR	-3,50%
13.	GGRM	2,91%	28.	SRIL	-1,00%
14.	HMSP	2,91%	29.	TLKM	6,50%
15.	ICBP	5,96%	30.	UNTR	-1,76%

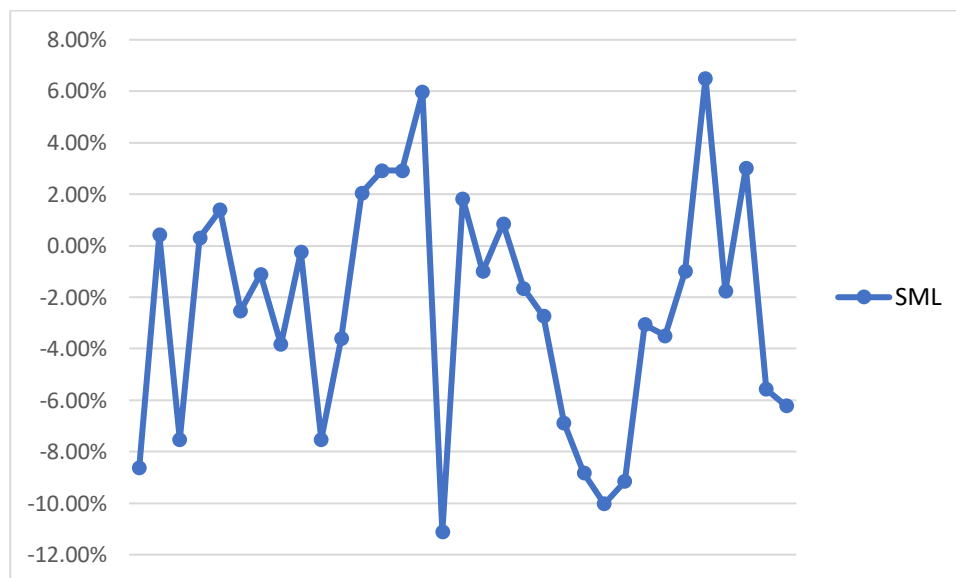
Source : Data Processed, 2020

From the records in table 5, it is defined that traders who assume the absolute best predicted return of [E(Ri)] are 6,50%, particularly TLKM and the business enterprise with the lowest expected return [E(Ri)] is INCO of -11,12%. The consequences of this study differed through Susanti & Putra (2019) on the [E (Ri)] fee of LQ45 companies from 2012-2016 the

place the results received had been the easiest $E(R_i)$ values, particularly the Alam Sutera Realty Tbk business enterprise with a cost of 1,16% and for businesses with the lowest $E(R_i)$ value, namely Indofood CBP Sukses Makmur Tbk at 0,02%.

To illustrate the CAPM model, a Security Market Line chart or often recognised as SML was made. The relationship between systematic threat or beta (β) and expected return is illustrated graphically as follows:

Figure 1 : Security Market Line (SML) Graphic



Source : Data Processed, 2020

After analysis Expected Return of Individual and make Security Market Line Graphic, the next step for analysis is stock classification. Stock classification can be divided into two: efficient stock and inefficient stock. From the evaluation described above, the shares classified as environment friendly and inefficient stocks are as follows:

Table 8. Classification Stock in Indeks LQ45

No.	Code Stock	R_i	$E(R_i)$ CAPM	Category
1	ADRO	0,30%	-8,62%	Efficient
2	AKRA	0,29%	0,41%	Inefficient
3	ANTM	-0,30%	-7,53%	Efficient
4	ASII	-0,24%	0,30%	Inefficient
5	BBCA	2,27%	1,39%	Efficient
6	BBNI	1,19%	-2,52%	Efficient
7	BBRI	1,92%	-1,11%	Efficient
8	BBTN	0,86%	-3,83%	Efficient
9	BMRI	1,06%	-0,24%	Efficient
10	BRPT	23,99%	-7,53%	Efficient
11	BSDE	-0,81%	-3,61%	Efficient
12	EXCL	0,66%	2,04%	Inefficient
13	GGRM	-0,15%	2,91%	Inefficient
14	HMSP	-1,44%	2,91%	Inefficient

15	ICBP	0,89%	5,96%	Inefficient
16	INCO	2,12%	-11,12%	Efficient
17	INDF	0,15%	1,83%	Inefficient
18	INTP	1,26%	-1,00%	Efficient
19	JSMR	0,86%	0,85%	Efficient
20	KLBF	0,46%	-1,65%	Efficient
21	LPPF	-2,57%	-2,74%	Efficient
22	MNCN	0,80%	-6,88%	Efficient
23	PGAS	0,00%	-8,83%	Efficient
24	PTBA	0,99%	-10,03%	Efficient
25	PTPP	-1,26%	-9,16%	Efficient
26	SCMA	-1,50%	-3,07%	Efficient
27	SMGR	1,31%	-3,50%	Efficient
28	SRIL	0,70%	-1,00%	Efficient
29	TLKM	0,21%	6,50%	Inefficient
30	UNTR	0,25%	-1,76%	Efficient

Source : Data Processed, 2020

From the records in table 8, it can be explained that the outcomes of classifying LQ45 shares in which there are 22 LQ45 groups whose shares are labeled as environment friendly and the ultimate 8 businesses whose shares can be grouped into inefficient shares. As for numerous factors that decide grouping, through evaluating between R_i and $E(R_i)$, if $R_i > E(R_i)$ then the shares will be grouped into environment friendly shares, but conversely if R_i no longer efficient. And if the outcomes of the $E(R_i)$ evaluation exhibit that the stock is efficient, then the stock ought to be offered and used as an investment portfolio. This is distinct from research carried out by Susanti & Putra (2019) where from the results of an analysis of 20 LQ45 groups from 2012-2016 classified as environment friendly shares by 10 agencies and the remaining 10 groups are grouped into inefficient shares.

CONCLUSION

The conclusions of this study include:

1. For individual returns in the LQ45 stock group from 2017 to 2019, it consists of shares with the highest return held by PT. Barito Pacific Tbk of 23.99%, while the lowest rate of return held by PT. Matahari Department Store Tbk by -2.57%.
2. The level of positive stock returns for the LQ45 stock group from 2017 to 2019, namely shares with the code ADRO, AKRA, BBKA, BBNI, BBRI, BBTN, BMRI, BRPT, EXCL, ICBP, INCO, INDF, INTP, JSMR, KLBF, MNCN, PGAS, PTBA, SMGR, SRIL, TLKM, UNTR, while stocks that have a negative return value for the LQ45 stock group from 2017 to 2019 include ANTM, ASII, BSDE, GGRM, HMSP, LPPF, PTPP and SCMA.
3. The highest Composite Stock Price Index (CSPI) from 2017 to 2019 is 6,605.63 and the lowest Composite Stock Price Index (CSPI) from 2017 to 2019 is 5,294.10. Whereas the highest rate of return on IHSG from 2017 to 2019 was 36.50% and the lowest return rate of IHSG from 2017 to 2019 was -6.35%.
4. The Risk Free (R_f) level is taken from the interest rate of Bank Indonesia Certificates from 2017 to 2019. The highest SBI interest rate occurs in January to June 2019 at 6% while the lowest SBI interest rate occurs in September 2017 to month April 2018 amounted to 4.25%.

5. Beta value for each share in this study is taken from yahoo finance data where the highest beta value is held by the company PT. Vale Indonesia Tbk (INCO) with a value of 1.49 and the lowest beta value held by the company PT. Telecommunications Indonesia Indonesia. (TLKM) with a value of -0.13.
6. The highest level of $E(R_i)$ value is held by the company PT. Telecommunications Indonesia Indonesia. (TLKM) of 6.50% and the lowest $E(R_i)$ value held by the company PT. Vale Indonesia Tbk (INCO) of -11.12%.
7. Efficient shares are shares of companies that are worth buying into stock portfolios. The provisions of an efficient stock that is if the value of $R_i > E(R_i)$. From this formula, efficient stocks are companies that have ADRO, ANTM, BBKA, BBNI, BBRI, BBTN, BMRI, BRPT, BSDE, INCO, INTP, JSMR, KLBK, LPPF, MNCN, PGAS, PTBA, PTPP, SCMA, SMGR, SRIL, UNTR, WKA, WSKT.
8. While inefficient shares are shares of companies that are not eligible to be purchased to be used as stock portfolios. The uncertainty of stock is that is if the value of $R_i < E(R_i)$. From this formulation, the inefficient shares are company shares that have AKRA, ASII, EXCL, GGRM, HMSP, ICBP, INDF, TLKM and UNVR codes.

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Do Job Coach Effective to PWDs Secured a Job in Malaysia

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ARTICLEDETAILS	ABSTRACTS
History <i>Received</i> : February <i>RevisedFormat</i> : March <i>Accepted</i> : April	The right to work has been recognized through article 23(1) of the Universal Declaration of Human Rights 1948. But, opportunity and participation of persons with disabilities (PWDs) in the workforce is still a challenge in Malaysian context. Various efforts and initiatives have been continuously undertaken to secure inclusion of PWDs in the workforce. Malaysia introduced Supported Employment (SE) through Job Coach programme largely provided by the Department of Social Welfare and other Non-Governmental Organisations (NGOs) focuses on helping PWDs in securing employment in the workplace. This conceptual paper discuss about the effectiveness Job Coach to PWDs enhancing participation in the open job market. Implications of the study to the organisation in particular and to the general public at large are also examined and to be considered in order to ensure PWDs inclusion in the workplace and their well-being could be continuously and effectively promoted.
Keywords : job coach, effective, PWDs	

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INTRODUCTION

In the Malaysian population, PWDs can be considered one of the most vulnerable minorities. According to the WHO, 7% of the world's population is disabled and about 2% will require some form of rehabilitation service. PWDs are defined as those who have physical, mental or emotional deficits in the long run, interacting with various barriers that may limit their full and effective participation in society (Disability Act 2008). Previously, PWDs were often portrayed with negative views.

To ensure that the disabled continue to develop and contribute to the country, the Department of Social Welfare (JKM) in collaboration with Japan International Cooperation Agency (JICA) has launched a Project to Support Participation of Persons With Disabilities, which is Job Coach. The Job Coach Service Program has been identified as a job support system to help the PWDs out of work. Since 1986 in the United States (US), the PWDs have been assisted in gaining employment through this program.

According to statistics, in 1986, 9,000 PWDs has benefited from this program and increased to 140,000 PWDs in 1995, while centers providing these services increased to 3,600 centers in 1995 compared to 300 in 1986. Recognizing the success achieved in the US, Japan has been following in the footsteps and has been gaining traction among the disabled. In this regard, the JICA introduced this Job Coach program in Malaysia to help PWDs find employment through phases that include before, during and after employment. The table below shows the Malaysian Key Performance Indicator (MKPI) prediction within states in 2019.

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Table 1

MKPI PREDICTION WITHIN STATES (2019)			
NO.	STATE	TARGET	ACHIEVE
1.	Perlis	3	9
2.	Kedah	10	23
3.	Pulau Pinang	15	33
4.	Perak	10	14
5.	Kuala Lumpur	20	12
6.	Selangor	20	21
7.	Melaka	15	8
8.	Negeri Sembilan	20	0
9.	Johor	15	7
10.	Pahang	15	6
11.	Terengganu	10	7
12.	Kelantan	15	34
13.	Sabah	15	11
14.	Sarawak	15	0
15.	Labuan	2	0
TOTAL		200	185

Source : (Department of Social Welfare Statistic Report (2019)

Job Coach is not just a coach who trains the PWDs, but the Job Coach acts as a bridge or intermediary to connect the PWDs and the employer throughout the job process. Job Coach play a role in assisting the PWDs and employers in adapting to the work environment and workplace, and taking into account the ability of the PWDs to work in a comfortable and productive environment. In addition, the role of Job Coach is to create a mutually beneficial relationship between employees with employers and colleagues, so that they can help the PWDs continue working while improving the quality of service.

Through the support of Job Coach, PWDs will not only have the opportunity to work, but most importantly to stay in the job. As of December 2018, a total of 185 PWDs received benefits through the Job Coach Services Program (JKM, 2018). The company or employer that employs the PWDs also increases. The role of Job Coach is also to help the PWDs to create a conducive working environment. PWDs can apply for Job Coach service through the District Public Welfare Office, PDK or the Voluntary Welfare Organization (NGO) at their residence. Therefore, SE through the Job Coach program is implemented to provide suitable jobs for the PWDs based on their skills and abilities.

Table 2

PWDs WORKING WITH JOB COACH SUPPORT (DECEMBER 2018)		
NO.	CATEGORY	TOTAL
1.	Learning Disability	132
2.	Physical Disability	21
3.	Mental Disorder	4
4.	Hearing Problem	12
5.	Speech Problem	0
6.	Vision Problem	7
7.	Various Disability	9
TOTAL		185

Source : (Department of Social Welfare Statistic Report (2019)

PROBLEM STATEMENT

Employment is one of the key elements of a country's development towards socio-economic development, and even one of the criteria for a developed country to achieve high income status. The first problem to be addressed in this research is that the employment issue for PWDs. The freedom of speech by individuals and non-governmental organizations (NGOs) in presenting opinions and concerns about the PWDs in developed countries has been gaining international attention. However, discrimination against the PWDs in the workplace has led to a stereotype view of PWDs workers or those applying for employment among them (Draper, Reid & McMahon, 2010). The issue of job opportunities and the various barriers faced by the PWDs make it difficult for them to compete in the job market until they are forced to rely on their families and the government (Aizan Sofia & Jamiah, 2015; Lau, Ahmad Shamsuri & Peng, 2011).

According to Wolffe (2012), work-related issues can have a negative impact on the PWDs. For example, the lack of job opportunities will lead to the unemployment crisis among the PWDs until they become worst (McDonnall, 2005). In addition, it can also affect the well-being of the family, create negative self-concept and create job dissatisfaction among the PWDs (Peter & Ferlis, 2014; Mellisa, Yen & See, 2011; Wong, 2017). This will negatively affect the future aspirations of the future generation of PWDs (Lau, Ahmad Shamsuri & Chew, 2011).

PWDs in Asia generally have less job opportunities (NST, 2005). In Malaysia, PWDs in the public sector are still down which is 0.24 percent compared to one percent of PWDs according to their respective policies (Berita Harian, 2017). Factors that cause PWDs in Malaysia to not be considered in open job market because of their lack of education and skills (Ang, 2014). There is evidence that most employers are less proactive in hiring PWDs and have stereotyped views of PWDs in the workplace (Lengnick-Hall et al., 2008).

Ju Zhang and Pacha's (2011) study showed that lack of employability skills was a major factor that prevented the PWDs from gaining a place in the open job market. Employability skills according to Sheppard & Unsworth (2010), refer to general competencies required to perform certain types and levels of work such as communication skills, problem solving skills, teamwork skills and interpersonal skills of an individual. Weakness in mastery of these skills will lower one's chances for employment.

Many researchers have also shown that PWDs are often portrayed with negative views (Barnes, 1992; Jayasooria et al, 1997; Gouvier et al, 2003; Brown et al, 2009). They have been treated like second class people and some people are still questioning their capabilities and efforts. This can be seen when there is still prejudice towards the PWDs (Reid & Bray, 1998; Wilson, 2003). However, they need jobs and benefits from employment just like ordinary people. Studies have also found that there is a lack of job opportunities for them to work in the mainstream due to their intellectual shortage, social stigma against them, and lack of education and training provided (Burge et al, 2007; Migliore et al, 2008; Yeo, 2007).

Although various campaigns, programs, and ongoing job training are given to PWDs, most employers still feel that they are not entitled to employment simply because of the disadvantage of the organization, while in reality most of them have recognized qualifications for entry into an industry. In fact, employers are also found to employ the PWDs to work within the organization solely to fulfill corporate social responsibility (CSR) solely to enhance the image of the organization (Dibben, 2002).

This study is motivated by the fact that Malaysia in process of eradicating discrimination against to the PWDs (Ta & Leng, 2013) to implement equal opportunities in the open job market. Malaysia has received guidelines from the Biwako Millennium Framework (BMF) and the United Nations (UN) in Convention on the Rights of the Disabled in developing policies to support the PWDs in equal opportunities. The community in particular employers need to change their attitude by focusing on the capabilities of the PWDs rather than their

own inability to help the PWDs in Malaysia to have a job. Therefore, more needs to be done to provide the PWDs with the opportunity to participate fully in the field of employment.

This study was supported by Brown et al, (2006) and Wehman (2006) who reported that most PWDs usually work in protected workshops under the Social Welfare Department or stay at home. The increasing number of PWDs has led to the problem of unemployment for these people. Implementation of the SE through the Job Coach programme is an effort to fulfill the responsibility of placing the PWDs in current work, especially in open employment. However, the implementation of this programme through the Government Opportunities program and cooperation from JICA has not been extensive (Wan Arnidawati, 2013). In-depth research can be done by looking at PWDs and employment issues through the effectiveness of the Job Coach program in open employment and implementing SE through the Job Coach programme.

Purpose of Inquiry and Inquiry Questions

This conceptual paper is intended to identify and understand the effectiveness of Job Coach Implementation on PWDs in Malaysia. Therefore, the inquiry questions for this paper are:

1. Do Job Coach Effective PWDs secured a job?
2. Does the Job Coach help PWDs to reduce unemployment?

The answer to the inquiry questions will be based on an extended review and analysis of literature.

Significance of the Inquiry

This conceptual paper is significant because it will explore whether the implementation of Job Coach to ensure PWDs inclusion in the workplace and their well-being could be continuously and effectively promoted. This paper also make recommendations for future research.

LITERATURE REVIEW

Previous and contemporary studies on employers perspectives with PWDs are still inconsistent (Ju et al., 2013; Lengnick-Hall, Gaunt, & Kulkarni, 2008). Even though a number of studies indicated that PWDs are productive, reliable, hardworking loyal and have positive characters (Norani, Khalid and Nor Aishah (2001; Waxman, 2017; Annuar Aswan, Mohd Faizal & Abdul Razak, 2017), the reality shows that this group of people is not getting equal employment opportunities. Norani, Khalid and Nor Aishah (2001) also argued that PWDs have many hidden potentials and resources where they should be given job opportunity and training in order to fully integrate them in the society at large.

These conflicting views are contributed by several reasons such as evolving and challenging current working environment and economic conditions, implementation of legislative laws and policies which made the employers fear of inappropriate actions and consequences towards disabled employees, and employers still have inadequate information about PWDs (Ju, Zhang, & Pacha, 2012; Kaye et al., 2011; Khoo et al., 2012). The ongoing misconceptions among employers have made the issue remain tricky and intricate to deal with (Araten-Bergman, 2016; Lengnick-Hall, Gaunt, & Kulkarni, 2008; Luecking, 2008; Scotch & McConnel, 2017). Waxman (2017) suggests that certain stereotypes and myths about employees with disabilities still permeate the business environment and effects corporate behavior in respect to PWDs. Moreover, Heron and Murray (2003) also argued that negative attitudes, often linked to discrimination; unequal access to education and training; inaccessible buildings, lack of accessible information; inaccessible transportation; lack of assistive devices and support services, low self- esteem and over protective families, lack of supportive legal environment, and lack of policy support were the obstacles faced by PWDs.

As previously discussed, Job Coach programme is one of the measures initiated by the government of Malaysia to assist PWDs equal and effective participation in the work force. The role of a job coach is providing continuous support to both PWDs and employers with the aim of stable employment (Ogawa et al., 2012). As attested by previous research work and studies, PWDs need some kind of basic support before and during employment process. It will help the PWDs to be independent and enable to do special task that assigned to them.

The Job Coach programme also have succeeded in changing employers perceptions of PWDs who are often labeled as less competitive. Job Coach is an innovative program for the PWDs to get a job and help them learn and perform job tasks as well as interpersonal skills necessary to be accepted as workers and to enable them stay on their employment. Job Coach also help employers and other employees in understanding disabilities and the needs of disabled employees.

Several authors argued that the participation of Job Coach are regarded as crucial in preparing PWDs for employment (Ogawa et al., 2012; Pathmanathan, 2014). The implementation of Job Coach programme has shown significant improvement in retaining PWDs in work place and will be considered as an important tool in the process of social inclusion for PWDs in Malaysia (Pathmanathan, 2014). In brief, it is an impactful intervention used to address typical work related issues of PWDs. Job Coach tender their service delivery to maximize the use of employer, co- worker, community and family supports to enable individual PWDs to obtain, learn and maintain a job. In this respect, supports provided by Job Coach include client assessment, job development, job placement, job site training and on-going follow along services (Parent & Unger, 1994).

Since the Job Coach program was implemented in Malaysia in 2012, it has also succeeded in transforming a more open and competitive work environment among the PWDs. As of December 2015, a total of 1,868 participants involving 431 PWDs, 241 employers, and 108 trainers attended the training involving government, private and non-governmental organizations (NGOs). The implementation of the Job Coach opens the eyes of many large companies in the country to take on the PWDs while providing access to these groups. Successful programs that have been practiced in developed countries such as the US, Europe and Japan have encouraged JKM to establish Job Coach Network Malaysia (JCNM) as a mechanism for promoting permanent employment among the PWDs. JCNM serves as an entity responsible for ensuring the continuity of the Job Coach program by preparing action plans for 2016-2018. JKM has also provided trainers expertise for ASEAN Training Coaches.

Most researchers have provided empirical findings since thia programme was implemented to a greater extent in some countries. In Malaysia, the Job Coach studies are relatively small, compared to the US, European countries and Japan (Wan Arnidawati, 2013). Therefore, it is important to understand as much as possible about the development and effectiveness of Job Coach in Malaysia.

In discussing low participation of PWDs, most studies as exemplified by preceding discussions, focus on perceptions from employers, experiences of PWDs themselves, and from perspectives of family members, but there are limited studies particularly in Malaysia capturing views from Job Coach who themselves directly have contacts or involved in helping the disabled to secure employment. Given all the challenges and obstacles of PWDs participation in the work force and primary role of Job Coach in supporting PWDs and employers, it is crucial to ascertain the dynamics and complex factors of this phenomenon. These Job Coach have dealt with PWDs themselves, PWDs families, the employers as well as various organisations, and become familiarized with the real issues facing PWDs in the job market. With that note, the role of Job Coach is critical in addressing three critical issues of unemployment, poverty and inequality that confronting PWDs in Malaysia.

Although SE through Job Coach programme has been found to be an effective way of helping PWDs in their work environment, several criticisms have been found (Bond, Drake, & Becker, 2008). This is because, while excluding PWDs from participating in this programme, individuals need to have a competitive job as a goal and be willing to work to be effective. Another critique of this programme is, although the programme is found to be effective in securing employment, the duration of employment offered is only temporary (Bond, Drake, & Becker, 2008). However, to see this programme over a long period of time, further studies are needed.

Thus, the discussion of previous studies clearly indicates that this programme has a positive effect on PWDs, despite some criticisms. However, previous researchers have also shown that interest was more in the perspective of the PWDs experience and focused on learning disabilities only. More in-depth research can be done by looking at the effectiveness of Job Coach on PWDs by understanding the complex problems faced by PWDs in open employment. In general, many studies have been conducted by researchers regarding this programme that involve the disabled.

METHODS FOR COLLECTING AND ANALYZING LITERATURE

This conceptual paper is based solely on a review and analysis of research and data from the literature. Several methods were used to collect and analyze the literature. First, research was conducted using the Google search engine. Terms such as 'Job Coach', 'SE' and 'employment for PWDs' were used, and a limited amount of information was found. Second, research on three databases pertaining to social work and sociology were examined. The databases were SocIndex, JSTOR Sociology, and Social Work Abstracts. The articles were retrieved and reviewed. Other terms were searched and sorted in the same manner. Third, books on the topic for this conceptual paper were searched. The same terms used in the database search was used to find books related to the topic. Two books were deemed useful and were borrowed from the library for further reading. Fourth, psychology databases were reviewed to obtain insight on perceptions and how people come to make perceptions in general. Also, a dissertation database, for social sciences, was explored in order to gain insight on how to prepare a scholarly paper.

Data Collection and Data Sources for Future Research

This is a conceptual paper that is based solely on a review of literature on the topic of employment and PWDs. For future research a quantitative study would be conducted to obtain data on the PWDs perception of Job Coach. A quantitative method would be used because the research question would be a casual one ("Do Job Coach Effective to PWDs Secured a Job"). The procedures for conducting research would be to create a valid instrument that measures perceptions toward PWDs. That survey has been validated, and if it could be obtained, would be a good instrument for a future study. The sample would consist of person's who have had some type of experience with the PWDs. The participants will also be informed that participation in the survey is completely confidential and voluntary and they are free to leave at any time.

Data Analysis Strategies for Future Research

The results discussed are significant despite the number of respondents were relatively small. Perhaps, in the future, it may be worth investigating perspectives and experiences of Job Coaches in other related organizations views might be obtained. Further study should also be conducted using mix methods in order to capture broader and more insightful data. In brief, while there are some limitations associated with the approach used here and given the nature of this action study, the results of this research provide meaningful findings that should be of interest to both researchers and practitioners across nations especially in Malaysian context.

FINDINGS FROM LITERATURE

Literature was useful for understanding the topic for this conceptual paper. The literature enabled me to answer the two inquiry questions.

INQUIRY QUESTION 1:

Do Job Coach Effective to PWDs Secured a Job?

FINDING 1:

Previous studies have found that SE through the Job Coach programme is a more effective and successful approach than traditional rehabilitation or sheltered programme (Bond et al, 2001). Drake et al (1999) study compared this programme with traditional rehabilitation programme. This study examines three hypotheses namely; Job Coach will result in higher employment rates, higher wages, and more time off work compared to the traditional rehabilitation programme. While traditional rehabilitation programme are seen as less competitive in their jobs as they only work in protected workshops. Similarly, a study by Lehman et al (2002), who also compared SE through Job Coach programme with traditional rehabilitation programme. This programme is focused on the job search process and ongoing support while working. While traditional rehabilitation services provide a wide range of services, including skills training and job placement opportunities. The results show that this programme is more experienced in competitive jobs than traditional rehabilitation programme.

Those who are associated with Job Coach achieve a more competitive job, higher income, and do not show a level of stress (Cook et al., 2005). The results of this programme implementation also have a positive impact on those who are homeless and involved in substance abuse problems (Rosenheck & Mares, 2007), as well as those living in the interior (Drake, McHugo, Bebout, Becker, Harris, et al., 1999).

INQUIRY QUESTION 2:

Does the Job Coach help PWDs to reduce unemployment?

FINDING

Based on literature it is clear that the Job Coach helps PWDs to reduce unemployment. Although PWDs are placed at a less skilled level through this programme (Bond et al., 1997), at least they are not excluded from the careers life. A study by Keel, Mesibov, and Woods (1997) found that Job Coach had a positive effect on people PWDs find a competitive job and integrated with a retention rate of 89%. This study is supported by Burns et al. (2007), who stated that those who participated in this programme were expected to find jobs and individuals with previous work experience had better job retention rates. Hillier et al. (2007) also conducted a study on this programme over a 2 years period in individuals between 18 and 36 years old. The results were quite remarkable in that participants kept their jobs for more than a year. In addition, there was an increase in the income of those who joined by over 400%. Employers give high ratings to staff who participate in this programme and show that the process is a positive experience. Furthermore, disabled workers themselves report high levels of satisfaction with their work.

RECOMMENDATIONS FOR FUTURE RESEARCH

Based on the literature the following recommendations for future research are

below:

Recommendation 1: Further research should be conducted to test whether experience PWDs towards Job Coach.

Recommendation 2: Further research should be conducted to employer who hired the PWDs to work.

CONCLUSION

The findings led me to draw conclusions about the effectiveness Job Coach to PWDs secured a Job and make recommendations for future research. It is obvious that Job Coach is able to train the PWDs to become skilled workers in certain fields. The PWDs can increase their productivity and become skilled with the help of their Job Coach. PWDs will also have the courage to do something out of the ordinary when it comes to getting a job. In order to gain acceptance of public assistance, policy makers must access all the impact perceptions about PWDs and Job Coach, one of them is Media. Media is able to influence opinions by presenting information in a manner that will get the PWDs or public to think a certain way towards a topic.

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The Influence of Foreign Direct Investment on the GDP Progression of Pakistan

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ARTICLE DETAILS	ABSTRACTS
History <i>Received</i> : February <i>Revised Format</i> : March <i>Accepted</i> : April	The Foreign Direct Investment (FDI) inflows play very important role in the economic development of the beneficiary country. The objective of this study is to check the impact of exchange rate (and other variables like Foreign Exchange Rate, Consumer price index, Trade Openness, and Energy Imports) on foreign direct investment in Pakistan by taking annual data from the period 1999-2013 (Monthly Basis). By using Descriptive, Correlation and regression, the effect of Consumer Price Index, exchange rate, trade openness, energy imports on Foreign Direct Investment (FDI) of Pakistan. The study guide the foreign investor and to categorize the factors, that can affect the Foreign Direct Investment (FDI), while investing in Pakistan.
Keywords : Exchange rate, Foreign direct investment, Consumer price index, Trade Openness, Energy Imports and Cointegration	

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INTRODUCTION

Foreign Direct Investment (FDI) in Pakistan is one of the major external sources of funding to meet obligations of resources gap and goal achievement. FDI has played a vital role in the economic growth of Pakistan. FDI contributed significantly in the human resources development, capital formation and organizational and managerial skills of the people in the country. Total foreign investment was \$ 6.0 billion, of which FDI amounted to \$ 4.16 billion in the year 2007. According to an endogenous growth model of Lucas (1988) and Romer (1986), an assumption of increasing and constant returns to capital was the cause of permanent addition in growth rate. Furthermore according to Romer, human capital also played vital role in growth procedure. The essential factor for the growth of any developing economy is investment. Therefore investment in the asset of the economy will play an essential role in the growth (Kappel et al., 2004). Pakistan is a developing country which seek capital investment from foreign capital inflow for the GDP growth and to finance saving investment gap (Siddiqui and Kemal, 2006). Political instability loses the confidence of Investor to invest in host country (Mushtaq et al 2012, Khan 1997). So Political stability and stable exchange rate are important to attract investor to invest (Kiyota & Urata 2002). Therefore, this study is conducted to examine the impact of exchange rate and other variables such as: Consumer price index, Energy Import, Trade openness on foreign direct investment in Pakistan for the period 1999-2013.

Background of the Study

When a Company invest in another country it is called Foreign Direct Investment (FDI). Foreign Direct Investment (FDI) inflows in speed up its growth process. There are many macroeconomic variables which have significant impact on Foreign Direct Investment (FDI) inflows like Exchange rate, interest rate, Money supply, tariff rate, human capital, inflation, stock prices, terrorism, political instability and economic instability etc. Relationship of Exchange rate and Foreign Direct Investment have attracted the researcher's attention in previous decades. Exchange rate stability is one of the main issue for researchers Exchange

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rate effect Investment in two different ways. When exchange rate depreciates, A floating exchange rate determined by the supply and demand forces in the market. Mostly floating exchange rate is preferred by the economies than the fixed exchange rate. Floating exchange rate enables the country to justify the impact of shocks and foreign business cycles and also manages the balances of payment crisis. Exchange rates policies are useful to increase exports and compete international market. Future prediction and control of money supply is not guaranteed if exchange rate is unstable. Resolute exchange rate creates disturbance in the trade cycle while flexible exchange rates are adopted by democratic countries (Michael and David, 2001).

Research Questions / problem

Many risks are related to Foreign Direct Investment (FDI) like Political & Economic instability, law and order situation, stock market situations, prices, inflation, interest and exchange rate instability and terrorism etc. it is necessary for the foreign investor to identify and manage the risk because there is no reward without risk and higher risk leads the greater reward.

- 1) Does exchange rate effect Foreign direct Investment in Pakistan?
- 2) What are the Variables cause a rise of Foreign Direct Investment in Pakistan?
- 3) Whether Foreign Direct Investment (FDI) is negative or positively affected by depreciation or appreciation of the exchange rate in Pakistan during the study period 1999 to 2013?

These are the questions which are to be discussed in this research.

Objective of the study

The objectives of this study are:

- 1) To find the relationship of the exchange rate and other variables on Foreign Direct Investment (FDI) inflows of Pakistan through Cointegration Analysis technique.
- 2) To guide the foreign investor to categorize the factors, that can affect the Foreign Direct Investment (FDI), while investing in Pakistan.
- 3) To Help policy makers to formulate the macroeconomic policies.

Rationale of the Study

Investment becomes risky and investor loose confidence to invest in host country due to political instability (Mushtaq et al 2012, Khan 1997). Political stability and stable exchange rate are important to attract investor to invest (Kiyota & Urata 2002). Democratic countries have high Growth rate as compare to non-democratic countries, so democracy attracts Foreign Direct Investment (FDI) in the host country (Jenny A. Minier 1998, Khalid et al, (2010)) but Muhammad Imtiaz et al (2011) claimed that non democratic Govt is better growth of Pakistan.

LITERATURE REVIEW

Foreign direct investment is biggest support for the economic development of any country. Various studies have been done to investigate the impact of exchange rate and other variables (inflation, trade openness, Energy imports) on Foreign Direct Investment (FDI) in Pakistan by taking annual data from 1999 to 2013.

Foreign Direct Investment (FDI) and its determinants

The role of Foreign Direct Investment (FDI) in the growth of an economy is very essential because it is the cause of new technology, skill and foreign funds to the beneficiary country (Nasir & Hassan 2011). Foreign Direct Investment (FDI) plays an important role to overcome this shortage of Resources (Sawyer et al, 2006). Foreign Direct Investment (FDI) inflows are

affected by the various factors in the host country, such as Government policies, macroeconomic factors, (Nasir and Hassan 2011).

Talat et al. (2013) used the regression analysis and ARMA model to check the impact of Various factors for Foreign Direct Investment (FDI) inflows in Pakistan. electricity generation, exchange rate, inflation rate (insignificant), Trade openness had positive impact on Foreign Direct Investment (FDI) inflows. Onuorah et al. (2013) used Co-Integration Technique to check long run relationship between macroeconomics variables (GDP, inflation rate, Money supply) on Foreign Direct Investment (FDI) in Nigeria. The result showed GDP is negatively related to Foreign Direct Investment (FDI) while all other variables have positive influences on FDI in Nigeria.

Chingarange Anna et al. (2012) used regression test to find out the causes of low Foreign Direct Investment (FDI) in Zimbabwe and reported that positive relation exist among interest rate (insignificant), inflation rate (insignificant), GDP growth rate, corporate taxes with Foreign Direct Investment (FDI) inflows while risk factors, labor cost and exchange rate (insignificant) are negatively related with Foreign Direct Investment (FDI) in Zimbabwe. Benjamin et al. (2012) empirically proved through difference-in-difference approach that real exchange rate is appreciated due to democratization by taking data of countries from 1980-2007. So the impact of democratization, on the exchange rate is positive.

Iqbal and Ali (2011) investigated the exchange rate effect on Foreign Direct Investment (FDI). The ADF test used to check the stationary of the variables and OLS regression analysis used to investigate the effect of macroeconomic variables on Foreign Direct Investment (FDI).

Edward and Charles (2011) reported the relationship between Exchange Rat and FDI by using Ordinary Least Square (OLS) and Co-integration Techniques. They Concluded weak relation between FDI inflows and Exchange Rate in Ghana.. Mehdi et al. (2011) used GARCH model to proved the relationship of exchange rate uncertainty on domestic investment and reported a negative relation exists. M. Arshad and Shujaat Ali (2011) showed the impact of Foreign Direct Investment (FDI) on GDP (growth) of Pakistan by using co-integration and Granger causality testing by using data from 1981 to 2008. The results evidence the long run uni-directional causality exists from GDP to (FDI) and in short run bi-directional causality exist between them.

Bakhtiar et al. (2010) test factors affect the Foreign Direct Investment (FDI) in Pakistan, time series annual data for the period 1971-2008 was used. The error correction model and regression analysis was used to check the effect of independent variables [like Debt service (percentage of GNP), Trade openness (exports + imports), current account balance, gross fixed capital formation, inflation rate, GDP at factor cost] on Foreign Direct Investment (FDI) inflows of Pakistan. The results reveal that trade openness, gross fixed capital formation, inflation, debt service has a positive impact on Foreign Direct Investment (FDI) while the current account balance has negative impact on foreign direct investment (FDI).

Stuart et al. (2007) by using the Error Correction Methodology on the panel data of OECD countries and found short run and long run, the effect of depreciation of home currency was negative in overall investment in the majority of the sectors of the country.

Ismail and Burak (2007) find out the determinants of Foreign Direct Investment (FDI) in seventeen countries by panel data analysis from the period January 1989 to April 2008. The explanatory variables used in the study were Labour cost,, market size, trade rate, inflation rate, real interest rate, domestic investment and foreign direct investment in the previous period. It was found from empirical analysis that The relationship of inflation rate with Foreign Direct Investment (FDI) was found to be negative and interest rate, market size, trade rate and Foreign Direct Investment (FDI) in the previous period positively related to (FDI).

Hakro and Ghumro (2007) found the determinants of Foreign Direct Investment (FDI) :

- (1) The investment environment improving factors (openness of economy, liberalization)
- (2). Factors realted to Cost (Wage rate, Interest rate, Foreign exchange rate).

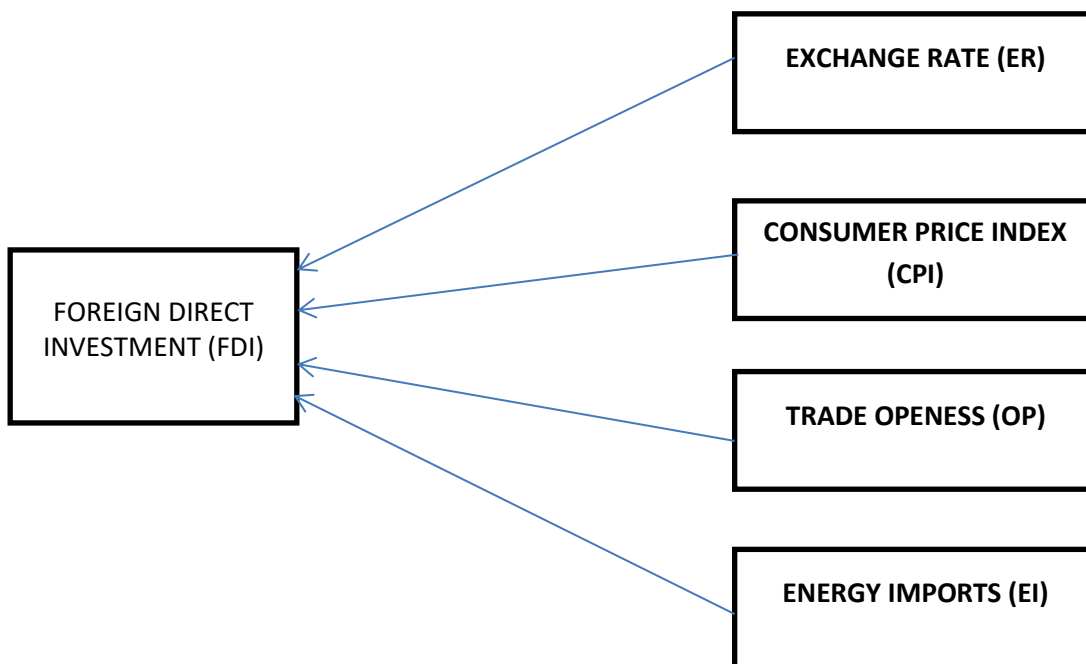
- (3) Development strategy of country and structural shocks (political risk indicator and economic stability)
- (4). Macroeconomic factors (Output growth, Market size, Human capital, quality of infrastructure. Olga (2006) determin the investment and exchange rate volatility relationship in Chile from 1979-2000. He analyse that there is negative relation exists between Investment and Exchange Rate.

Philippi et al. (2006) Examined that the instability of exchange rate decreases the growth in those countries which are financially less developed and have no significant effect in those countries which are financially developed. And showed the negative effect of exchange rate on investment of domestic credit market. Masayuki and Ivohasina (2005) checked 1980-2001 for the exchange rate, land prices, GDP, Law & regulation to check which factors effecting Foreign Direct Investment (FDI) in Japan. He found significant relationship between Exchange rate , Price Movement , Market size and cost of establishing green field's plants and Foreign Direct Investment (FDI) inflow for Japan and market size positively while volatility of exchange rate, price movements negatively related to Foreign Direct Investment (FDI).

Proposed Model

Consumer Price Index, exchange rate, trade openness, energy imports are independent variable while Foreign Direct Investment (FDI) is dependent variable. The study is conducted by taking annual data from 1999-2013.

$$Y = \alpha + \beta_1 (CPI) + \beta_2 (ER) + \beta_3 (OP) + \beta_4 (EI)$$



Hypothesis of the study

The Hypotheses of this research are as follows:

- H_0 : There is no significant impact of Foreign Exchange Rate, Consumer Price Index , Trade Openness and Energy Import on Foreign direct investment in Pakistan..
- H_1 : There is significant impact of Foreign Exchange Rate on Foreign direct investment in Pakistan..

- H2: There is a significant impact of consumer price index on Foreign direct investment in Pakistan .
- H3: There is significant impact of trade openness, Energy imports, on Foreign direct investment of Pakistan.

RESEARCH METHODOLOGY

3.1 Theoretical Frame

The effect of Consumer Price Index, exchange rate, trade openness, energy imports on Foreign Direct Investment (FDI) of Pakistan is investigated by using Co-integration , Unit root Test and regression analysis technique [as used by: Talat et al. (2013), Mushtaq et al. (2012), Aqeel and Nishat (2004), Edward and Charles (2011) , Kiyota and Urata (2002), Nasir and Hassan (2009) , Mahmood and Ali (2011) , Hakro and Ghumro (2007), Shamsuddin (1994) , and Shah and Ahmad (2003)]. Time series data for the period 1999-2013 (Monthly Basis) has been used in this study.

3.2 Model Specification and justification of variables

To check the dependence of Foreign Direct Investment (FDI) on Consumer Price Index, exchange rate, trade openness, energy imports in Pakistan, a model has been developed through theoretical and empirical literature. Aqeel and Nishat (2004),

3.2.1 Dependend Variable Foreign Direct Investment (FDI)

The dependent variable used in this study is foreign direct investment in Pakistan. The previous study has taken the Foreign Direct Investment (FDI) as: Foreign Direct Investment (FDI) growth rate (Mushtaq et al. 2012), Real Foreign Direct Investment (FDI) annual inflows (Shah and Ahmad, 2003), (Nasir and Hassan, 2009), Growth in Foreign Direct Investment (FDI) annual inflows (Aqeel and Nishat, 2004), Per capita Foreign Direct Investment (FDI) (Shamsuddin 1994). This study will take Foreign Direct Investment (FDI) as Foreign private investment (direct) due to its availability.

3.2.2 Independent Variables

In the light of above literature the following Independent variables that can affect the Foreign Direct Investment (FDI) to Pakistan have taken:

3.2.2 (I) Exchange Rate (ER)

The Real effective exchange rate of Pakistan in terms of US \$ is taken as independent variable (Aqeel and Nishat 2004, Mushtaq et al. 2012, Nasir and Hassan 2009). Most studies showed exchange rate devaluation in host country attract the Foreign Direct Investment (FDI) inflows [Mushtaq et al.(2012), Goldberg S-Linda (2007), Shah and Ahmad (2003), Love and Hidalgo (2000) and Froot and Stein (1991)].

3.2.2(II) Trade Openness (OP)

The openness of trade plays a potential role to increase the Foreign Direct Investment (FDI) inflows. Trade openness will be measured by $\text{exports} + \text{imports}$ (Bakhtiar et al. 2010). Previous studies also used $(\text{Total trade} / \text{GDP})$ as a proxy for Trade openness. [Hakro & Ghumro, 2007, Haufbauer et al, 1994, Ryck Eghem 1998, Edward & Charles 2011 , Matthias 2003 , Asante et al, 2000]. While Mushtaq et al (2012) used $\text{exports} + \text{imports} / \text{GDP}$ and Talat et al. 2013, used ratio of exports to imports as a proxy for Trade openness. The literature suggests positive relationship between Trade openness and Foreign Direct Investment (FDI) inflows (Ismail & Burak 2007).

3.2.2(III) Consumer Price Index (CPI)

In home country the effect of inflation on Foreign Direct Investment (FDI) inflows is negative. (Hakro and Ghumro 2007, Sayek selin 1999, Ismail and Burak (2007)). The annual average

inflation rate was used as a proxy for economic stability by Hakro & Ghumro (2007). This study will take the consumer price index, all items.

Some studies also suggest a positive relation between Inflation and Foreign Direct Investment (FDI) because due to higher prices the foreign investor earns abnormal profits in the host country. (Bakhtiar et al. (2010), Onuorah et al. (2013), Talat et al. (2013), Chingarange Anna et al, (2013).

3.2.2 (IV) Energy imports (EI)

According to Khan 1997, one of the causes of low Foreign Direct Investment (FDI) in Pakistan is weak infrastructure facilities (Power, water supplies and telecommunication). Mushtaq et al. (2012) and Shamsuddin (1994) used energy imports (percentage of total merchandise exports) to measure the energy availability in Pakistan and they showed that energy import negatively related to Foreign Direct Investment (FDI) inflows in Pakistan but the result was insignificant. This study will use the value of Oil imports as proxy for energy imports.

3.3 Expected direction of the variables

In the light of literature studies, the following table shows the exogenous variables and their expected sign with the dependent variable (foreign direct investment, Foreign Direct Investment (FDI)) of Pakistan.

3.4 Data Description and Sources

This study is based on secondary data. The data on Foreign Direct Investment (FDI) is taken from handbook of statistics on Pakistan economy, while data relating to Consumer Price Index, exchange rate, trade openness, energy imports is taken from (IFS) International financial statistics for the period 1999-2013 (Monthly Basis).

3.5 Econometric models and Estimation Techniques

It is well known that many economic time series are difference stationary. In general, a regression involving the levels of these I(1) series will produce misleading results, with conventional Wald tests for coefficient significance spuriously showing a significant relationship between unrelated series (Phillips 1986).

Engle and Granger (1987) note that a linear combination of two or more I(1) series may be stationary, or I(0), in which case we say the series are *cointegrated*. Such a linear combination defines a *cointegrating equation* with *cointegrating vector* of weights characterizing the long-run relationship between the variables.

We will work with the standard triangular representation of a regression specification and assume the existence of a single cointegrating vector (Hansen 1992b, Phillips and Hansen 1990). Consider the $n + 1$ dimensional time series vector process (y_t, X_t') , with cointegrating equation

$$y_t = X_t' \beta + D_t' Y_1 + \mu_t$$

where $D_t = (D_{1t}', D_{2t}')$ are deterministic trend regressors and the n stochastic regressors X_t are governed by the system of equations

$$\begin{aligned} X_t &= \Gamma_{21}' D_{1t} + \Gamma_{22}' D_{2t} + \epsilon_{2t} \\ \Delta \epsilon_{2t} &= u_{2t} \end{aligned}$$

The p_1 -vector of D_{1t} regressors enter into both the cointegrating equation and the regressors equations, while the p_1 -vector of D_{2t} are deterministic trend regressors which are included in the regressors equations but excluded from the cointegrating equation (if a nontrending regressor such as the constant is present, it is assumed to be an element of D_{1t} so it is not in D_{2t}).

Following Hansen (1992b), we assume that the innovations $\mu_t = (\mu_{1t}, \mu_{2t})'$ are strictly stationary and ergodic with zero mean, contemporaneous covariance matrix Σ , one-sided long-run covariance matrix Λ , and covariance matrix Ω , each of which we partition conformably with μ_t .

$$\begin{aligned}\Sigma &= E(u_t u_t') = \begin{bmatrix} \sigma_{11} & \sigma_{12} \\ \sigma_{21} & \Sigma_{22} \end{bmatrix} \\ \Lambda &= \sum_{j=0}^{\infty} E(u_t u_{t-j}') = \begin{bmatrix} \lambda_{11} & \lambda_{12} \\ \lambda_{21} & \Lambda_{22} \end{bmatrix} \\ \Omega &= \sum_{j=-\infty}^{\infty} E(u_t u_{t-j}') = \begin{bmatrix} \omega_{11} & \omega_{12} \\ \omega_{21} & \Omega_{22} \end{bmatrix} = \Lambda + \Lambda' - \Sigma\end{aligned}$$

It is well-known that if the series are cointegrated, ordinary least squares estimation (static OLS) of the cointegrating vector β is consistent, converging at a faster rate than is standard (Hamilton 1994). One important shortcoming of static OLS (SOLS) is that the estimates have an asymptotic distribution that is *generally* non-Gaussian, exhibit asymptotic bias, asymmetry, and are a function of non-scalar nuisance parameters. Since conventional testing procedures are not valid unless modified substantially, SOLS is generally not recommended if one wishes to conduct inference on the cointegrating vector.

RESULTS AND DISCUSSIONS

4.1 Data analysis

The objective of this study is to check the impact of Consumer Price Index, exchange rate, trade openness, energy imports on foreign direct investment in Pakistan by taking annual data from the period 1999-2013 (Monthly Basis). This study employed the methodology e.g. Descriptive Correlation, Regression, Co-integration, Unit Root Test.

This chapter will present and interpret the results obtained from these tests.

Table 1 : Findings direction of variables from the period 1999-2013 (Monthly Basis)

Variables	Expected sign	Study Findings	Prob.
Exchange rate (ER)	+ or -	+	Significant
Openness (OP)	+	+	Significant
Inflation (CPI)	+ or -	-	Insignificant
Energy imports(EI)	-	+	Significant

Table 2 : Expected direction of variables from the period 1999-2013

Variables	Description	Expected direction
Exchange rate (ER)	Real effective exchange rate (ER: Rs=1 US\$)	+ or -
Openness (OP)	Openness (exports,BOP + imports, BOP)	+
Consumer Price Index (CPI)	Consumer prices index, all items	+ or -
Energy imports (EI)	Value of oil imports	-

4.2 Descriptive statistics and Correlation analysis

First of all, descriptive statistics of the variables will have been made on the data of the variables from the period 1999 to 2013 (Month Basis) to check the normality of the variables. The mean, Kurtosis, standard deviation and skewness will be checked and interpreted of all the variables series. Further, in order to determine the correlation between the variables, a correlation matrix will be obtained.

4.2 (I) Descriptive Statistics

The descriptive statistics of the variables Foreign exchange, Consumer price index, Trade openness and energy import and foreign direct investment) are made in order to check the normality of variables..

The descriptive statistics shows that all the four variables i.e. Foreign Direct Investment (FDI), FE, CPI, OP and EI has lot of variability in terms of minimum and maximum values. Due to the difference between minimum and maximum values, the range statistics parameter “Skewness” exceed beyond 1 for Foreign Direct Investment (FDI) which further shows that the data is skewed and not normally distributed. However, for rest of the parameters, the values for skewness between -1 to +1 which is an indication or normal distribution of data for FE, CPI, OP and EI.

Table 3 - Descriptive

Sample: 1999M01 2013M12

	FDI	OP	EI	CPI	FE
Mean	160.6728	32.60293	112.8638	129.2486	8.73E+09
Median	98.40000	30.68381	109.7850	107.7210	1.01E+10
Maximum	1262.900	55.47514	249.4000	227.0690	1.56E+10
Minimum	-35.50000	16.85309	22.47000	73.39701	1.06E+09
Std. Dev.	191.7802	10.21660	59.87252	52.33650	4.24E+09
Skewness	2.716162	0.353600	0.311342	0.658477	-0.629058
Kurtosis	12.11934	1.902471	1.785992	1.900361	2.201304

4.2(II) Correlation Analysis

To check the relationship among the variables, correlation analysis is made. The results of correlation analysis are depicted in the table.

There is a Positive relationship between FDI and all four Independent variables. It shows that all four Variables are Significant with FDI. There is a positive and strong relationship between OP&EI

Table 4 -Regression

Dependent Variable: FDI

Method: Least Squares

Sample: 1999M01 2013M12

Included observations: 180

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CPI	-3.543373	0.492606	-7.193123	0.0000
EI	1.926272	0.453884	4.243973	0.0000
FE	1.25E-08	3.65E-09	3.427544	0.0008
OP	8.804354	1.915549	4.596257	0.0000
R-squared	0.319787	Mean dependent var	160.6728	
Adjusted R-squared	0.308193	S.D. dependent var	191.7802	
S.E. of regression	159.5131	Akaike info criterion	13.00410	
Sum squared resid	4478218.	Schwarz criterion	13.07506	
Log likelihood	-1166.369	Hannan-Quinn criter.	13.03287	
Durbin-Watson stat	1.275041			

The regression was performed in order to predict the FDI and four independent variables. The Most significant variable is for FDI highlighted by our regression result. (t-statistics 8.804 p=0.001) followed by CPI (t-statistics -3.54373, p=0.0522). However, when the regression coefficient was compared for these significant variables, a contrasting difference was observed. The regression coefficient for EI and CPI are 1.92. This shows that 1% increase in FDI the CPI will also increase by 1%. There is a Positive relationship with CPI and FDI.

The overall accuracy of regression model can further be investigated by observing the adjusted R2 values. This adjusted R2 (0.30) explains that by relying on EI and CPI, we can predict the overall trend accurately up to 46% which means that if we know the exact values over a period of time for EI and C then we can have an idea how FDI would behave or this can enable us to predict the FDI and this prediction would be 30% accurate based on our regression results. The variation in FDI is explained by all independent variables included in the model is 46%. The remaining 54% variation is due to other factors that are not included in model. The higher value shows greater strength of model.

Table 5 - Corelation

	FDI	OP	EI	CPI	FE
FDI	1.000000	0.258585	0.319935	0.062443	0.320254
OP	0.258585	1.000000	0.908637	0.855064	0.556776
EI	0.319935	0.908637	1.000000	0.877939	0.690712
CPI	0.062443	0.855064	0.877939	1.000000	0.598259
FE	0.320254	0.556776	0.690712	0.598259	1.000000

Exchange rate (ER) and Foreign Direct Investment (FDI)

The results of Regression shows that the coefficient of exchange rate is 3.63 that means when exchange rate increases by 1 unit the Foreign Direct Investment (FDI) will Increase by 3.63. There is positive relationship between Exchange rate and Foreign Direct Investment (FDI). This result is significant at 1% level of significance level. Shah and Ahmad (2003)

The co-efficient of Exchange Rate (ER) is 4.31 and its p-Value is 0.05% which shows significant relationship with FDI in Pakistan (Nasir et al. 2009)

Energy Imports(EI) and Foreign Direct Investment (FDI)

The co-efficient of energy imports (EI) is 4.10 and its p-Value is 0.05% shows significant relationship with FDI in Pakistan (Shamsuddin 1994, Mushtaq et al. 2012)

Trade openness (OP) and Foreign Direct Investment (FDI)

The co-efficient of Trade openness (OP) is 1.28 and its p-Value is 0.01% which shows significant relationship with FDI in Pakistan (Talat et al. 2013, Bakhtiar et al. 2010)

Consumer Price Index (CPI) and Foreign Direct Investment (FDI)

The co-efficient of Consumer Price Index (CPI) is -2.39 and its p-Value is less than 0.01% which shows insignificant relationship with FDI in Pakistan (Adeel et al. 2013)

Summary

The empirical results of all tests used in this study are presented and interpreted in this section. Next chapter describes the conclusion and recommendations of this study.

CONCLUSION AND RECOMMENDATIONS

The purpose of the study is to check the impact of Exchange Rate, trade openness and energy imports, on foreign direct investment in Pakistan using monthly time series data from 1999 to 2013 by employing multiple Cointegration analysis. The previous chapter described the results and their interpretation. This chapter summarizes the major findings, and limitations of this study. Further, this chapter gives the policy implication and recommendations for the future research.

Discussion of major findings

Table show the results of multiple regression analysis that indicate, in the previous literature some studies found positive and other found negative sign of the exchange rate with Foreign Direct Investment (FDI). This study shows the positive relation of the exchange rate with Foreign Direct Investment (FDI) in Pakistan during the study period 1999-2013. Further, Trade Openness (OP) Energy Imports (EI) and Exchange Rate (ER) shows Positive relationship with Foreign Direct Investment. so support the literature studies (Bakhtiar et al. (2010), Nasir and Hassan (2011), Talat et al. (2013), Aqeel and Nishat (2004), Shamsuddin (1994), Ismail and Burak (2007)).

Recommendations for future study

The time period used in this study is from 1999 to 2013 (Monthly Basis) therefore, for the future, research can be done by extending time period of the study. Finally, annual time series data is used in this study consisting four independent variables (exchange rate, Consumer Price Index, trade openness, and energy imports). Hence in the future, study can be made by using panel data and by dropping the independent variables or by changing the methodology.

5.4 Policy implications

Based on the findings, this study can be valuable for the policy makers, Government, and foreign investors so that the foreign direct investment should be increase in the Pakistan because it is very important of country growth and development.

5.5 Limitation of the Study

The data constraint (due to large data set i.e four independent variables, Exchange Rate , Consumer price Index, Trade Openness, energy imports, is the major limitation faced in this study, therefore this study is conducted from 1999 to 2013. Further, generalizability is another constraint of this study. Because this study is done by taking annual data set of the variables in Pakistan and it is a developing country having different political conditions.

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Effects of the Informal Cross Border Trade in Western Africa: A Study of Nigeria and Niger

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ARTICLE DETAILS	ABSTRACTS
History <i>Received : February</i> <i>Revised Format : March</i> <i>Accepted : April</i>	<p>Informal Cross Border Trade (ICBT) plays an important role in developing countries and act as accelerator of economic development, regional development of the borderland areas. It is a crucial coping measure for poor households; especially when unemployment is high and it also address mass poverty if the rules governing it take into consideration the interests of the poor and vulnerable groups in society. This paper is aimed at examining the effects of informal cross border trade in western Africa: a study of Nigeria and Niger, its strength and weakness on National and Regional development which is western Africa. This is a literature and library based paper which reviews related literatures from journal articles, texts, seminar papers, online search engines for assessment of the concepts. This paper perceive the following issues in Informal Cross Border Trade, its problem and approaches, reasons for ICBT in Nigeria and Niger, critical analysis of determinants in Nigeria and Niger, the positive and negative effects on the two selected countries in western African and recommend on way forward. It finds out that ICBT enables small-scale entrepreneurs to escape poverty and to meet the education, housing and other basic needs. It's also source of family income to the unemployed and a source of employment to our second citizen as a result of early retirement. It recommends that there should be bilateral agreement between Nigeria and Niger on creating an enabling, gender-sensitive environment for informal cross border traders so that they can easily engage in economic activity in order to protect their livelihoods. There is need to design appropriate policy incentives by the duo country governance in order to gradually incorporate a thriving ICBT sector into the formal economy.</p>

Keywords :

ICBT, Nigeria, Niger, Cross
Border, Employment, Entrepreneur

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INTRODUCTION

Borders are artificially constructed, geographic or astronomic lines that form the boundary of a nation. Within this delimited boundary, a nation exercises power, jurisdiction and carries out its activities in accordance with the sovereignty of the State. the central government can curtail, restrict or totally ban the unauthorized movement of goods and people across such boundaries within the nation (Afolayan, 2000). The main socio-economic processes that take place across an international border are the movement of people and goods for trading activities and this movement is an integrative process that links people on both sides of the border on either mutuality or trading activities. ICBT breaks down artificially imposed policies, barriers, and generates interaction between the cross border traders. The movement of people at a border is considered being within a nationality rather than between two geo-political entities. Such movement of people would not normally be regarded as migration, particularly as the movers often stay for a short time. Since the movement occurs over an international boundary, is subject to legal restrictions and regulations, it also has to be regarded as international migration. The word informal is

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norms to the two environments but the governance of the two environs accept the official cross border trading called formal cross border trade. The paper seeks to respond to the gap identified in the literature on the marginality of informal cross-border traders because of the 'informality' attached to the trade.

After this introduction, the second section defines ICBT and its concept, The third section reviews problems of ICBT, approaches to ICBT, reasons for informal cross border trade in Nigeria and Niger, ICBT in Nigeria and Niger .The fourth section critically analyses the key determinants of ICBT in Nigeria and Niger while the fifth section evaluates its positive and negatives impacts on Nigeria and Niger. The last section is the conclusion by making relevant recommendations to Governments of Nigeria and Niger.

Informal Cross Border Trade (ICBT)

Informal cross border trade is a crucial coping measure for poor households, especially when unemployment is high. Informal cross-border trade (ICBT) constitutes a significant economic force in terms of the value of goods traded and majority of the participants are women. Trade has great potential to address mass poverty if the rules governing it take into consideration the interests of the poor and vulnerable groups in society. Cross-border trading is an economic activity that involves activities within a nation (internal) and activities among nations that is international. The trading activity becomes complex when describing buying and selling at the border, where product exhibition can be regarded as a distinct activity which involves daily buying and selling, semi-formalized marketing activities and other transactions. This trading activity is in accordance to the terms and conditions of supply and demand. This is also the key movement of cross border activities with respect to Economic transactions across borderlands. The nature of exhibited products for informer cross border trading are textiles (material, ready-made clothes, second-hand clothes), foodstuffs such as polished rice, frozen chicken/turkey and tinned foods ,jewellery, tyres/motor spare parts, batteries/electronics, fairly used cars, and plastics/detergents (Afolayan, 2000 and Malungisa, 2015).

A large informal sector can pose problems for policymakers and the overall economic development of both countries. Informal enterprises may provide a short-term solution to a household's livelihood needs, creating an economy with a higher proportion of formal enterprises and jobs is important to long-term welfare creation, stability and poverty reduction (OECD, 2009). A large informal sector could indeed deprive governments of needed tax revenue which could be reinvested into infrastructure development and other national development priorities; it could influence the development of economic policy objectives by skewing the reliability of (trade, income and labour market) data; breed a culture of corruption in public administrations (including in Customs) and hinder further investments in local (formal) SMEs, which constitute the major part of the private sector in developing countries and are key to their economic development and growth. This sector plays a major role in most countries, especially developing countries (Nigeria and Niger) .The importance of this sector has continued to be seen since the adverse effects experienced in these countries as a result of the Structural Adjustment Programs (SAPs) of the 1990s and the current financial crisis facing the world countries (Aluoch,2014).

Informal Cross Border Trade (ICBT) is a segment of informal sector which plays an important role in developing countries and act as accelerator of economic development and regional development of the borderland areas. Perception of public on the word informal means involving in illegal, while most governments still view that the activities of the informal cross border trade are illegal, irrespective of the benefits that ICBT has brought to the economies of borderlands as well as the country. According to Organization of Economic cooperation and Development (OECD) (2009) ICBT can be defined as "trade in legitimately produced goods and services, which escapes the regulatory framework set by the government, as such avoiding certain tax and regulatory burden". This kind of trade does not necessarily consist of micro and small traders only but also big firms that give wrong

size and grouping of their goods therefore being under invoiced or masking and smuggling goods in order to avoid custom duties and taxes.

Category Of Cross-Border Trade

Category A	Category B	Category C
Informal (Unregistered) traders or firms operating entirely outside the formal economy.	Formal (registered) firms totally disregarding trade regulations and evading duties (example avoiding official border-crossing posts).	Formal (registered) firms partly disregarding trade regulations and evading duties by resorting to illegal practices (e.g., under-invoicing, wrong classification, wrong declaration of country of origin and /or bribery of border officials)

Sourced: OECD (2009)

These three different categories of informal cross-border traders have been able to build sustainable livelihoods. This categorization of cross borders traders is based on their motivation to conduct informal cross-border trade, main source of income, business turnover and ploughing back of profits to business and ownership of trading license. People engaged in ICBT as survival strategy just to reduce the harsh economic condition in their environs, the push and pull causes of Informal Cross Border Trade (ICBT) are based on the lack of formal employment as a result of economic reforms, rural-urban migration and low wages. Mostly residents of contiguous (neighbouring) border areas across boundaries move daily to exploit differences in prices, wages, and regulatory practices because ICBT is significant contributor to poverty reduction, employment and wealth creation (Mzizi, 2010, Central Asia Regional Economic Cooperation, 2007).

Problems of ICBT

The migrant nature of informal cross-border trade has brought with it social stresses negatively affecting informal traders. The prevalent relationship between HIV, Ebola, Yellow fever and other viral diseases as a result of migration in western African and examined by African union and Ecowas. Cross-border traders exposed to HIV/AIDS are attributable to the nature of their occupation as well as the social and economic structures prevailing in the region. Most time people are facing challenges in terms of logistics, transporting goods from customs officials and other security agents within the border environs, paying extra money to drivers to bribe security agents, moving goods in different vehicles to beat security agents at check points among others (Jawando , Adeyemi, & Oguntola-Laguda, 2012 and Malungisa, 2015).

Social protection is an instrument of the government for the citizenry in terms of amenities, welfare and social security which caters for their adequately protection against social, economic and other risks. This policy does not provide protection for informal traders because they perceived them of illegal practices while provisions of social security, medical schemes and insurance cover the formal cross border traders . The lack of social protection for the cross border traders reveals a negative side of informality (Malungisa, 2015). The legal and policy environment lags behind the needs of informal traders, credit is mainly restricted to formal businesses and banking regulations are often too stringent for informal traders to operate foreign currency accounts. Informal cross border traders are rendered vulnerable to HIV/AIDS, sexual harassment and corrupt officials because of inadequate social protection, complex procedures at border posts, and poor access to health services while abroad. The emerging trade regime is developing in ways that are gender insensitive. Informal traders are often harassed by government operations designed to ‘clean up’ the streets. Broader aspects of the legal system not directly related to trade, such as marriage laws, may also affect traders’ ability to trade (Afolayan, 2000 and Malungisa, 2015).

Approaches to ICBT

As Ellis and MacGaffey (1997) argue, ICBT complexity is best addressed by a multifaceted approach such as follows:

i) Mirror trade data: This approach is always often used to assess the extent of smuggling; it involves comparing recorded imports of a country to total recorded exports from the rest of the world (ROW). If the source country's reported exports exceed the destination country's reported imports by more than can be explained by trade costs, smuggling is inferred. Intra-African smuggling, however, cannot be fully apprehended with mirror data, since official trade statistics from both the exporting and importing country fail to record this cross-border trade. For example, smuggling cannot be inferred directly from recorded Nigeria-Niger bilateral trade, which is very small as noted above as recorded by both Nigeria and Niger.

ii) Domestic customs data: Nigeria customs service always collect more information than they report in official statistics in national publications and reproduced in international organizations' databases such as the IMF Direction of Trade and the UN comtrade. For example, in Benin and Togo, most goods arriving into the country are classified into categories for domestic use', re-exports and transit'. Obtaining this information from customs and decoding it poses challenges, and probably requires on-site visits and contacts within the government.

iii) Price differences across borders: this is another approach that gives rise to ICBT and can be studied. If arbitrage through ICBT were perfect, such price differences would not be observable, but in fact, transport costs and other impediments to trade mean that price differences persist even in the face of large-scale ICBT. To the extent that observed price differences can be explained by different government policies, the prima facie case for expecting smuggling to occur is strengthened.

iv) Observation of Borders: this approach is best for analysing free flow of trade, A common approach to quantifying trade flows is observation of trader activities at border crossings. This method has the advantage of direct observation rather than inference and can be a crucial source of information for understanding the modalities of trade. However, it may be very difficult to obtain a full picture of some types of trade in this way, for various reasons. The number of trucks arriving at the border can be counted but the exact contents of the trucks may not be easily ascertainable. Moreover, routes taken by ICBT are varied. Some traders cross at official border posts, with partial or full cooperation of customs officials, but others attempt to evade customs checkpoints, going through the bush or by water. In many instances, border posts are few and far between and it's difficult for traders to pass through official crossings even if they would prefer to do so.

v) Interviews: The cross border trader may be suspicious of the motives of researchers and not be inclined to talk at all or if they do, may not reveal the full truth. Nevertheless, researchers have had considerable success with this method, particularly when trust is developed by repeated contacts over time. By obtaining the perspective of a diverse group of participants and cross-checking their responses, one can eventually develop a detailed understanding of the operation of ICBT, how it has evolved over time and the key policy issues.

Reasons for Informal Cross Border Trade in Nigeria and Niger

A major reason for informal cross border trading is the comparatively high profit margin in the business activities and a wide difference in the exchange rates of the naira and the CFA franc. Goods originating from Nigeria are sold in exchange for the convertible currency, the CFA franc. Nigeria Petrol is sold at a price higher than the pump price, which makes it profitable and attractive to Nigerians seeking foreign exchange. There is no price control and mechanism in Nigeria but there is in Niger due to bad policy.

Government policy with respect to the importation of goods is more liberal in Niger than Nigeria. The tax on imported cars (new and used) is much higher in Nigeria; hence, Nigerians prefer to cross the border and buy their cars. Certain food items which have been banned in Nigeria and which are available in Niger are similarly imported through the back door. In addition, since the oil boom era, Nigerians have developed a taste for imported goods. There is, therefore, a ready market for such goods in Nigeria. Added to this is the fact that the goods are either cheaper, relative to Nigerian-made goods, or are considered to be of better quality.

ICBT in Nigeria and Niger

According to Afrika and Ajumbo (2012) Informal cross border trade is a trade with large proportion of the products traded within or exported from the region are raw or semi-processed, particularly agro-industrial products originating from or being destined to Niger. The Nigerian hub is one of the most active with informal exports going to countries like Benin, Niger, Chad and Cameroon. In Niger, it is estimated that tens of thousands of tons of Nigerian grains are sold annually and Informal trade in petroleum products has aid make Nigeria the major economic power in West Africa by supplying areas (especially rural ones) which are shunned by traditional international companies such as Total, Shell and BP but also national distribution companies.

Informal cross border trading is deeply rooted in West Africa's cultural history. Lagos' "Tinubu Square" was labeled after a famous Yoruba informal cross border trader by the name of Madam Efunroye Tinubu. Madam Tinubu owed her economic success and fame to massive, cross regional informal trading in salts and arms during the British colonial era. Madam Tinubu's fame pales in comparison to the modern day women informal cross border traders of Togo known as the "Nana-Benz". Then, as now, these women conduct their businesses on the regional and even international stage, drawing on a long history of trading experience as informal cross border traders. Large and multi-directional informal cross-border trade of foodstuff, gold and manufactures exist in the Western African region because informal and formal cross-border trade takes place against a backdrop of insecurity to persons and goods from corrupt law-enforcement agencies or cross border robbing gangs or syndicates. Traders carrying money often run the risk of having money seized.

The insecurity of traders is compounded by the fact that border infrastructure (warehousing facilities, reliable transport, etc.) is inadequate and that traders often do not have valid travel documents. Despite the challenges, in West Africa, cross-border trade (both formal and informal) remains the most efficient, organized and deep-rooted system of trade in the sub-region. The commercial skills, experience and organizational infrastructure of cross-border networks represents invaluable resources for the development of effective West African trade.

Determinants of Informal Cross Border Trade in Nigeria and Niger.

A variety of factors are responsible for the spread of ICBT in my study location but key causes vary from one region to the other, the main determinants of ICBT in Africa can be categorized as follows:

Lack of trade facilitation: The trade facility along the border is lengthy and costly. Crossing formal borders can take days at times and costs of clearance, processing fees, tariffs and taxes are generally above the value of goods being traded informally. Documentary requirements should be reduced and regional tariff and custom duties, other existing tax regimes should be reviewed to factor in ICBT. Monitoring and cyber gadget should be used as a springboard to monitor and evaluate ICBT activities.

Inadequate border Infrastructure: Border infrastructure issues should be addressed in order to enhance the movement and security of traders and their goods. There should be necessary infrastructures like proper warehousing facilities, community markets, transport networks and especially functional and adequately staffed border institutions and agencies makes it unattractive, inefficient and sometimes downright dangerous to trade via formal routes. Lack of adequate public and private transportation systems causes delays, forcing traders to miss community market days and their consumable goods especially agricultural produce to perish. Limited access to finance also plays a prominent role since traders are not bankable and transactions are cash based or bartered. Most traders lack working capital and tangible business assets making it difficult for them to get financing.

Limited market information: this is one of the key determinants because it is difficult for informal cross border traders to tap into regional and local market opportunities. In most African regions, the provision of information on cross-border markets is at best, minimal. Since most traders operate outside regular business circles, market information on prices, demand and supply is generally not available to them. They generally rely on informal sometimes unreliable information networks. Information on policies, regulations, agreements and protocols for the facilitation of cross-border trade is equally difficult to obtain. These should be published in reader friendly language and conspicuously displayed at border points in order to enhance communication and expedite implementation. More must be done to provide market intelligence services at key border points to facilitate flow of information on prices, demand and supply but also policies and regulations affecting cross-border trade.

Corruption & Insecurity at the border: This bad action fuels ICBT and corrupt law-enforcement agencies abuse local traders' lack of knowledge on customs procedures so as to influence their unethical practices (bribes). Traders carrying money run the risk of having money seized while some regions have recorded high incidences of rapes, lack of effective policing at border points and market ports increases the incidence of crimes against traders, forcing them to travel in groups to protect themselves, or simply use informal routes.

Low knowledge, Education and Business management skills: this is also at the basic of attention on ICBT because these traders are generally less educated and often lack basic business management skills. Business skills are generally acquired via traditional means and numeracy as well as literacy levels are notoriously low in some regions. This is exacerbated by a lack of knowledge and understanding of customs procedures and regional trade protocols. Conducting border community sensitization campaigns and empowering local traders with basic knowledge on management and customs procedures could go a long way solving ICBT issue.

Positive Impact of Cross Border Trading

- ICBT contributes to the economies of both Nigeria and Niger in various ways. It enables small-scale entrepreneurs to escape poverty and to meet the education, housing and other basic needs.
- ICBT traders employ people in their home countries and in the countries where they source their goods; and its also a supplementary source of family income to people who are under-employed and a source of employment to some people who were retrenched following economic restructuring that was occasioned by structural adjustment programmes (SAPs).
- Judging from the monthly values of income that traders realise from ICBT, it is apparent that the majority of ICBT participants survive on more than US\$2 a day which some of them would never have achieved under formal employment, especially considering the shrinking economies of the two countries.
- The number of people indulging in ICBT having degree-level education is rising. On the one hand, this is a pointer that that cross-border trade is increasingly becoming more

sophisticated, requiring better education for one to be able to interact and trade smoothly across the borders; however, it also confirms that most university graduates these days are without jobs or starting capital to pursue formal business. Thus, an increasing number of them resort to informal businesses including ICBT as a form of employment and means of income generation.

- A majority of the ICBT participants are between the age of 30 and 40 years. This is the age at which many people in both countries have married and have more responsibilities to take care of, but lack of formal sources income enhance motives and to meet their family responsibilities, given the realities of our 'change' economies.
- ICBT encourage and give benefit of lower prices of the informally imported products since they evade a lot of transaction costs. The low prices they offer have sometimes increased competitive pressure on firms operating in the formal sector; in some cases, this has promoted price efficiency, especially, where the formal sector were initially raking in supernormal profits and an edge to the consumers.

Negative Impact of Cross Border Trading

- The major fact and data on ICBT are not recorded in our national statistics because it's not available which implies what has always been stated as GDP of Nigeria and Niger economies is often grossly underestimated. The consequences might actually be wrong perception about the real trade balances of these economies with each other, the trade benefits accruing to them from regional integration, and it might continue to give a wrong impression about the extent of the performance and direction of growth of regional trade in both countries since only formal trade statistics are used to make such analysis and judgments.
- It is possible that as a result of the missing data on ICBT, both countries has been engaging in wrong policy prescriptions which might have led to some unintended negative impacts or unnecessary diversion of resources away from other important projects, thus impacting negatively the regional trade integration and development of both countries.
- It is confirmed that formal firms are more productive than informal ones, due to scale and scope economies, access to capital and technology and more advanced methods of production and distribution. This suggests that significant productivity gains would be achieved in our economies by transferring production from low-productivity informal firms to more productive formal firms or by facilitating the formalisation of informal firms. In that case, thus, the unfair competition from ICBT players may have the long-run effect of reducing competition and as such may prevent the more productive formal firms from entering or expanding in the market.
- A large informal sector could also deprive governments of needed tax revenue (such as VAT) which could have been reinvested into energy and infrastructure development, which are some of the critical priorities of both countries.
- The presence of a large number of customs/immigration officers at the border and their exploitative behaviour.
- Complained of experiencing a great deal of hassle at the checkpoint, this made crossing tedious.
- The difficulty in obtaining travelling documents and the fluctuating exchange rate were also problems of cross border trading as stated by 6.5 % of the traders.
- Language barrier is also key negatives because most Nigeria would speak english while the other participant in Niger will speak french.

CONCLUSION

Informal cross-border trade indicates a significant proportion of regional cross-border trade in Nigeria and Niger, for some selected goods, the volume of informal flows exceeds formal trade flows. Available literatures indicate that a substantial share of informal flows concerns staple food commodities (maize, rice, beans and cattle) and low quality consumer

goods (clothes, shoes and electronic appliances). As a result of this, it shows that informal cross-border trade is mainly conducted by individual dealers and micro, small and medium-sized enterprises (MSMEs) and often consist of relatively small consignments of goods.

Informal trade has several short- and medium-term benefits (increasing food security, alleviating poverty and providing employment) and it is likely to lead to negative economic and developmental effects in the long run. Governments should therefore aim to better integrate and link informal trade with formal trade. This can be done by encouraging informal firms to register and formalise their domestic activities. Informal cross-border trade remains a vital part of rural economic activity and invisible integration. It benefits from ethnic groups across Africa's borders since it minimizes language and cultural barriers unlike mutually unintelligible official English and Portuguese used by the state between Tanzania and Mozambique, respectively, or border anyin, nzima, awom, Sewfi, and baole are local languages of trade spoken on both sides; while Hausa is used across the Niger-Nigeria border.

Finally, ICBT will aid alleviate poverty and enhance regional food security; Nigeria and Niger should enhance its research and development on the ICBT sector in order to design more appropriate policy responses; ICBT which produces positive socio-economic ramifications should not be criminalized and it should be streamlined in National and regional trade strategies (Afrika and Ajumbo,2012).

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Online public relations: What are the mechanisms that should be used by practitioners to elevate their performance?

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ABSTRACTS

Despite the elevated interest in new technologies in the public relations practice, their use is still achieved in a random, traditional, disorganized way and without a particular strategy or methodology. This randomness in non-use may be caused by the lack of conviction of the role of modern technological tools and their importance to activate the dialogue between the organization and its audience. In addition to enabling them to achieve their objects such as promotion, building a strong reputation and increase loyalty and thus increase sales or services provided. The other reason is that this area is still considered relatively new. Literature still lacks studies that show the mechanisms that practitioners should follow to improve and develop their performance, although many studies have shown that there are many gaps and issues in the online PR practice, such as weaknesses in technological skills, weakness in the concept of online pr. Studies have also found factors that affect on the non-use of these tools or use them in an abusive manner. Therefore, there is a need for studies to show the mechanisms of dealing with these tools effectively. This study attempted to explore the literature in this field and found several mechanisms that could be used to improve and develop the practice of online PR.

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INTRODUCTION

Public relations (PR) plays a vital role in any organization by supporting an organization's activities while reinforcing its image. In addition, it communicates with external publics such as customers and shareholders. Ahmad and Ismail (2015) believed that PR aspires to maintain a mutually beneficial and long-term relationship between a concern and its key publics by balancing the interests of each party. PR often encompasses creating and maintaining a positive image and is aimed at providing consistent and constant communication with an organization's various stakeholders (Ahmad & Ismail, 2015).

Modern PR can be considered from several perspectives. The first PR may be considered as the art of dealing with the public in all its forms and using various tools suitable for reaching various audiences. Second, as Kowalski (2004) pointed out PR is also a science, although PR has not yet achieved the status as more established professions such as law or medicine, that require specific education and licensing. Lastly, "public relations are the management function that establishes and maintains mutually beneficial relationships between an organization and the publics on whom its success or failure depends" (Cutlip, Center, & Broom, 2000, p. 6).

In managing these relationships, modern PR practitioners utilize scientific methods to make their efforts more efficient and effective. Indeed, the PR Society of American notes that modern PR comprises a four-step process with functions including research, strategizing and planning implementation, and evaluation (PRSA, n.d.). In managing their programs, PR

specialists have access to an increasing body of literature and theory that could be used to guide practices .

PR today can utilize ICT to spread messages quickly, and PR practitioners can manage various Internet sites with all their strengths and weaknesses (Vosoghpour & Jafari, 2016). This means that the profession of PR intervenes in all aspects of life and works to influence target audiences to achieve its goals.

Indeed, PR can now communicate with people in simple and straightforward ways especially through various means of information technology, which have brought dramatic changes in the field of information dissemination including the emergence of social network, new media and advanced software production blogs, and other ways of using ICT in PR.

PR scholars have conducted studies about online PR in organizations, in general, to know about why and how and what are the gaps that affect to use these tools. And they found that PR practitioners often utilize these modern technological tools simplistically and modestly without a particular strategy. Like Grunig (2009) who said that "PR practitioners, doggedly use the new media in the same way that they used traditional media"(p.8). Beside that PR scholars found that there are several gaps in the online PR practice. such as there is a misunderstanding in the concept of online PR among the practitioners (Bhargava ,2010; Fitch ,2009; Inya ,2017; Kent & Suffer, 2014; Liptak ,2012; Robson & James ,2013; Toledano & Avidar ,2016).

Other studies have found that the acceptance of the online PR practice concept is related to authoritarian decision-making and a lack of education and skills (Al-Shohaib, Kandari, & Abdulrahim, 2009; Al-Shohaib, Frederick, Jamal Al-Kandari, & Dorsher, 2010; Ayish, 2005; Bashir & Aldaihani, 2017; James, 2007; Fitch, 2009; Kirat, 2005, 2006, 2007, 2016; Robson & James, 2013; Vardeman-Winter & Place, 2015).

In addition to that, many researchers believed that PR practitioners do not have technical skills that enable them to use social media. Such absence of skills can be a barrier to those practitioners and can result in an unwillingness to use social media (Bashir & Aldaihani, 2017). In addition to the many issues and gaps found in the practices of online PR through the literature. Therefore, proposing specific mechanisms to develop an understanding of how to achieve online PR objectives fully is necessary .

THE MECHANISMS

Indeed, many studies have recommended conducting additional research to find mechanisms to learn more about the effectiveness of these tools and understand how the advantage of these tools can be increased. For example, Al-Shohaib, Frederick, Jamal Al-Kandari and Dorsher (2010) explored factors influencing the adoption of the Internet by PR professionals in private and public sectors of Saudi Arabia and found that managers must understand the different organizational cultures operating within a single national culture.

Furthermore, Veletsianos, Kimmons, Shaw, Pasquini and Woodward (2017) urged that institutional leaders and offices managing social media accounts should reflect on how and why they use these technologies. For example, although the large following that social media can garner accounts could assist institutions in performing knowledge-sharing, knowledge-building, and educative functions, such activities are constrained at present by limiting the utilization of these technologies to broadcasting and promoting. Indeed, Alikilic and Atabek (2012) suggested that integrating social media into the curriculum of higher education PR programs to build a better understanding of these tools is critical. Campbell, Lambright and Wells (2014) recommended increasing the awareness of the value of social media and that scholars should share their research with leaders of public and non-profit organizations on how social media can be used not just for one-way communication but also to engage stakeholders in interactive dialogues.

Gordon (2010) said that "because social media are viewed as untrustworthy, inaccurate and not credible" (p. 45), more research should be conducted both on those using these new media outlets, especially those who publish blogs and on how to raise credibility. Because of the controversial nature of this topic, one recommendation is for a credible organization to create and promulgate a bloggers code of ethics. Also, Sebastião, Zulato and Santos (2017) said PR practitioners require more training in ethics. Perhaps more dialogue with academia is required to define essentials and guidelines in the field of ethics. Furthermore, to elicit ethical principles and guidelines from the several extant codes of ethics and conduct, explanations and examples of ethical and unethical practices must be given. Thus, ethics must go beyond mere philosophical and moral statements and become an applied instrument to become effective. More, clients must be drawn into consideration of these concerns.

Zebrass and Schramm (2014) concluded that newsrooms should be developed that utilize the full power of social media platforms in terms of information, identity and relationship management. Social Media Newsrooms offer a full range of opportunities for PR. However, as in many other fields, this needs strategic thinking and creative power to create its potential and productivity in corporate practices.

In the same context, some scholars have confirmed that changes in policy and government communication systems are vital for enhancing PR practice among PR practitioners. For example, Park (2016) said that the new PR environment requires changing government communication systems to accept the opening and sharing of data or information and public participation in decision-making with privacy protections while providing useful content, credibility and security.

Another scholar suggested that creating a written monthly plan for social media accounts is important. The planned posts should keep in mind holidays, cover any business and community events, and incorporate information that their audience might find to be applicable (Kreun, 2016).

Moreover, Inya (2017) found that the contents of social media platforms of universities should be generated and shared daily. PR managers in a university should prioritize using social media to enhance the global ranking of their universities. Therefore, managers should mandate that every staff of their public relations unit and ICT create a blog or Facebook and Twitter accounts with hyperlinks to their institution's website. This will help in generating the backlinks needed to improve the Webometric ranking of their universities. Bashir and Aldaihani (2017) suggested improving PR education by including more technical skills that practitioners should acquire and applying PR theories and models can also enhance the understanding of how social media can be used for organizational communication and how they can be effectively used with publics. Also, Shahid, Akram, Zulqarnain and Hashmi (2018) pointed out that PR practitioners can develop themselves through beginning to take risks with things that have already shown to be successful such as social media campaigns. Institutions can improve their use of social media and more knowledge, and better practices can be implemented into their routines.

Grunig (2009) believe that "PR cannot take full advantage of the digital revolution if it is practised under the interpretive rather than the strategic management paradigm"(p.8). Furthermore, Grunig (2009) found a model for strategic PR and gives recommendations for the usage of digital media in each phase of this model. These recommendations as a mechanism to use digital tools for PR to improve online PR practice. Which are: use Communication programs, Environmental scanning, Segmenting stakeholders and publics, Anticipating and dealing with issues and crises, Measuring relationships and reputation and Evaluation of communication programs.

Other studies ascertained that PR practitioners are required to acquire skills to raise their performance. Most studies have emphasised that if practitioners have acquired and enhanced their e-skills, they will be able to utilise internet applications effectively. These skills like

online security, publishing on the web, operation of new software, web analytics, optimization of search engine and web trend analysis software operation (Nowland, 2006). In addition to ICT skills (Breakenridge, 2012; Kirat 2005; 2006; 2016; Sha, 2011; Wilcox, Cameron, Reber & Shin, 2013).

Table 1

shows the suggestions of researchers to increase the performance levels of practitioners and PR departments through online PR.

Mechanisms	Scholar(s) /year
-Understand the different organizational cultures operating within a single national culture.	Al-Shohaib, Frederick, Jamal Al-Kandari and Dorsher (2010)
-Institutional leaders and offices managing social media accounts to reflect on how and why they use these technologies. -The large following garnered by social media accounts can assist institutions in performing knowledge-sharing, knowledge-building, and educative functions.	Veletsianos, Kimmons, Shaw, Pasquini and Woodward, (2017)
-Integration of social media to the curriculum of higher education PR programs to building a better understanding of these tools.	Alikilic and Atabek (2012)
-Increase awareness of social media's potential value. -scholars should share their research with others.	Campbell, Lambright and Wells (2014)
-more research should be conducted both on those using these new media outlets and on how to raise credibility. -create and promulgate a bloggers code of ethics.	Gordon (2010)
-PR practitioners need more training in matters of ethics.	Sebastião, Zulato and Santos (2017)
-Develop newsrooms that utilize the full power of such platforms in terms of information, identity and relationship management.	Zerfass and Schramm (2014)
-Change the policy and government communication system.	Park (2016)
-Create a written monthly plan for social media accounts.	Kreun (2016)
-The Contents on the social media platforms of the universities should be generated and shared daily. -PR managers in the university should prioritize using social media to enhance the global ranking of their universities.	Inya (2017)
-Improvement in PR education by including more technical skills that practitioners should acquire and be willing to acquire applying PR theories and models	Bashir and Aldaihani (2017)
-PR practitioners can develop themselves through beginning to take risks with things that have already shown to be successful, such as social media campaigns.	Shahid, Akram, Zulqarnain & Hashmi (2018)

-Communication programs. - Environmental scanning. -Segmenting stakeholders and publics. -Anticipating and dealing with issues and crises. -Measuring relationships and reputation and Evaluation of communication programs.	Grunig (2009)

Source: based on the researcher

CONCLUSION

It has become clear that public relations at today cannot work in isolation from the internet and modern technology. Especially that the Internet and technological tools are utilised by most of the world population, especially young people, who are among the most important target groups by companies and organizations. Because the usage of technology in the field of public relations is still new, this use is still random and unstructured, which led to the emergence of gaps in this practice, so this study tried to discover some mechanisms that could help improve the online PR practice among the practitioners. The study also recommends conducting further research to explore more mechanisms that regulate online PR practice.

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The Relationship between Organization Structures and Performance in The Nigerian Public Sector

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ABSTRACTS

The main purpose of instituting good organizational structure as a parameter for public sector governance control practices is to resolve issues affecting the prudent management of resources to ensure effective public service delivery. However, quality of public service delivery only increased by an aggregate average of 2.4 percent from 2008 to 2017 as a result of poor organization structure. This implies that existence organization structure seems not useful due to the level of decay in public service delivery. Consequently, the present study assesses the relationship between organizational structure tools such communication with stakeholder, accountability and internal control on performance of Nigerian public sector. The study employed the two popular survey research instruments (questionnaire and interview) to collect data concurrently, analyzes separately and merged the results during interpretations. The target population for quantitative analysis is made up of Six (6) from each of the 175 MDAs in Nigeria as at December, 2018 while the study proposed Ten (10) participants for interviews. The quantitative data were analysed using descriptive and inferential statistic. The Partial Least Square Structural Equation Modelling (PLS-SEM) was used to test the hypotheses. The findings of the study from quantitative and qualitative analysis reveal that communication with stakeholder; accountability and internal control are positively and significantly associated with public sector performance. The study concludes that the three constructs proxied for organization structure have positive influence on the public sector performance. Therefore, the study recommends that all the heads of MDAs should lay more emphasis on transparency and accountability in order to be accessible independently by the public, the internal control system of MDAs should be regularly review and updated to achieve the stated public service objective and all MDAs staff should be training regarding the line of communication in public services in order to enhance public sector performance.

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INTRODUCTION

Fiscal discipline built on solid public governance framework provides the foundation upon which any nation can attain sustainable development. Fiscal discipline associated with good governance ensures that the provision of public services by the government is done in accordance with laid down law in order to improve public sector performance (Bhuiyan and Amagoh, 2011; United Human Rights, 2012). The increasing demand for public sector performance in many countries reveal the nexus between quality public service delivery and good governance in order to meet the demands of the citizen (Otinche, 2016).

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In spite of all efforts by the Nigerian government to improve the quality of public service delivery, it only increased by an aggregate average of 2.4 percent from 2008 to 2017 as revealed in the MO Ibrahim Index of African Governance- IIAG (MO Ibrahim, 2018). In the Index, Nigeria scored 47.9 in overall governance, this is lower than the African regional average (54.3), ranking 33 out of 54 countries in Africa.

One of the problems affecting public sector performance is organization structure. Organization structure is the mechanism of communicating and controlling subordinates, it is in existence but seems not in use due to the level of decay in governance (Hassan, 2015). Organizational structures are expected to shape organizational performance because of the link existing between them. Nguru (2014) emphasized poor internal relationship and authority as the consequences of not using organization structure as means of communication and control, consequently, pervasive corruption and other unethical approaches becomes the order of the day (Bohte and Meier, 2001).

Francis, Ndubuisi and Olasunmbo (2013) also express their stands on inadequate use of organization structure and that weakness in enforcement of rules, corruption and unethical behaviour are the consequences. Therefore, poor organization structure incapacitates public sector entities to maintain effective internal control system that enhance accountability. Poor public sector performance can be linked to unstandardized organization processes that enhance coordination among sub-system within the public sector management. All too often, work is fragmented and compartmentalized and public officers find it difficult to get things done. This hinder the achievement of organizational objectives.

Based on the highlighted problem above, this study attempts at knowing the extent of the relationship between organization structures and public sector performance in the public sector of Nigeria. This would be achieved with the following specific objectives:

- i. To assess the influence of Internal control on public sector performance in Nigeria.
- ii. To investigate the role of Accountability on public sector performance in Nigeria.

The following research hypotheses in null form were developed from the research objectives.

H₁: Internal control has no significant influence on public sector performance in Nigeria.

H₂: Accountability has no role on public sector performance in Nigeria

LITERATURE REVIEW

Organizational structure is the structured framework of authority, ties and tasks that governs and manages the activities and behaviors of employees in order to achieve organizational goals (Jones, 2013). The system defines the hierarchical arrangement of workers and duties (Robbins & Coulter, 2007), the distribution of authority and liability and the implementation by the company's employees of laws and regulations (Nahma, Vonderembse, & Koufteros, 2003). The organizational structure is manifested in the chart involving three principles in its planning: (i) determination of the formal relationship and reporting showing the levels of hierarchy and span of control, (ii) the units of the organization, position and people of a unit, and (iii) the design of the coordination that guarantees effective relationship (Ahmady, Mehrpour & Nikooravesh, 2016). The trio further said that the organization structure is affected by its size in addition to goals, strategy, and environment. Organizational structure is about the distribution and coordination of works. Extent organizational structure studies concentrate on centralisation, formalization, and standardization (Jones, 2013).

In centralisation, decision-making power is centralized at the top (Jones, 2013). Formalization refers to "the sum of documentation in the organization" (Daft, 1995). This shows the degree to which the structured rules and procedures describe job tasks (Michael, Cron, Dubinsky & Joachimsthaler, 1988). Those rules and procedures are written to standardize organizational operations. Standardization is to what degree workers operate according to an organization's standard of procedures and regulations (Hsieh & Hsieh, 2001). The model sets duties and activities in a necessary manner and time while ensuring that routines and predictability are the acts and behaviors of employees (Jones, 2013). In fact, similar work practices are carried out at all sites in a standardized manner (Daft, 1995).

Formalization and standardization are management mechanisms for ensuring employee activities lead to achieving organizational goals; formalization and standardization frequently correlate (Price, 1997). Employees are responsible for their acts in an organisation where formalization and standardization are comprehensive, and have no right to violate rules (Jones, 2013).

Internal Control

Internal control is a mechanism planned and enforced by an entity's management to provide fair certainty as to the accomplishment of a firm's objectives while ensuring quality and effectiveness in its operations. Internal controls ensure the reliability of the financial and management reports, compliance with relevant laws and regulations to protect the integrity of the company (Auditing Practices Board-APB, 1999; COSO, 1992; Cunningham, 2004; INTOSAI, 2004; Kaplan, 2008). Internal control refers to the mechanism and method developed in order to achieve the organization's objective (Amudo & Inanga, 2009; Baltaci & Yilmaz, 2006; Glance, 2006; Jokipii, 2010). From the concepts above, one can easily understand that internal regulation is all about regulations that will assist in achieving the goals. It is central to the management processes of the public sector, and should be designed to ensure that productivity and effectiveness are operational in processes.

It is not sufficient for an organization to have a system of internal controls over its critical processes but to ensure that these controls are effective (Candrea, 2006). An efficient structure of internal control that exists when management adopts different procedures helps the external auditor in relying on the work of the internal auditor (Badara & Saidin, 2013). International Accounting Standards Board-IASB (2012) categorizes the forms of internal control as organizational plan, division of duties, record monitoring, asset protection, personnel competencies, and primary monitoring.

For the purposes of this analysis, effective internal control system refers to control mechanisms developed by an entity for the purpose of safeguarding their assets; ensuring the reliability of their records (financial and non-financial) and compliance with applicable policies and procedures that will ensure the achievement of organizational goals. The five basics for successful internal control as noted by COSO (2004) include Control Climate, Risk Assessment, Control Activities, Knowledge and Communication and Monitoring which are needed to ensure the achievement of organizational goals (Aikins, 2011).

Accountability

Holding to account is a clarification of what has been or has not been done, holding accountable, being disciplined and being expected to have remedial action if something has gone wrong. Implicitly, accountability can lead to applause or guilt (Jones, 2008). Accountability is accountable to those who have put their faith, confidence and resources into you (Onurah & Appah, 2012). According to Adegbite (2010), accountability is required to demonstrate that research has been performed in compliance with negotiated rules and standards, and that the officer reports on performance equally and accurately. Onurah and Appah (2012) observed that due to the nature and standards of and from accountability, the capacity to achieve maximum transparency was and continues to be inadequate. Accountability should not only be officials 'naming and shaming, but attempts should be made to promote economic development and reduce institutional recurrence. Adegbite (2010) noted three pillars of accountability, they are responsibility, openness and honesty, named by the United Nations Development Program-UNDP (2001) as ATI. Further responsibility segmentation is in Financial, Administrative, Political and Social Accountabilities.

According to Adeyemi, Akindele, Aluko and Agesin (2012), financial accountability is expected to be a legal responsibility, control over receipts and expenditure, permission to spend public money for public purposes. It is the justification of estimates, the oversight of

appropriated funds and account auditing. Administrative Transparency requires a solid, internal control structure. This complements the checks and balances, and guarantees them. Political Accountability essentially starts with free, fair and transparent elections. Lastly, Social Accountability is a demand-driven approach which relies on civic engagement and involves ordinary citizens and groups who demand greater accountability for public actions and outcomes. Accountability in the public sector means elected officials have to explain the source and use of public resources at their disposal; democracy empowers people to keep government officials accountable and also to track and regulate their behaviour.

Olatunji and Umar (2014) outline the need for transparency in the Nigerian public service to include (i) increased fraud and misappropriation by public officials, (ii) knowledge that these unethical practices have contributed to Nigeria's economic woes, (iii) awareness of government activities among people, (iv) pressure from foreign donors demanding more strict adherence to good governance and The steps taken so far by the government to ensure public transparency include simplification of operating procedures, inspection and auditing of accounts, staff and equipment; computerization of public sector operations such as customs services, e-payments, etc.; due process in awarding contracts and procurement, and capacity building, skill training for public servants (Ebonyi, 2000).

Public Sector Performance

The public sector can be described as those establishments that are saddled with the responsibility of implementing government policies, decisions and delivering services to the citizens. The Nigerian public service is a creation of law (Salisu, 2009) consisting of three (Federal, States and Local) separate levels of government whose powers and relationships are defined and guaranteed by the Constitution. Its main responsibility is policy implementation which is carried out by Ministries/Extra ministerial departments and Agencies - (MDAs) (Imhonopi & Urim, 2013). The public sector concerns itself with governance with a reflection of complexity of the governance framework and the diversity of approaches taken by public sector entities. There is a renewed interest on the need for an effective and efficient public management in order to strengthen the way the public sector is managed, by tinkering with the organization, performance and working conditions of employees.

The measurement of performance in the public sector has become an important topic lately. There is an increasing pressure and intensive orientation to improve performance, reduce the tax burden, and increase public confidence in government and overall productivity. Profiroiu (2001) gives performance measuring methods as measurements of economy of resources, costs, outputs, effects/outcomes, efficiency, effectiveness and service quality. Performance measurement according to Wang (2002) is a managerial and accountability tool and that is used in budgeting produces efficiency, effectiveness and accountability. Public sector performance is the specific or aggregate outcome from public activity/ies measured either absolutely or in comparison to an earlier outcome (Handler, Koebel, Reiss, & Schratzenstaller, 2005; Sahban, 2018). The use of performance measurement is quite long in history, as long as the early third century, it has evolved in several ways over time (Choong, 2014).

According to Bititci, Garengo, Dorfler and Nudurupati (2012), the evolution of performance management can be seen in four stages which include 'productivity management', 'budgetary control', 'integrated PMS' and the 'integrated performance management'. Practically, performance measurement has some obstacles, the nature of what is being measured and the available information (Cai & Ye, 2012). The system of measurement is one that gives room for making decisions and taking some actions, efficiency and effectiveness is quantified based on past occurrences (Neely, Adams & Kennerley, 2002). Currently, public sector performance measurement concerns itself with only effectiveness, efficiency and economy (the "3'Es"). This system of measurement has limitations, the indicators are mainly financial; they fail to measure environmental and social fulfillment of environmental and social objectives of the public organizations. According to Cai and Ye (2012), solution to this lies in the adoption of the "5 E's" system of measurement which

includes environmental and equity to the “3 E’s”. There are goals that are not measurable and as such, benchmarking is resorted to.

THEORETICAL REVIEW

The fundamental theories and models relating to governance keep on evolving, beginning with the agency theory, extending into stewardship, stakeholder, resource dependency, political or institutional, legitimacy and social contract theories (Lashgari, 2004, Abdullahi & Valitine, 2009). This section discusses the agency theory that are more relevant to this study.

Agency Theory

The agency theory deals with the so-called 'agency problem,' the division between ownership and management that was the dominant theoretical viewpoint of the governance structure analysis (Daily, Dalton & Cannella, 2003). The agency theory has been used in countless economic sectors and the basic principle is the management of the relationship between principal agents in optimizing utility function (Jensen & Meckling, 1976); separation of ownership from management. The problems of the organization emerge not only from the discrepancies in motive and priorities between the principal and the agent, but also from knowledge asymmetry, the risk expectations of the parties and the planning horizon (Eisenhardt, 1989). The problem with the principal-agent usually applies to problems such as information systems and rewards.

Jensen and Meckling (1976) describe the relationship between the agency as a contract in which one party (the agent) is charged on behalf of another (the principal) with performing a particular task. The theory emphasizes the quest for the contract model which best governs the agreement between the agent and the principal. Both parties are assumed to behave according to rational actions driven by self-interest, which helps to mitigate contract costs (Downs, 1957; Eisenhardt, 1989). Effective corporate governance relies on responsible executives who ensure that public interests are not undermined (Herman & Renz, 2009). Corporate governance's accountability and transparency aspect will help companies / countries gain the confidence of the stakeholders. Corporate governance increases the trust of stakeholders and that would help the country's survival in the long run. The principal's greatest obstacle is to ensure the agent fulfills their desire. The benefits of a contract based on the agent's actual actions should be contrasted with that of a contract structured to achieve predefined outcomes. In a situation where all information is available and the principal is able to monitor the actions of the agent, Eisenhardt (1989) suggests that the most successful contract model is based on the agent's behaviour; otherwise, the contract must be based on the outcomes being produced.

The agency ensures that organizational processes, supervision and efficient transparency will enhance the efficiency of the public sector in terms of providing the people with good public service (Martin, Gomez-Mejia & Wiseman, 2013).

METHODOLOGY

The population for this study is made up of the Permanent Secretary, Director of Finance, Directors of Personnel and of Planning, Research & Statistics, Accountant and Auditor or equivalents in Ministries, departments and Agencies (MDAs) of the Federal Government of Nigeria, giving a total of Six (6) for each of the 175 MDAs as at December, 2018 (The Embassy of the Federal Republic of Nigeria, 2019). The proportionate stratified method of probability sampling was used to select a sample size of 280 based on “Small Sample Techniques” (Krejcie and Morgan, 1970) out of this population. Relevant data on internal control, accountability and performance in Nigerian public sector were collected using closed ended questionnaire, a popular method of data collection particularly in a case of big

enquiries of this nature (Kothari, 2004). The questionnaire of two major sections, bio data and research concepts, required short answers, only requiring respondents to tick appropriately.

DATA ANALYSIS

The quantitative data were analysed using descriptive and inferential statistics. The descriptive statistics organized and presented the data obtained in form of tables, diagrams and graphs. It was also used to quantitatively describe the important features of the study variables using frequency, mean, maximum, minimum and standard deviation. Prior to testing the hypotheses, preliminary tests, normality, multicollinearity, reliability and validity were conducted. The Partial Least Square Structural Equation Modelling (PLS-SEM) was used for inferential statistics.

PLS-SEM is designed for related multiple simultaneous equations offering a number of advantages over more familiar methods, and provides a general framework for linear modelling, allowing great flexibility on how the equations are specified. The development of PLS-SEM as a statistical method has the companion of an evocative graphical language (Monecke and Leisch, 2012). This language allows for the presentation of complex relationships in a convenient and powerful way to others not familiar with PLS-SEM. The ability of PLS-SEM to give a snapshot of collected data makes it appropriate for exploring relationships between two categorical variables, in this context, public sector performance and standard of behaviour. The formulated hypotheses were thus tested, using PLS-SEM.

Mean and Standard of Variables

There are nine indicators used to measure public sector performance in this study as presented in Table 1. All indicators recorded high levels of mean score with “Capital improvement plans in my agency is fully financed” recorded the highest mean ($M = 4.69$, $SD = 0.522$), and “the current financial situation in my agency is acceptable” recorded the lowest mean score of ($M = 4.18$, $SD = 0.522$). This shows that capital improvement plans in my agency are fully financed is the main characteristic representing public sector performance.

Table 1 Mean and Standard Deviation of Variables

S/N	Items	Min	Max	Mean	S.Dev
1	Performance	1	5	4.18	.420
2	Accountability	1	5	4.69	.522
3	Communication	1	5	4.26	.503
4	Internal Control	1	5	4.64	.512

Source: Author's Computation (2020).

Table 3 -Correlation among Constructs

Variables	PSP	AC	CS	IC
Public Sector Performance	1			
Accountability	0.304**	1		
Communication with stakeholders	0.352**	0.249**	1	
Internal Control	0.361**	0.182**	0.359**	1

Source: Author's Computation (2020).

From the correlations matrix, the coefficients between the exogenous latent constructs are below the suggested threshold of ≥ 0.90 , suggesting independency of the exogenous latent constructs, they are not correlated.

Table 4 (VIF and Tolerance Values) Multicollinearity Test

Variables	N	VIF	Tolerance Value
Accountability	203	1.281	.781
Internal Control	203	1.325	.755

Source: Author's Computation (2019).

Table 4 also indicates non-existence of multicollinearity among the exogenous latent constructs, the VIF values are < 5 , tolerance values are $> .20$, and condition indices below 30, Hair *et al.* (2011). Thus, multicollinearity is not an issue in this study.

Assessment of Measurement Model

Two approaches to model estimation in SEM have been identified, the variance and covariance based SEMs. The PLS-SEM is a variance-based SEM using the obtained data to estimate the relationships between the coefficients with the aim of reducing the error terms of the endogenous constructs in the model (Hair *et al.*, 2014). A two-step process was used to evaluate and report the results, assessments of the measurement and of the structural models (Henseler, Ringle and Sinkovics, 2009).

Individual item and Internal Consistency Reliability

An assessment of the model measurement involves individual item determination of reliability, internal consistency and content, convergent and discriminant validities (Hair *et al.*, 2014). The reliability was assessed by examining the outer loading of each construct, items with loadings between 0.40 and 0.70, 14 out of the 29 items were retained based on rule of thumb (Hair, *et.al*, 2014).

Composite reliability was used to ascertain the internal consistency of measures adapted, this provides a less biased estimate to Cronbach Alpha's coefficient and does not under or overestimate the scale reliability (Gotz, Liehr-Gobbers, & Kraft, 2010).). Table 1 shows the result of the composite reliability and average variance.

Table 5 Summary of the Measurement Model (Composite Reliability and Average Variance Extracted)

Constructs	Items	Factor Loadings	Composite Reliability	AVE	Discriminant Validity
Internal Control	IC1	0.950	0.726	0.586	Yes
	IC5	0.525			
	IC7 IC9	0.743 0.755			
Accountability	AC1	0.947	0.788	0.658	Yes
	AC3	0.647			
	AC5 AC6	0.761 0.743			
Public sector Performance	PSF1	0.774	0.767	0.524	Yes
	PSN3	0.658			
	PSN5 PFN7 PFN9	0.734 0.765 0.716			

Source: Author's Computation (2020)

Convergence Validity and Discriminant Validity

Convergent validity is the extent to which measures of the same latent construct truly and indeed correlate (Hair et al., 2006). This was assessed by examining the Average Variance Extracted (AVE) of each latent construct, as suggested by Fornell and Larcker (1981). It is recommended that the AVE of each latent construct should be ≥ 0.50 to achieve adequate convergent validity, (Chin, 1998). The AVE values exhibited high loadings ($> .50$) on their respective variable, indicating adequate convergent validity (Table 6).

The Discriminant validity is the extent to which a particular latent construct is different from other latent constructs (Duarte and Raposo, 2010). Fornell and Larcker (1981) suggests an $AVE \geq 0.50$, and more adequately that the square root of the AVE should be greater than the correlations among the constructs, here the discriminant validity was ascertained by comparing the correlations among the latent constructs with the square roots of AVE in line with Fornell and Larcker, 1981. In addition, Chin's (1998) criterion of comparing the indicator loadings with other reflective indicators in the cross loadings table was used. One, AVE (Table 5) range from 0.540 to 0.724, suggesting acceptable values, also, the correlations among the latent constructs compared with the square root of the AVE (bolded values –Table 6) suggest adequate discriminant validity, they are greater than the correlations among latent constructs, (Fornell and Larcker, 1981).

Table 6 Correlation among variables

Accountability	0.811			
Internal Control	0.047	0.027	0.768	
Public Sector Performance	0.127	0.221	0.235	0.724

Organization structure is comprised of accountability and internal control as sub hypotheses. Figure 1 and Table 7 show the relationship between organizational structure and public sector performance.

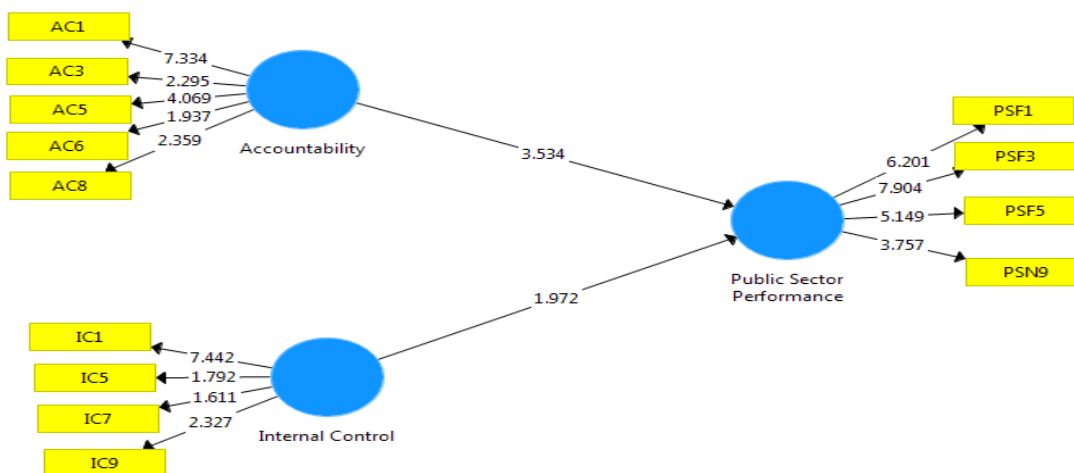


Figure 1 Assessment Structural Model (Organizational Structure and Public Sector Performance)**Table 7 Assessment Structural Model (Organizational Structure and Public Sector Performance)**

Hypotheses	Beta	Standard Error	T Statistics	P Values
Accountability -> Public Sector Performance	0.218	0.062	3.534	0.001
Internal Control -> Public Sector Performance	0.139	0.070	1.972	0.054

Source: Author's Computation (2020)

Figure 1 and Table 7 show the results of hypothesis which predicted that Organizational structure is positively related to public sector performance. They indicate that Accountability has significant relationship with public sector performance ($\beta = 0.218$, $t = 5.34$, $p < 0.036$). Also, there is a significant positive relationship between internal control and public sector performance ($\beta = 0.139$, $t = 1.97$, $p < 0.054$).

Effect Size (f^2)

Effect size (f^2) is the strength of a particular exogenous variable on endogenous variable(s) measured changes in the coefficient of determination (R^2) (Chin, 1998). Cohen (1988) describes f^2 values of 0.02, 0.15 and 0.35 as weak, moderate and strong effects respectively. Table 3 shows the respective effect sizes of the variables in the model.

Table 8 - Effect Size (f^2)

Variables	Effect size (f^2)	Decision
Accountability	0.07	Weak
Internal Control	0.26	Moderate

As indicated on Table 8, f^2 for accountability and internal control are 0.07 and 0.26 respectively, conclusively, the effect sizes of the two variables on public sector performance can be considered as weak and moderate (Cohen, 1988).

Predictive Relevance (Q^2)

A cross-validated redundancy measure (Q^2) was applied to assess the predictive relevance of the research model. Table 9 presents the results of the cross-validated redundancy Q^2 test, the cross-validation redundancy measure Q^2 for all variables were above zero, suggesting predictive relevance of the model (Chin, 1998; Henseler et al., 2009).

Table 9 Predictive Relevant (Q^2)

Variables	SSO	SSE	$Q^2 = (1-SSE/SSO)$
Public Sector Performance (PSP)	890.000	714.675	0.028

Table 10 Summary of Hypotheses Testing

Hyp.	Relationship	T Statistics	P Values	Decision
Organizational Structure				
H_i	Accountability -> Public Sector Performance	0.365	0.716	Supported
H_{ii}	Internal Control -> Public Sector Performance	2.098	0.036	Supported

From Table 10, two hypotheses to test the relationship between organizational structure and public sector performance accountability and internal control showed significant relationship.

DISCUSSION OF FINDINGS

The study employed quantitative data collected through questionnaire. Setting the relationship between organizational structure and efficiency of the public sector using two variables: transparency and internal control. The PLS-SEM result showed that Accountability has a substantial relationship with the efficiency of the public sector ($\beta = 0.218$, $t = 5.34$, $p < 0.036$) at a significance level of 5 per cent. The research failed to acknowledge the null hypothesis that suggests there is no meaningful connection between transparency and efficiency in the public sector. Which means which transparency positively affects the level of success in the public sector. PLS-SEM also showed a important positive relation between internal control and the output of the public sector ($\beta = 0.139$, $t = 1.97$, $p < 0.054$). The hypothesis is now restated that the relationship between internal control and the output of the public sector is important. It also means that an improvement in unit compliance with current internal control affects public sector output by 14 per cent.

The results of this study are in line with some earlier studies such as Yao, Yusheng and Bah (2013), which concluded that there are also important relationships between internal control systems and successful financial management of the public sector. Despite conflicting results from Meier's research (2001) that used mixed methods, he still concluded that period of influence forms success in a wide range of public organisations. Other studies which also support the findings of this study include Simangunsong (2014) and Boakye (2016) in Ghana, which concluded that the internal control effectiveness and internal audit function had a positive impact on local government performance both simultaneously and in part. Also, as a result of effective supervision, division of responsibilities, proper authorizations and approval etc., the internal control structure was efficient at the public hospital. However, Boakye (2016) clearly indicated that some problems hindered its implementation, such as poor judgment in decision-making, making errors due to carelessness, exhaustion, etc. The results of this study are also in tandem with Munene (2013), who analyzed and published on the relationship between internal control mechanisms and financial performance in Kenya's technical training institutions. In line with this, the Mohunyo and Jagongo (2018) research also stated that internal control has a major impact on financial performance in public institutions. Emmanuel, Ajanya, and Audu (2013) have reiterated that internal control is a mechanism for monitoring fraudulent activities and therefore increasing transparency.

Continuous records of failure in governance, lack of transparency and accountability, inefficiency and corruption are the product of poor, politicized, wasteful and ineffective government management processes in the public sector in Nigeria. There is an organizational framework in the form of internal control and transparency designed to address these issues in order to enhance public sector service delivery, but it does not seem to work. This study aims to investigate the relationship between the structure of Nigerian public sector organizations and results. They formulated two goals, study questions, hypotheses. Data were obtained via a standardized questionnaire administered to 270 respondents, consisting of Federal MDAs high-caliber representatives.

Using concise and inferential statistics, the questionnaire data were analysed. The descriptive statistics include basic description on the variables and the inferential statistics provide correlation, t-test and PLS-SEM for study to check all the hypotheses. The findings showed important positive relationships between internal controls, and transparency for success in the public sector. The report ended with:

1. That when public office holders are accountable, the performance in public sector improved.
2. Compliance with the internal control put in place in public service influences the extent of performance in public sector.

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Predicting Loyalty in Malaysian Public Higher Education using Theory of Planned Behaviour

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ABSTRACTS

Most of studies in business and marketing are adopting various theories to understand loyalty among customers. In the recent studies, understanding customer behaviour will help institutions to re-strategize their planning and operations to increase students' enrolment and retention. Hence, the purpose of this study is to examine the combined factors of attitude, subjective norms, perceived behavioural control and brand loyalty which mediated by intention to loyal and fill in the gap of literature pertaining brand loyalty. The application of Theory of Planned Behaviour (TPB) has been widely used to measure individual's behaviour, and therefore, this study is intended to adopt TPB in understanding factors that influence loyalty in higher education. The findings in this study will help to provide more explanations and insight about students' behaviour and their loyalty simultaneously will benefit the university managers to improve their future marketing strategy of HEIs.

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INTRODUCTION

From the rapid changing of the modern world, the universities around the world are resolutely becoming dynamic in term of building customer relationship. The emerging universities across the countries, higher education institutions are demanded to generate a continuous revenue for future sustainability. Apparently, the intense competition among universities and cost-cutting of government funding are becoming push factors of tertiary educational institutions to focus on improving their service quality and image. For instance, the delivering better service quality will enhance the academic institutions reputation as well as increasing their ranking.

Inevitably, the international students are recognized as significant element in higher education institutions as a source of contribution from tuition fees and miscellaneous payment of services. This dependency has insisted most of universities to adopt a good model of student retention and winning their heart to become loyal. In fact, several studies have attempted to identified factors that influenced student loyalty. However, certain area is still in lack of understanding. Previous research such in the study of Ali, Zhou, Hussain, Nair and Ragavan (2016) identify that service quality has significantly influenced on students' satisfaction, institutional image and their loyalty. While Ismanova (2019) found the significant relationship between perceived service quality and loyalty through the mediation of satisfaction and commitment. Hence, Shahsavar and Sudzina (2017) suggest that educational service should identify influential factors to improve students' satisfaction and their intention to become loyal to the institutions. Through the cognitive perspective, satisfied students feel more attached to their universities and sharing their experiences with others. Therefore, we

want to extend the effort from previous studies in incorporating Theory of Planned Behaviour in understanding student loyalty in higher education.

The growing number of studies using Theory of Planned Behavior were mainly focusing on consumer behaviour especially in psychology (Lac, Crano, Berger and Alvaro, 2013; Sahban, M., & Ramalu, 2014; Prapvessis, Gaston and DeJesus, 2015), green consumerism (Hsu, Chang and Yansritakul, 2017), health (Lao, Tao and Wu, 2016; Siuki, Peyman, Vahedian-Shahroodi, Gholian-Aval & Tehrani, 2019) and little less in predicting customer behaviour especially in higher educations. Thus, this paper attempts to adopt TPB in explaining the customers' decision making process especially in the public Malaysian higher education. Dewberry and Jackson (2018) in their first attempt to study on the students' intention to leave the college. The result of the study showed that Theory of Planned Behaviour has predicted the students' intention to drop out. To further understand the psychological behaviour on students' intentional behavior, the main focus of this study is to examine the impact of Theory of Planned Behaviour on student loyalty in higher education with the objectives are as follows:

- a. To examine the relationship between attitude, subjective norms, perceived behavioral control and intentional behaviour
- b. To investigate the relationship between intentional behavior and loyalty

LITERATURE REVIEW

Loyalty in Higher Education

When choosing on certain brands, customer always have preferences and they are likely to select the brands that they are like the most. The unique offering of certain brands and service customization clearly build the customers' trust. In the other way around, their loyalty turned into the asset that is profitable to the company. The loyal customers are emotionally engaged to the brand (Park, MacInnis, Priester, Eisingerich and Iacobucci, 2010). Hence, brand loyalty is a display of a behaviour pattern as a result from the attitude and commitment of customer to repeat purchase on particular products and services (Dick and Basu, 1992). Therefore, gaining customer loyalty is much more important for a company to stay survive and stay in the stream of competition from other businesses. The plethora of researches found significant findings on customer loyalty and its antecedents (Kim, Wong, Chang & Park, 2016; Kiran & Diljit, 2017; Martinez, 2015; Nyadzayo & Khajehzadeh, 2016; Watson, Beck, Henderson & Palmatier, 2015). Although the quality factors are essential to customer attitudinal and behavioural action towards brand, customer behaviour is also important to be observed. The decision to remain loyal or not is also matter based on customers' experience with the brands (Ewing, 2000). Oliver (1997) mentioned that customers' true loyalty is based on the stages from cognitive loyalty to affective loyalty which later showing tendency into conative loyalty and finally transform into behavioural loyalty.

Although the educational services also can be identified as business offerings, the concept of loyalty in higher education is not well defined (Ali, Zhou, Hussain, Nair & Ragavan, 2016; Rojaz-Mendez, Vasquez-Parraga, Kara & Cerda-Urrutia, 2009). Some scholars associated dimensions as quality (Chen, 2016; Ali *et al.*, 2016) perceived value (Carvalho & Oliveira, 2010; Sampaio, Perin, Simoes & Kleinowski, 2012) and any other determinants of loyalty in higher education, however the prediction of students' intention to loyal is still in underserved area of understanding. To date, there scant of research that considering cognitive aspect to loyalty especially in higher education.

Theory of Planned Behavior in Predicting Loyalty

Theory of Planned Behavior was developed to understand the complexity of human behaviour. It is further explained through the context of behavioral intentions are influenced

by the perceptions or expectations of performing the behaviour. Ajzen (2006) emphasizes that human behaviour explain a wide range of health behaviors and intentions including smoking, drinking, health services utilization, breastfeeding, and substance use, among others. Some experts state that behavioral achievement depends on both intention and behavioral control. It distinguishes between three types of beliefs - behavioral, normative, and control. Ha (1998) argues that numerous of studies only measured on the behavioural aspects and there little that considering cognitive aspects. Hartel and Russell-Bennett (2010) also argue the function of emotional and cognitive loyalty which determine the consumer future continuation of purchase.

This study will adopt the three components of Theory of Planned Behaviour from Ajzen (1991) combining with variables from previous current studies. The components of TPB are include attitude, subjective norms and perceived behavioural control which elaborated as below;

Attitude

Traditionally, attitude is a form of cognitive aspect that involves a set belief to encourage someone to be or not to be (Ajzen & Fishbein, 1977). Lee and Ullah (2011) stated that attitude is a set of judgment which allow customers to choose type of services which is satisfy them. Khare (2011) added that attitude can be also influenced by perceived benefits and value if they choose to act rightly. As rightly defined by Ajzen (1991) attitude are connected to the positive or negative evaluation to perform behavior and it has strong connection with behavioral belief as the indication on performing the act (Ajzen, 2002). Khalek (2014) found significant relationship between attitude and customer behavioural intention to buy halal food. Similarly in the finding by Kim and Yoon (2017) also found a significant customer attitude in buying green product. Thus, we hypothesized as following;

H1: There is a positive relationship between attitude and intention to loyal

Subjective Norms

Subjective norms is related to the social influences on individuals in favor to do or not to do certain things that normally accepted or not by others (Ajzen, 1991). It is about the set of beliefs by individuals that is in line with others perspectives and can be accepted by their groups for such act performed. Back then, there are abundant of studies have been made to examine the effect of subjective norms on consumers' behavior. For example, social pressure on certain individual will influence their attitude towards behavioral intention in purchasing (Ming-Shen, Chih-Chung, Su-Chao & Yung-Her, 2007; Tarkiainen & Sundqvist, 2005). Hübner and Kaiser (2006) refer to the uncertainty of subjective norms to influence the intention that may depends on certain situations. When it comes to decision making, consumer always have second opinion either to buy or not after getting several opinions from family and friends. In higher education for example, the influence of parents in selecting the right place for their children to study is also contributing to students' decision making. Therefore, we hypothesized as following;

H2: There is a positive relationship between subjective norms and intention to loyal

Perceived Behavioral Control

In the concept of perceived behavioral control, Ajzen (2002) has presented that it is a form of control beliefs on perceived of ease or difficulty to perform. Primarily, it is also being related to self-efficacy (Ajzen, 2002), and as explained by Bandura (1977) as choice made by customers by giving the whole commitment and perseverance on performing act to engage

with the services. Moreover, self-efficacy is more about willingness to act or not to act. It also give the option to individuals to decide the strength of ability on performing task and durability to stay stable and always looking forward to complete their goals. The stronger of self-efficacy, the high of ability to endure and vice versa (Bandura, 1977). To explain in details, self-efficacy beliefs is a cognitive process that blooming in many ways. People are whether direct or indirectly aware that their mind always be on setting which is purposive, often influenced by forethought that targeting on their goal. When one's goal setting is influenced by self-appraisal of capabilities (Bandura, 1993), the stronger they will adhered to perform or to achieve it (Bandura, 1991). Previous study has found perceived behavioural control as significant predictor to behavioural intention (Dutta & Singh, 2014; Johe & Bhullar, 2016). Therefore, we hypothesized as following;

H3: There is a positive relationship between perceived behavioural control and intention to loyal

Intention to Loyal

Customers' intention to buy always become the predictor of the actual behaviour of purchasing a product. Ajzen and Fishbein (1977) agree that the consumers' purchase intention is an essential index to predict consumer behaviour as a subjective attachment to the product and services. Liu-Thompkins and Tam (2013) add that not all repeat customers do buy same brand can be considered as attitudinal loyalty but it is also because their habit in buying too. They do emphasize that repeat purchase are involving behavioural patterns and motivated by both attitudinal and habit. The intention of repeat purchasing captures the loyalty of a consumer towards the products, services or brands of interest (Oliver, 1999). Customer with high psychological attachment to a brand are fully committed to stick to the same brand even they have many options to choose same product produced by different company (Yim & Kannan, 1999). Apart from that, consumers' purchase intention also serves as a mediator between their attitude towards a special product and their real purchase behaviour (Ajzen & Fishbein, 1977). Some studies have supported the finding that intentional behaviour lead to actual behaviour (Ho, Wu, Nguyen & Chen, 2019; Kassim, Arokiasamy & Ping, 2019; Shahid Iqbal, Ul Hassan & Habibah, 2018) Thus, it is hypothesized that;

H4: There is positive relationship between intention to loyal and loyalty

CONCLUSIONS

The higher education institutions especially have face stronger competition among universities around the world and it has urge them to provide services that fulfill students' requirements and expectations. Exploring the elements that positively influence behavioural intentions such as attitude, subjective norms and perceived behavioural control and the link to brand loyalty, this study will contribute to the existing literatures on customer loyalty. Indeed, it also will help the university managers to focus

Previous studies have developed different models that theorise on customer loyalty (Fu, Zhang & Chan, 2018; Luarn and Lin, 2003; Mohamad, Ab Yazid, Khatibi and Azam, 2017). However, the application of TPB in measuring loyalty especially in higher education has not been associated in the previous study. Therefore, a conceptual model developed in this study is based on the constructs adopted from Theory of Planned Behaviour and proposed as below;

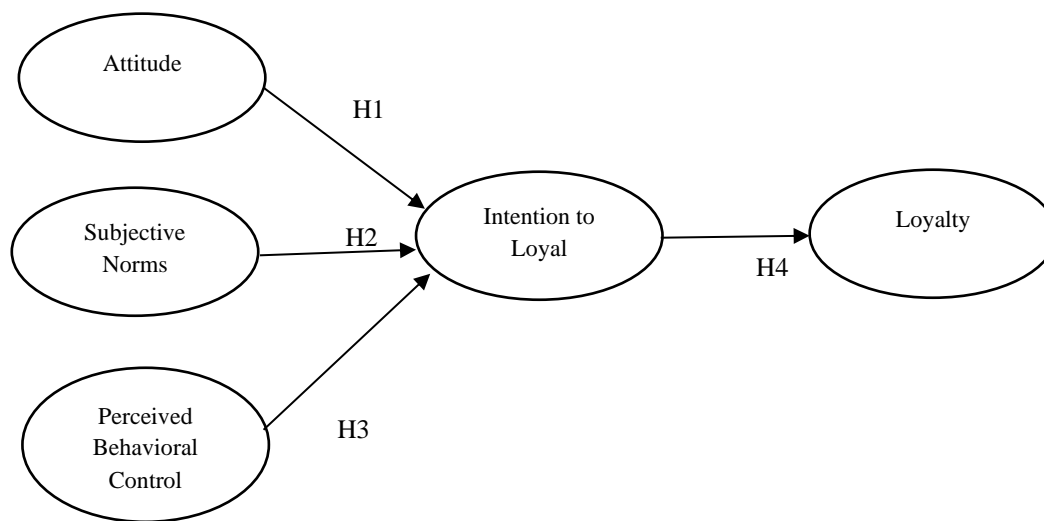


Figure 1: Theoretical framework of this study

The conceptualization of brand loyalty in this paper provides an academic insights that is still lacking in previous studies. With the varying approaches on identifying customer loyalty, this model can be served as a guideline for higher educations to understand their customers' need. Moreover, it helps to understand their customer better and satisfy them and therefore creates more opportunities to build loyalty.

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Coronavirus Disease (Covid-19), is Global Recession Evitable?

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ARTICLEDETAILS	ABSTRACTS
History <i>Received : February</i> <i>RevisedFormat : March</i> <i>Accepted : April</i>	<p>COVID-19 (Coronavirus Disease-2019) is regarded as a public health emergency of international concern. Patients contracting the severe form of the disease constitute approximately 15% of the cases [WHO]. The covid-19 is affecting 203 countries and territories around the world. An epidemiological threat such as COVID-19 can have destructive effect on the economy. It is of great importance not to focus only on the epidemiological profile of the virus but also its impact on the economy. As much as economists think about risk-taking as a key driver of the economy, an economy only works if risks are largely known. With the impact of the covid-19 on travel services, durable expenditure, on supply chain and on social isolation (high skilled working from home, home schooling) and impact on demand and supply. On the bases of the listed impact on the economy global recession seems inevitable, there is also possibility of emerging markets. The overall demand effect is probably higher than the initial supply shock. There will be uncertainties, panic, a lot of panic buying and lock-down policies is a key to drive large drop in demand. The investment in a lot of firms especially the small and young firms, spending for households such as rent and mortgage's depend largely on cash flow. Large drop in demand will lead to force closure in a lot of firms and this will lead to an increase in lay-offs and hence further drop in consumption, and sadly the economy leads to depressing loop.</p>

Keywords :
Covid-19, recession,
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INTRODUCTION

Severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2), is a disease Coronavirus disease 2019 (COVID-19). It originated from wet animal market in Wuhan, China, early Dec 2019. There are other similar pandemics such as SARS-CoV-1, which affected 8,000 people in 2002/03, there is 96% match between bat coronavirus and human found in a study from February it is suggested that the link to humans is not direct but through intermediate host. The corona virus is regarded as a pandemic (World Health Organization. 2020).

The World Health Organization declared the corona virus on 11th of March. WHO defined "A pandemic is the worldwide spread of a new disease, an influenza pandemic occurs when a new influenza virus emerges and spreads around the world, and most people do not have immunity." While US CDC defined "Pandemic refers to an epidemic that has spread over several countries or continents, usually affecting a large number of people." Its declaration is about geographic spread, not about the severity of the disease or virus. There are a lot of outbreak in the past that were regarded as pandemic.

In the 14th century Europe had bubonic plague, 1918-1920 Worldwide Influenza epidemic with over 50 million, 1981- till date HIV-AIDS greater than 25 million lives and 33 million living

with HIV. Recently there incidences of smaller outbreaks: 2002-04 SARS with 8 thousand cases 774 death, 2009 Avian flu which has claimed 151-575 thousand deaths, 2014-2016 Ebola outbreak with greater than 11 thousand deaths as reported by Novel Coronavirus (2019-nCoV) Situation Report-7 - World Health Organization (WHO), January 27, 2020

Richard Baldwin, 2020 on assessing the possible impact of corona virus on the economy, it is of great importance not to focus only on the epidemiological profile of the virus but also its impact on the economy. As much as economists think about risk-taking as a key driver of the economy, an economy only works if risks are largely known. But unknown risks, or uncertainties, can have a larger, more paralyzing effect. That issue of credibility has only become more challenging during this crisis and it makes assessing the impact of the virus on the global economy that much more difficult.

Economical risk the virus exposes a lot of countries especially the developing countries mostly Africa, south Asia and some part of Latin America. This regions have lower health system capacity that is fewer intensive units as well as ventilators. Less possibility to wash their hands with soap frequently because of limited supply of pip born water. This countries are more exposed to the world trade cycle because their demand for goods and services are highly dependent on developed economy demand and hence more vulnerable to the crisis. Far less access to internet services and therefor working from home will have high rate of disruptions and unprecedented economic cost than the already high and heterogeneous cost compared to the developed countries (Richard Baldwin 2020)

Most economist in US and Europe predict major recession. Even if the mortality rate of COVID-19 proves to be less as compared to the number of flu death in other pandemics it is likely to cause major recession (Baldwin, R & B Weder di Mauro, 2020).Europeans have greater views than the US as shown in table 1.1

Table 1.1 Top Economist Views

No	Views	European panel views	US panel views
1	Strongly agree	48%	18%
2	Agree	43%	44%
3	Uncertain	13%	31%
4	Disagree	4%	8%
5	Strongly disagree	0%	0%

<https://voxeu.org/article/economic-impact-pandemic-igm-forum-survey> (12th March)

With the impact of the covid-19 on the economy there will be impact on travel services, durable expenditure, on supply chain and on social isolation (high skilled working from home, home schooling) and impact on demand and supply

IMPACT ON TRAVEL SERVICES

There will be economic impact on travel services, most of the airlines at risk from the EU travel ban. The total number of seats on flights scheduled between EU and non-EU countries in a period of 30 days are shown in the table 2.1 below,

Table 2.1 Total Number of Seats on Flights Scheduled

No	Flights	Number of seats(1000)
1	Air France	815
2	Lufthansa	573
3	Emirates	544
4	KLM	507
5	Wiz air	468
6	Qatar airline	372
7	Ryan air	369
8	Turkish airline	354
9	Delta airline	338
10	Aeroflot	322

<https://voxeu.org/article/economic-impact-pandemic-igm-forum-survey> (12th March)

IMPACT ON DURABLE EXPENDITURE

Durable expenditures in face of negative income shocks, one of the strongest response are household with higher demand for cars or vehicles is prosponded. Increase in uncertainty is most likely to have similar effect is the moves by most individuals to spend with precaution the little available resources. There are evidences from project funded by ERC grants: (Surico, P., & Galeotti, A. 2020).

IMPACT ON SUPPLY CHAIN

Table 2.2 Shipment and supply of smart

No	Quarterly	Forecast Before The Outbreak	Forecast With The Effect Of The Outbreak
1	Q1	60m	78m
2	Q2	90m	93m
3	Q3	102m	104m
4	Q4	108m	110m

Most sectors that will be affected all of this sectors, all the sectors will have impact with the severity of the pandemic are summarized in the table 2.2 the preliminary views is based on the base case which is sure subject to changes as the COVID-19 outbreak evolves, this is summarized and presented in table 2.3 presented below,

Table 2.3 sectors affected by covid-19

No	Estimated degree of impact in terms of duration (shortest to longest)	Estimated global restart (global slowdown)	Subject change as a result of covid-19
1	Consumer product	Q2	Overall moderate decline(in private consumption and export services) Demand for certain products (food and household essentials) Potential of localized impact containing negative demand

2	automotive	Q2/Q3	Existing vulnerabilities(decline in sales) brought about by decline in Chinese demand, continued supply chain and product distribution in countries like China ASIA and EU headwinds may persist to Q3 given tight interventions less than six(6) weeks supply chain complexity with minimal ability to shift
3	Oil and gas	Q3	oil price decline as a result of longer term demand impact and short-term supply overhang With resumption of consumer demand there will be rebound but long-term impact is likely if situation persists and depresses price beyond a year
4	Aviation\airlines	Q3/early Q4	Sustained headwinds with the global travel acutely impacted. Summer season is sure missed, there will be forward booking for March-April down significantly reports will be for over 40% in certain airlines. Pace will recover faster for domestic travels and slower pace recovery for long-haul and/or international travel up to 3-4quarters
5	Tourism and hospitality	Q4	Severe ripple effects such as closure in Paris tourism down 50% in Vietnam despite the lack of local transmission. Delay in recovery until winter season when the disease might surge again. Potential of more localized impact containing negative hit in demand

Source: HIS Market: MCKinsey global institute analysis: subject matter experts: press report.

SOCIAL ISOLATION

Social isolation increased as a result of isolation during the quarantine or social distancing phase will be costly across demographics, especially the elderly, whose families are more likely to distance from them for fear of spreading the viruses. This older population are both vulnerable to the virus since their immune system has been compromised.

HIGHER SKILLED WORKERS

High skilled workers are likely to work from home, a lot of firms may consider and increase acceptance of remote work as an improvement with more flexibility for workers, less congestions in cities, unequal opportunities. Some of the high-skilled can work from home such as financial services, corporate jobs education but not health professionals. The lower skilled workers such as drivers, deliverers, cleaners, supply chain distributors, retail workers and so on. Skills may correlate with liquidity to sustain brief unemployment during this health crisis (Khan, N., & Faisal, S. 2020)

High level earners are more likely to work from home, this will imply 29% of American workers can work from home according to BLS survey in 2017 – 2018. The proportion of such individuals vary widely across occupations and industries. Income is also a crucial factor in working from home as shown in table 2.4

Table 2.4 Proportion of Workers Working From Home

No	Range	Percentages
1	0-25 th percentile	9.2%
2	25-50 th percentile	20.1%
3	50-75 th percentile	37.3%
4	75-100 th percentile	61.5%

Source: <https://www.bls.gov/news.release/flex2.t01.htm>

There are strong similarity across sectors, a lot of workers in the manufacturing, retail, leisure, construction, tourism, transportation, education and utilities can hardly work from. There will be potential long time changes

POTENTIAL LONG TIME CHANGES

Most universities and business world have quietly shifted towards remote working and learning for the rest of the school year, the situation is favorable or can be managed by them. Despite the disruption, this event occurrence is seen as a critical opportunity for digital learning a lot of companies are hoping this can be a persistent change. Looking at a popular remote conferencing software, it has shown a sharp increase in its stock price during the first few months of 2020 (Baldwin, R., & di Mauro, B. W. 2020).

HOME SCHOOLING INTERNET ACCESS AND EDUCATION

A lot of learners more than 770million are now affected by the school closure. With the schools closures home-schooling and online tutorials is being encouraged. There are some empirical studies that shows the strong impact of quality of parental education on pupils educational attainment and long-term outcomes (Heckman, 2006) thus school closure will reinforce this inequality. There are universally access to online resources between 50 million and 80 million people in china alone are reported to have no sufficient internet connection or web-enable device as at 2018 (Josephine Wolff, 2020) 10% of household in the United Kingdom do not have internet connection. The closure will be reason to disproportionately affect children from low-income families or poor families, many of whom receives daily breakfast and lunch and in some cases dinner on campus (Howard Blume, 2020).

FEEDBACK LOOP INTO DEMAND

The race between demand and supply at the beginning of the outbreak of covid-19 may look like supply shock. There is disruption in supply chain globally, social distancing and quarantine worldwide decreasing the supply for labor. The great recession of 2007 originated

as supply shock in the financial sector, war and natural disaster with origin of supply shock is the destruction of infrastructure or large scale loss in labor force permanently (Baldwin, R & B Weder di Mauro, 2020).

Demand will affect materialization, uncertain about the progression of the disease, uncertain about new economy policies that may come up, non-permanent worker losing their job and hence no income, particularly in affected industries such as manufacturing and hospitality. Increase in savings by household as a precaution for uncertainties until situation is clear.

FEEDBACK LOOP INTO SUPPLY

This will imply firms such as firms more dependent on cash flows, lack liquidity to fulfill commitments while facing a decline in demand and hence forces to file for bankruptcies. The demand and supply loop similarly to financial crisis, through all uncertainties about the pandemic. This is different from war or disaster where demand might increase as government redirect efforts towards rebuilding or fighting and hence potentially inflationary (Bénassy-Quéré, A., et.al 2020)

The race between the demand and supply feedback loop into demand. Workers losing their jobs from business closure do not have any sources of income and hence will have to lower consumption, finally depressing aggregated demand. Baldwin, R., & di Mauro, B. W. 2020 reported IGM poll of top economists suggested that the impact of this demand shock will be larger than supply presented table 2.5

Table 2.5 IGM poll suggestions

No	Views	European panel views	US panel views
1	Strongly agree	4%	0%
2	Agree	43%	44%
3	Uncertain	41%	52%
4	Disagree	12%	3%
5	Strongly disagree	0%	0%

Source: <https://voxeu.org/article/economic-impact-pandemic-igm-forum-survey>

MANY SMALL BUSINESS DEPENDING ON CASH FLOW

Small businesses depending on cash flow to asset ratio above 0.5 account for about 10% of employment in private businesses. All the private businesses account for more than 60% of the total employment. Hence small firms with cash flow assets greater than 0.5 account for some 6% of the total employment in every economy from calculations from (Surico, P., & Galeotti, A. 2020).

CONCLUSIONS

Global recession seems inevitable, there is also possibility of emerging markets. The overall demand effect is probably higher than the initial supply shock. There will be uncertainties, panic, a lot of panic buying and lock-down policies is a key to drive large drop in demand. The investment in a lot of firms especially the small and young firms, spending for households such as rent and mortgages depend largely on cash flow. Large drop in demand will lead to force closure in a lot of firms and this will lead to an increase in lay-offs and hence further drop in consumption, and sadly the economy leads to depressing loop.

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