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AMITY BUSINESS SCHOOL

From the desk of the Editor-in-Chief

"Victory comes from finding opportunities in problems."

The world is passing through a transition phase for last two years. Covid 19 started in December 2019 and peaked in 2020.Every field and sector are affected but education sector is the most severely hit. If the academic Institutions across glove would not have worked in the true spirit to change operations from offline to online and then blended mode, there were strong chances of the academic session to become zero years. It was not easy for majority of people to adhere to these changes in absence of any available references of the past and limited resources. To implement the changes in school education was a major challenge.

Time and again, humanity has proved that we are tougher than the tough problems and pandemic was also no exception. The third wave is on and we are all facing this disaster bravely. Everyone is hoping to see exit of this deadly disease soon.

Researchers around the glove have utilized these two years in most positive spirit and have come out with many meaningful outcome-oriented research initiatives. As per the data, thousands of research paper on contemporary and relevant issues has been published by the eminent researchers during this period.

Presenting for all of you few of such meaningful quality research papers.

Happy Reading

Sanjeev Bansal

From the desk of the Editor

Amity Business Review is a double-blind peer-reviewed, international, interdisciplinary journal, covering business, management, economics, finance, industrial organisation, and other related fields. We are extremely excited to be embarking on this very important role and wish to express my gratitude to all the contributors. We also want to encourage all those who are interested in being part of this energetic and enthusiastic team of reviewers and contributors to contact us, as we will welcome your contribution. We invite colleagues working in related disciplines such as, Human resource, Marketing, Finance, Information technology and operation to consider our journal as an appropriate medium for the publication of your own high-quality research.

ABR is designed to provide a platform for academicians, researchers and practitioners who are interested in new knowledge in the field of business, management, economics, finance, industrial organisation and other relevant disciplines. As the Journal is international in scope, papers dealing with state-of-the-art developments in various nations, or comparative studies from several countries will be accepted. The journal publishes a wide range of original papers, critical reviews of recent research papers with significant research results and technical notes in related areas and their applications.

We wish a cheerful, research full new year 2022 to all.

Amit Kumar Pandey

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ARTICLES

Impact of Brexit on Banking and Finance Sector

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ABSTRACT

The 23rd June 2016 referendum on UK's prolonged participation in the European Union sowed seeds of another political turmoil and economic instability when 51.9% of the voters voted to leave the European bloc. The uncertainty surrounding the British withdrawal from EU finally ended on 31st Jan 2020, as the UK withdrew from the EU and was granted the third country status. This historic event has been dubbed as "Brexit". This paper examines the impact of Brexit on the financial sector of UK since the announcement of its possible exit from the EU. Further, the paper reviews the operation of banking and financial services in pre-Brexit era and brings out the challenges looming over the industry after the end of the transition period on 31st December, 2020. Finally, the paper explores the pros and cons of Brexit on financial entities operating in the EU and the third countries.

Keywords: *Brexit, Financial Services, Banking, Passporting, Subsidiarisation, Post-Brexit Era, Immigration.*

INTRODUCTION

The British desire to get independence from the EU legislation, gain back control over its policies and curb immigration which exceeded 300,000 persons annually into UK from EU and from outside EU in 2014 and 2015 (Sowels, 2017) made it leave the European Union of which it had gained membership in 1973. On March 29, 2017, the United Kingdom invoked Article 50 of the treaty on European Union and thus began the formal process to end its European membership. Brexit, a blend of 'British' and 'exit' took place at 11pm GMT on 31st Jan 2020, when after an exhausting round of political debates and grinding negotiations stretching over for four years, Britain left its largest and closest trading partner and reverted to a third-country status. The EU Single Market which was formed because of efforts to consolidate cross-border trading relationships, achieve economic integration and increase harmonization of regulatory and supervisory standards across the EU, offered several advantages such as reduced barriers and costs, access to larger markets, specialization and additional competitive pressure to the business entities in UK (Emmerson, Johnson, Mitchell, 2016, p. 11). As such, Brexit becomes the source of long- term political and institutional transitions, regulatory changes, depressed risk appetite, elevated uncertainty, deceleration of growth, softening of confidence, reduced domestic inward investment and dismantling of economic relationships and holds severe implications for the economies of UK and EU. The object of this paper is to analyze the consequences of Brexit on the banking and financial (including insurance) services industry.

REVIEW OF LITERATURE

After UK's desire to withdraw from the EU was apparent in the referendum held by PM David Cameroon, many studies have looked at the possible British exit scenarios and their probable impact on UK's economy. Oliver Wyman (2016) estimated that the British economy would lose £2 bn worth of revenue, 3,000-4,000 jobs and £0.5 bn of tax revenue in the high access scenario, wherein UK remains outside the EEA but enjoys the recognition of regulatory equivalence and passporting, while the lowest access scenario which reduces UK to the status of a third country would hit the UK economy by £18-20 bn of lost revenues, 31,000-35,000 of jobs and £3.5 bn of loses in tax revenue. Many think tanks, financial institutions, academicians and law specialists have contributed to the Brexit debate and have suggested options for UK's future relationships with the EU, while basing their estimates on the dynamics of Brexit negotiation process for minimal disruptions to the UK economy. The possible EU-UK models post Brexit as suggested by Deloitte (2016) were- (1) EEA+EFTA (Norwegian model) in which UK joins the EFTA (European Free Trade Association), which already includes Norway, Iceland, Lichtenstein, and thus becomes a constituent of EEA. This model gives the UK full access to EU market and spares UK from making contributions to the EU budget except grants. However, UK would have to accept free movement of goods, services, persons and capital, remain outside of EU Customs Union and lack influence over EU legislation. (2) Non EEA+EFTA (Swiss model) which gives UK the liberty to decide areas where it could gain direct benefits from accessing EU markets, while EU legislation shall apply to bilateral agreements.

The loss of jobs in financial sector was predicted to be 83,000 (PwC, 2018); 70,000 (EY, 2017) and 2,30,000 as per the estimations of UK treasury in April 2016. Different organizations have predicted bifurcating impacts at different points of time. Hunt (2016) survey results highlighted those 100,000 jobs were at risk in the financial sector and the contribution of the sector to the UK economy would perish by 10%, an equivalent of £12 bn by 2020, if the UK left EU; though it gives a sense of relief that the market would adjust over time, resulting in an overall scrapping of 10,000-30,000 jobs in the UK financial services sector. Loss in revenues due to relocation of EU-related banking business would be £5 bn (PwC, 2018) and £8 bn (Oliver Wyman, 2016). Deloitte (2016) forecasted that UK growth would be 6.3%-9.5% smaller in 2030 with UK outside the EU. PwC (2018) estimated €1.3 bn fall in EU GVA (worth 2.2% of EU GVA) and revenue loss of £14.20 bn for London due to disintegration in the financial sector. Ebell and Warren (2016) concocted optimistic and pessimistic scenarios of Brexit and their effects on UK's GDP which could shrink by 1.8% if UK retained EEA membership (Norway model); 2.1% if UK only signed the Free Trade Agreement with the European Union and is relieved of the obligation to accept the European Union legislation and grant free movement of people; and a GDP contraction of 3.2% for WTO scenario wherein there is no special access to EU market for services and business relations with Europe are delineated in WTO's GATS (General Agreement on Trade in Services).

The estimates of different organizations greatly diverge from each other. As per some think tanks, UK's GDP could increase by 4% in the WTO scenario whereas PwC (2018) saw 3.5% of contraction in the same scenario. The long-term repercussions of Brexit could be GDP reduction of 2.1%, trade shrinkage of about 1.8% by 2030 and a positive outcome associated with direct budgetary savings of 0.4% of GDP (Ebell & Warren, 2016). All the studies and surveys have agreed that both the UK economy and its financial services sector would be negatively impacted if UK departed from EU. A recent survey by Young (2019) indicates that post Brexit, investments would be 15% lower. Saper, Schoenmaker and Venon (2017) calculated that 25% of London-based wholesale banking was related to EU27 and the same could be relocated to EU27 (exhibiting 17% share in 18 trillion euros worth of UK banking assets) bringing about a decay of UK's share in the entire European wholesale market, a slump from 90% to 60%.

Most of the studies on Brexit have been predictive in nature. This paper differs in approach by studying what has been the actual impact till the date the paper is written. This paper explores how the banking and financial sector of UK and EU has been affected since the news of Britain leaving the EU was in the air and what Brexit implies for the industry in terms of changes in the regulatory regimes the financial entities in both the economies are governed under. The paper does not take into consideration the impact of COVID-19 on the banking and financial sector. All data figures presented are only in reference to Brexit consequences.

OBJECTIVES OF THE STUDY

This study explores the financial landscape of United Kingdom and European Union, before and after Brexit, to serve the following objectives:

1. To analyze how the UK finance industry has been impacted by the announcement of Brexit.
2. To evaluate the challenges awaiting the financial firms in UK and EU in the Post-Brexit era.
3. To study the pros and cons of Brexit for the financial entities operating in EU and the third countries.

METHODOLOGY OF THE STUDY

The methodology adopted for conducting this study is as follows:

An extensive thematic review of literature was done to undertake this study. Various regimes regulating the finance sector in the EEA (European Economic Area) region were thoroughly studied to understand the governance and supervisory changes caused by Brexit and to evaluate their effects on the financial operations in the region. The actual impact that has materialized since the EU-referendum, till the present time, was traced from various media reports, newspaper articles, reports of private and government organizations and official UK government data. These secondary evidences, together with the research findings available in the literature were critically assessed to conclude the answers to different questions of this research study.

UK FINANCE INDUSTRY

The UK finance industry comprises of securities, investment funds, pension funds, credit rating agencies, investment analysts, deposit taking institutions and market infrastructure including share trading venues, clearing houses, trade repositories, settlement houses, benchmark administrators, payment systems and securities transfer systems (Sowels, 2017) along with a plethora of accompanying specialized professional services such as international legal services, dispute resolution, advisory, corporate and specialty insurance, accounting and management consulting. In 2019, the financial and insurance services activities contributed £131.9 bn to the UK's economy, a share of 6.9% of the total economic output and the industry raised £ 30.7 bn taxes which was 4.1% of all the taxes garnered that year (Shalchi & Hutton, 2021). UK is Europe's largest financial center and the world leader in a range of financial services, accounting for 16% of the cross-border lending in 2019, 43% of the foreign exchange turnover and 50% of the interest rate over-the-counter

(OTC) derivatives turnover globally (TheCityUK, 2020). The sector is the largest in London where about 50% of UK's financial services output is generated (Shalchi & Hutton, 2021). London's commemorated development as a global financial centre can be ascribed to its education and legal environment for the propagation of financial services, introduction of euro, expansion of single market set-up, and regulatory improvements of 1980s- making it rank first among global financial centres in 2017, outdoing New York and Singapore (Djankov, 2017). In 2019, financial services made £59.2 bn worth of exports or 19% UK service exports, and £18.1 bn of imports or 8% of all service imports, realizing a trade surplus of £41.1 bn (Shalchi & Hutton, 2021), hence acclaiming UK as the largest global net exporter of financial services in 2019.

The financial firms of UK are centres of unmatched excellence, delivering services of international repute and making London a global destination for investors and talent aspiring to work in the finance industry. London's asset holdings are three times the OECD average and twice the EU average (Hope, 2019, p.7). About one trillion-pound OTC exchange takes place daily in London (Djankov, 2017) while UK finance and insurance sector employs 1,142,161 people as of December 2020 (Nomis, n.d.), equal to 3.2% of all jobs, and 35% of all financial sector jobs are located in London (Shalchi & Hutton, 2021). 384 foreign companies were listed on the London Stock Exchange (LSE) at the end of 2019, that accounted for 7.1% of total global listings, (TheCityUK, 2020). London is the home to 250 foreign banks - the highest concentration of any financial centre, and 40% of the same is also headquartered in London (Hope, 2019). The UK had the largest share of outstanding value of international bonds globally at Q1 end 2020 (TheCityUK, 2020). The unparalleled combination of skills and infrastructure in London is supported by its independent regulatory environment, business encouraging innovation, access to global markets, receptivity for foreign entities (1400 financial services institutions in UK that are majorly owned overseas across 80 nations), soft infrastructure including the stock exchanges, data management, telecommunications and security, skilled diversified labour force and hard infrastructure including connectivity, transport and innovation (Sowels, 2017). UK assets under management reached an all-time high of $12.6 trillion in 2019, of which the UK banking sector assets totalled $10.2 trillion, the fifth largest in the world and the second largest in Europe. The UK insurance industry is the biggest in Europe and the fourth largest in the world with $36.6 bn in premiums in 2019 (TheCityUK, 2020). UK attracts more FDI than any other EU member state and the highest portion of FDI goes to the financial services sector (TheCityUK, 2016). Thus, London is celebrated as the global financial hub, the first choice for premium-grade services and the finance industry commands paramount importance to the economy of UK.

Table 1: UK's Global Share of Financial Markets 2019 (%)

Cross-Border Bank Lending	16
Foreign Exchange Turnover	43
Interest Rate OTC Derivatives Turnover	50
Conventional Fund Management	6

Source: TheCityUK (2020). Key facts about the UK as an International Financial Centre 2020.

FINANCIAL INTERDEPENDENCE BETWEEN UK & EU

UK leads the European financial services industry as London has been consistently ranked 1 among the European financial centres, by Global financial Centres Index. The financial and ancillary professional services industry of both UK and EU not just display a high degree of interconnectedness that mutually benefits both the economies but also these financial relationships are leveraged by entities foreign to both these economies to attain enormous benefits that would have been absent had UK not been a member of the EU single market. The presence and significance of UK financial institutions in the Eurozone markets, spanning a wide range of services is evident in Table 2. UK is the largest source of pension funds in Europe with assets under management amounting to £2.7 tn, besides being the biggest player in the European hedge fund market (TheCityUK, 2020). As of 2017, there were 953 hedge fund managers in the EU, out of which 593 were headquartered in UK. Out of the total 758 hedge fund investors in EU, 409 had headquarters in UK (Statistia, 2020). UK and particularly London-based banks play a powerful role in euro-denominated business. UK-based banks contained about £1.4 tn in euro-denominated assets while nearly 40% of foreign currency denominated deposits and loans in the UK were in euro at May end 2016. The Euro-denominated foreign exchange turnover in UK surged to $930 bn on an average daily basis in April 2013, representing a 44% global share in Euro-denominated forex trading (TheCityUK, 2016). The European derivatives market touched £680 tn in 2019 and the majority of its clearing happens on London-based exchanges such as LCH (Bercetche, 2021). UK serves as a gateway to Europe for capital raising and marketing products and services. Most of the third country financial institutions use a single London branch to access the EU single market.

Similarly, major Eurozone banks have branches in London. The assets of euro area banks in UK totalled £1.2 tn or 17% of total banking assets in the UK (TheCityUK, 2016). By the end of 2018, the total value of assets managed in Europe was close to 23.1 trillion euros. The UK accounted for 37.3% of all AUM in Europe (Statistia, 2020). The companies using UK as a channel to gain entry to the EU are the source of plentiful FDI into the UK from non-EU countries. EU remains by far the biggest single overseas market for UK. £30 bn worth of financial services were exported to EEA in 2019 and worth £7 bn were imported from the EEA, giving rise to the largest trading surplus among all trading sectors (Table 3). This documents the significance of EU as a valuable revenue generating market for UK-based firms and the reliance of EU customers on the service providers in UK for their financial needs. This interdependence implies that both UK and EU would be the victims of any repercussions that the severance of these financial ties constitutes.

Table 2: UK's Share of Financial Markets in the EU

	Percentage Share of United Kingdom	Date
Interest Rate OTC Derivatives Trading	82	Apr-2016
Foreign Exchange Trading	78	Apr-2016
Hedge Funds Assets[1]	85	2014
Private Equity Funds[1]	49	2014
Marine Insurance Premiums	65	2014
Fund Management	50	2014
Equity Market Capitalisation (LSE)	30	2014
Financial Services GDP	23	2014
Bank Lending	26	2014
Banks Assets[1]	21	2014
Financial and Professional Services Employment	15	2014
Insurance Premiums	22	2014

[1] Percentage Share of Europe

Source: TheCityUK, *The UK as an International Financial Centre,* November 2016 (based on various sources)

Table 3: UK's Trade Balance 2019 (in millions of pounds)

Sector	Trading Partner	Import	Export	Net
Goods	EEA	292399	186239	-106160
	America	62553	74397	11844
	Asia	112953	85366	-27587
Other Services	EEA	105460	109684	4224
	America	44307	68635	24328
	Asia	30553	40795	10242
Financial Services (Including Insurance & Pension)	EEA	7660	30342	**22682**
	America	7760	28260	20500
	Asia	3855	10553	6698

Source: Author's compilation from Office for National Statistics, The Pink Book 2020, Chapter 9

PASSPORTS FALL INTO DESEUTUDE

The UK as a member of the European Union had unqualified access to the EU internal market, access to the Court of Justice of the European Union and the financial entities were bound to comply with the common financial regulation (Single Rulebook) agreed to by the EU member states and all legislation pertaining to the financial services was to be codified into the UK domestic law (when EU directives are issued). All the UK stationed financial firms engaged in a whole host of activities ranging from traditional retail and business activities to private banking, wealth management, wholesale finance, share trading and clearing, have their business models based on the rights conferred by the EU passports which authorize them to conduct specified activities either by establishing a branch, appointing agents or through cross-border transactions in the EEA. The nine different types of passports pertaining to the financial services sector serve as the holy grail of trade in financial services across the EU. As the Financial Conduct Authority (2021) describes it, passporting allows firms authorized in EEA states to conduct business in other EEA states based on their 'home' member state authorization. Any financial firm based in any EU member state is vouchsafed by the EU Single Rulebook to freely offer services throughout the EU, without any further need for local authorisations, after having once obtained sanction from the National Competent Authority (NCA) in its local country. Article 17 of the Capital Requirement Directive IV (CRD IV) provides that - "Host member states shall not require authorization or endowment capital for branches of credit institutions authorized in other member states". Around mid-

2016, there existed about 5476 UK-based firms that had pan EU access, granted by these passports and about 8008 companies based in other EU countries were passporting into the UK (Sowels, 2017). These firms have appreciable privilege over the non-EU firms who face considerable restrictions by way of regulatory barriers in carrying out business in EU member states. The branches can be established on preferential terms, signifying that they are riddened of the cumbersome regulatory expectations that apply to the branches of non-EU banks, treated as foreign in EU member countries.

As the post Brexit transition period terminates at 11 pm on 31st December, 2020, these passports or the EU-wide licensing cover becomes defunct and all the UK-based firms operating in the EEA have to conform to local laws and regulatory procedures of individual member states to transact business in the EEA. The EEA-based firms providing services freely in the UK also require additional regulatory permission in the UK to conduct their business there. The abrogation of passporting rights hold numerous restrictive implications for transactions between UK and EU. The loss of passporting rights of UK stationed firms' constraints the banks' ability to serve the EU customers and sell their products and services as they are required to seek supplementary licenses and authorisations, varying under the local law of the EEA state. Additionally, the EU-based customers are denied access to the cross-border banking and financial services facilitated by UK firms. The old branches established by the passporting-enabled UK-based banking companies in other EU countries revert to the status of foreign bank branches that are subject to increased prudential requirements. The branches of the EEA banks in the UK likewise lose their rights to passport back into the EU single market. Approximately 25% of UK asset management revenues, totaling £6 bn comes from EU related business (Oliver Wyman, 2016). There were 244 UK asset management firms owning an 'outbound' passport and 139 EU stationed firms with 'inbound' passports to carry on activities in the UK (European Economics, 2016). The obsolescence of the cross-border trading licenses necessitates substantial duplication costs as the banks comfortably ensconced in the UK require separate licenses for each country, and considering the fact that the range of licensed banking services is highly narrowed and licenses are not available in many EU countries, it imposes a formidable barrier to cross-border banking between EEA and UK, a trade relationship characterizing valuable dividends. The other inlets to the EEA depend on the particular firms, types of activities performed and the regulatory regime in the relevant EEA state.

However, the UK Treasury has bestowed TTP (Temporary Transitional Power) on the UK financial regulators to craft temporary transitional provisions, thus giving extra time to the EEA-based firms till 31st March, 2022 to adapt to the new requirements of financial services legislation. TPR and FSCR are the two regimes created to assist the EEA authorized firms in UK an orderly and smooth exit and to cajole them to apply for full UK authorization. Temporary Permissions Regime confers on them the liberty to continue their existing activities and undertake new regulated businesses in UK lying within the scope of the previous passporting regime and the EEA domiciled investment funds can continue temporary marketing in the UK, until the expiry of the TPR period. The FSCR enables the EEA passporting firms that have not enrolled in the TPR to continue servicing UK contracts entered into before the end of the transition period (endorsed only to run off existing contracts).

THIRD COUNTRY REGULATORY EQUIVALENCE

EU legislation provides for the third country status wherein non-EU based firms can offer certain specified services in the European Economic Area if their home country regulatory regime is averred as being par with or 'equivalent' to the EU standards. This means that if the governance framework of the home country (where the third country firm is based) is considered to warrant the same level of protection as the EU legislation, the third country firm will not be brought under full EU control and can function in other EU states while being mostly under the state supervision (similar to passporting). However, the existing equivalence regimes are very limited in range and do not embrace the entire gamut of financial services that can be offered under the passporting framework. Trading in European shares, OTC derivatives, establishment of CCPs (Central Counterparty Clearing House- exchanges where standardized derivatives are traded), marketing of Alternative Investment Funds and reinsurance activities have been contained in the equivalence regime. The granting of equivalence is contingent on reciprocity or mutual recognition that requires non-EU countries to extend similar equivalence recognition to the EU, implying that the EU enforcement regime is regarded by the third country to be essentially similar to its own regulatory standards (Vries et al., 2017, p. 11). This is known as enhanced equivalence as the procedures require both the parties to accept each other's financial market regulations as being equivalent to their own and hence administer mutual market access to each other's financial companies. The enhanced equivalence or mutual recognition arrangements extend a possibility to financial firms stationed in UK to establish operations in the European market. If the UK's legislation pertaining to the financial activities is deemed to be competent with the relevant EU financial services guidelines, firms with activities for which market access is allowed under the equivalence mechanism can remain active within the single market of EU. UK's trading venues become legitimate venues for EU financial companies to comply with trading and reporting obligations for shares and derivatives. The need to obtain national authorization in individual states arises in those areas where there is no provision for equivalence. Equivalence once granted, can also be withdrawn upon dissonance of legislation between EU and the third country. So UK will have to revise its own regulatory directives every time EU modifies its own.

Capital Requirements Directive IV and Capital Requirements Regulation (CRD IV and CRR) direct the governance of wholesale and retail commercial banking (deposit-taking, lending and payment services). These directives do not contain a third country equivalence regime, entailing the need to obtain individual national authorization. The investment services are regulated under 'Markets in Financial Instruments Regulation and Markets in Financial Instruments Directive II (MiFIR and MiFID II)'. MiFIR contains an equivalence regime that recognizes passporting rights and allows the investment firms, entry to the EU single market. In case, equivalence is not admitted under MiFIR, it can be applied for under MiFID II, which is split into two sections- one pertaining to Investment services for professional clients and eligible counterparties, which provides for equivalence; and the other pertaining to investment services for retail markets and investors, which lacks provision for equivalence (Vries et al., 2017). The Asset management funds fall under UCITS directive which has no arrangement for equivalence, and the Alternative Investment Fund Managers Directive (AIFMD) in lieu of which these funds can enjoy passporting rights, dependent on approbation from ESMA (European Securities and Markets Authority). Due to the non-availability of a clear timeline, delegation of portfolio management from an enterprise in EU27 member state to the UK appears to be the most preferable option for UK-based fund managers desirous of serving the EU customers (Vries et al., 2017), nonetheless, it involves additional costs and may induce the permanent shift of smaller asset managers to EU. Insurers and re-insurers are administered under Solvency II which allows equivalence in parts.

Table 4: Summary of Third Country Regimes

Types of Financial Services Activities	Equivalence	Market Access	Reciprocity
Banking			
Provision of Wholesale and Retail Commercial Banking Services	×	×	×
Provision of Investment Services for Professionals and Eligible Counterparties	√	√	√
Provision of Investment Services for Retail Markets and Investors	×	×	×
Establishment of Institutions Providing Investment Services	×	×	×
Asset Management			
UCITS Funds	×	×	×
Marketing of Funds under AIFMD	Activation of Market Access Regime depends on Positive Advice of ESMA	Decided by Member State of Reference	×
Insurance			
Provision of Insurance Services	×	×	×
Provision of Re-Insurance Services	√	√	×
Market Infrastructure			
CCPs	√	√	√
Provision of Trade Repository Services	√	√	×
Other Financial Services			
Credit Ratings	√	×	×

Source: Vries et al., *Implications of Brexit on EU financial services*, 2017

A prospective equivalence decision covers possibilities for the financial service providers in UK and EU to enter each other's markets. The granting of equivalence is based on the potential risks a third country may bear upon the EU financial system which generates the need for strict scrutiny and assessments of the third country's rules and laws. The determination of equivalence lies in the jurisdiction of European Commission, however in certain cases, it is decided by member states or their national regulators. As the UK and EU regulations exhibit a high degree of resemblance, achieving equivalence should not constitute much difficulty (Scarpetta & Booth, 2016). Equivalence has been granted by the 'European Securities and Markets Authority' so far only for two activities- derivatives clearing houses in Britain (After loss of passporting, euro-denominated derivatives are supposed to be cleared on an EU trading venue as per EU guidelines, in the absence of equivalence) since Jan, 2021 for 18 months, and settling Irish securities transactions until June 2021 (Jones, 2021). The UK has unilaterally declared equivalence for EU firms in many sectors. Such as, it has granted equivalence determinations for EU insurers on Nov 9, 2020, establishing that the insurers and re-insurers in UK are complying with the same capital and governance requirements as for the UK positioned firms (Hodgson, 2020). However, Brussels has not reciprocated. Equivalence measures are being undertaken on a piecemeal bilateral basis (with individual regulators) and are subject to frequent revision and extension of deadlines. For example, Italy has allowed UK based firms to continue their business like before in the country till June 2021.The discussion of a mutual equivalence recognition has been in place for the last four and a half years (Bercetche, 2021). Lying in the hands of European regulators, a possible equivalence decision can take years to be passed. The anticipation of mutual equivalence recognition or a deal that clearly defines future financial relationships and erases the obscurity related to the regulation of cross-border entities is also making things complicated as the uncertainty prevails.

SUBSIDIARISATION

The third country status of UK deprives it of its preferential treatment regarding the access of EU single market and pulls it out of the coverage of EU treaties. Consequently, Businesses that trade between EEA and UK lose the freedom of service and establishment bestowed by the EU treaties. Nevertheless, as Britain becomes a non-member of the Customs Union, it can conclude free trade agreements with other counties. The Brexit named economic disintegration creates a conducive environment for UK to augment its historical ties and sign bi-lateral agreements with rising financial centres such as Hong Kong and Singapore (Grant Thornton, 2016). Although the third country can request for equivalence under the relevant positions in the EU legislation so that firms functioning under the scope of equivalence regime are exempted from national authorisation, the equivalence market access is significantly narrower. Much of UK's position as a financial hub can be credited to the UK presence of financial services firms headquartered in EU member states and non-EU countries, as the firms exercise their passporting rights to access both the customer base and market infrastructure situated in other member states while operating remotely from London (having obtained authorization in UK) by setting up cost-effective branches across the bloc (without obtaining authorization elsewhere). Now that UK is no more a part of EU, there arises the need to subsidiarise these branch operations to host EU related business. Subsidiaries are separate legal entities with independent governance mechanisms as opposed to branches. Subsidiarisation involves huge expenditures as there they require separate capitalization, higher equity capital to asset holding ratio with restrictions on capital fungibility, funding and liquidity and duplication of corporate resources (separate board of directors, risk-management framework, infrastructure etc.), procurement costs and loss of synergies. As highlighted by the Bank of England (2016), subsidiarisation of deposit-taking activities could result in £2.2-3.2 bn rise in capital requirements. PwC (2018) estimates €100 mn reduction in revenues associated with 0.0004 percentage points increase in corporate costs. Due to such excessive costs, financial activity may shrink if the firms draw back their cross-border business.

IMPLICATIONS FOR UK

As the relations between the United Kingdom and the European Union reform and the EU single market shuts its doors to the financial firms that use UK as a base to launch EU wide operations, the global banking giants have threatened to leave the City of London. Key officials of the financial conglomerates like Goldman Sachs, Deutsche, JP Morgan and Russian Bank VTB have insinuated to relocate to the EU and move hundreds of people from London to Europe while some would be hiring new people in EU. Many are buckling up for announcing huge layoffs. HSBC has expressed his intention to offshore 1000 jobs to France, 3000 jobs at Goldman Sachs would migrate to Frankfurt and New York, thereby plummeting the bank's London operations to half, while the CEO of Swiss Bank has estimated that 1000-5000 jobs in London would be wiped off. Banks have blazed the trail for creating Brexit task forces and devising contingency and mitigation plans to accommodate structural and operational changes to minimize disruption to business operations (Deloitte, 2019). Barclays has been organizing specialist seminars on new markets, optimizing business around transformed regulatory practices, employment, uncertainty and evolved international relationships (Barclays, 2021). Hamre and Wright (2019) had identified 332 firms that had shifted business to EU by October 2019. Although jobs and businesses have been lost to other financial centres, the impact has not been as big as initially feared. The percentage and number of jobs in the UK financial services sector has mostly remained constant for years (Table 5). This suggests that the likelihood of UK departing from the EU (since the Brexit vote in 2016) has had negligible impact on the employment in the financial sector in UK. However, since Brexit is a recent happening and the access to the European market was unaffected during the transition period, the actual loss of employment in the post-Brexit era can be better judged after the elapse of 4-5 years.

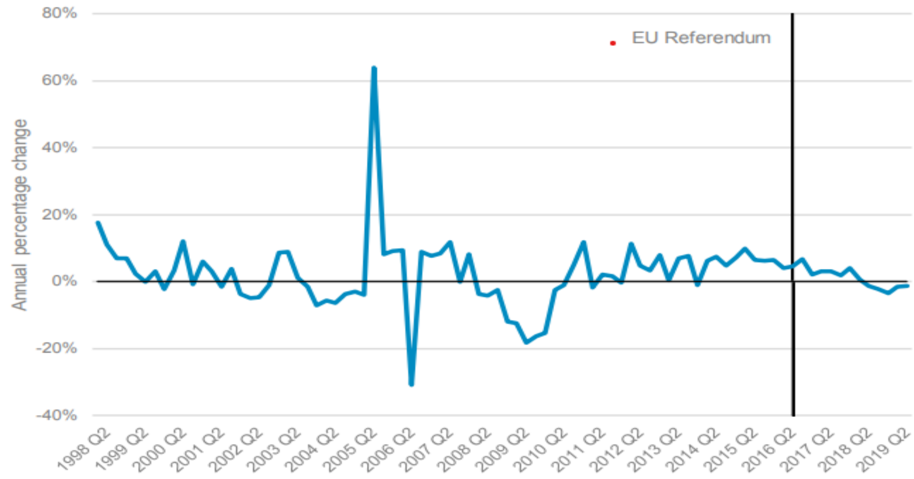
Mr. Bailey, Bank of England Chief reported that 7000 finance jobs had been relocated from London by Jan 2021 (BBC News, 2021). On similar lines EY Brexit Tracker recorded 7500 jobs that had relocated to EU by 30th September 2020 since the EU referendum while new hirings in EU during the same duration have been 2800 (EY, 2020). All these calculations fell big time short of the forecasts by several agencies and think tanks of the financial services jobs that could be expunged from UK. As Britain's financial sector, valued at £130 bn loses EU, its biggest customer client worth £30 bn a year (Jones, 2021), euro stocks, bonds and derivatives have started leaving London. EY Brexit Tracker running from 24th June, 2016, reported that transferred assets belonging to 24 of the largest financial services firms reached £1.2 tn by September end 2020 (EY, 2021). Although, Investment Association (2019) offers a ray of hope by documenting that London remains invincible as the prominent centre for investment management as the overseas clients' assets under management in UK boomed by £ 550 bn to £ 3.6 tn at the end of 2019, representing a record-breaking hike of 3 percentage points. Loss of mutual market access puts an embargo on the clearing of Euro-denominated swaps of which London currently boasts of 39% share in the international market or worth $570 bn of euro derivatives. As per the Chief Executive of Euronext NV, 30-45% trading in Euro-Denominated Assets in London would only be possible if UK were a participant in the single market. Moreover, firms that can't bear the costs of relocation or beat the challenges thrown by a fragmented financial environment could shut down forever. A study by Synechron indicated that firms could expend $ 50,000 per employees on average for relocating to EU (Infosys, 2018). Those with non-EU origins could retreat to their home countries. Bigger banks need to bear costs of reorganization while smaller banks may circumvent the costs by consolidating with other banks.

Table 5: Jobs in UK Financial Services Sector Q1 each year

Year	Thousand Jobs	Percentage of all jobs
2015	1,117	3.3%
2016	1,119	3.3%
2017	1,116	3.2%
2018	1,125	3.2%
2019	1,132	3.2%
2020	1,147	3.2%

Source: Nomis database, Office for National Statistics 2020

Loss of mutual market access, disruption of the interconnectedness of UK and EU finance and financial services activity relocation to EU have caused fissures in the financial integration that imparts London its indomitable status of a global financial centre. The financial firms in London benefit from the productivity gains arising from co-location of firms operating in the same sector, enriching knowledge spillovers, access to skilled labour, development of local infrastructure and formation of intra-sector linkages with firms located close together. However, the financial fragmentation triggered by Brexit would result in loss of these agglomeration benefits and economies of scale. This introduces several spillover effects in the form of diminished system-wide efficiency, scaling down of activities in both the EU and UK markets, difficulty in maintaining existing client services, fission of clearing activity, increased cost of finance and direct loss of economic activity exacerbated by multiplier effect such as shock to supporting activities like auditing, legal, real estate etc. (Hunt, 2016). The fragmentation of the industry's labour market would terribly harm the labour productivity. UK citizens lose their privileged status as their right to freely move to EU and vice versa is forfeited. This engenders hurdles for banking professionals who readily travelled between UK and EU for conduct of business. In London, 12% of financial and insurance sector workforce was EEA born (Hope, 2019, p. 74). Restriction on free movement of people and requirement of work visas deprives UK of a supplier of top-notch and proficient workforce and shadows London's power as a global destination that lures finance enthusiasts. TheCityUK (2016) also highlights threats to extant jobs from a stricter regulatory and operating environment post-Brexit, restricting, fines and litigation. The financial disintegration is also a cause of UK's waning attractiveness for foreign investors, as reflected by the fall in investment activity by 11% between 2016 and 2019 (Hope, 2019). Another attributable factor of fall in investment activity could be the uncertainty around Brexit scenarios before the deal and the ambiguity impregnated by the deal as any concrete guidelines pertaining to financial relationships have not made its way in the Brexit deal. Business investment in UK has risen at a historically low rate of less than 0.5% since the EU referendum and has been dropping since 2019Q1 (Figure 1). These repercussions and erosion of agglomeration benefits are chipping away London's international edge, suggesting that Brexit could tarnish London's long-established international fame.



Source: Office for National Statistics (https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/ datasets/ 3tradein servicesthepinkbook2016)

Figure 1: Annual Growth in UK Business Investment (after inflation) 1998 Q1 to 2019 Q2

On referendum night, the pound dropped from a high of $1.5 to $ 1.33, exhibiting the biggest single fall in daily exchange rate in the past fifty years among the world's four dominant currencies (Lyon & Dhingra, 2019). Since the referendum results became transparent on 23rd June, 2016, the pound faced a tremendous hit that was followed by persistent slumps, and the pound sterling to euro exchange rate plunged down by 15% of its pre-referendum levels, marking the biggest shock to British economy's stability since 2008 financial crisis. The pound further attenuated by a spate of sudden political developments and faulty data releases (Expatica International, 2021). Uncertainty over Brexit has decelerated UK's growth from 2.4% in 2015 to 1.0% in 2019 and is further expected to slow by up to 6.7% over the next 15 years (Amadeo, 2021). As a Brexit shock, the British GDP has shrunk by 2.1% and pound by 15%, pushing up prices of imported goods and services and corroding the living standards of Britons (Young, 2019). The long-term consequences could be inhibited growth of financial sector, marred job creation and unfavorable long-term investment decisions. Brexit proves to be the most expensive to UK as it receives a negative balance of risks which can have persisting effects. Organizations like World Bank and IMF have also warned that UK has invited huge trouble for itself by leaving the European club. Ebell and Warren (2016) predicted that UK exports and imports could be hampered by 22% among other repercussions such as long-term loss of GDP. Again, it requires time for such declines to surface and research some years down the line can better portray the long-term loss suffered by the country. Meanwhile, it is conspicuous that the repercussions for UK are higher than for EU and Brexit comes out to be negative sum game for UK. As illustrated in Table 4, financial services account for the highest share of trade surplus (£24328 mn net comprises numerous other services) and the highest proportion is exported to EEA (EU+EFTA). The trade of financial services is the most prone to British exit and the loss of it would come with calamitous effects on the economy. Considering the contribution of financial services to UK exchequer and the industry's sizable share in total UK GDP, the closure of EU market implies loss of hefty revenues and economic flows to UK. Even if financial services establish themselves abroad and repatriate the profits back to UK, the tax revenues accruing from the firms' operations would flow to host country's coffers if the banks' owners are based in UK. Employee's incomes would also be taxed in the host state, implying enormous losses of tax revenues (Tarrant et al., 2019). A positive side of Brexit is that UK-based banks are releasing from the exacting regulations such as the Financial Transactions Tax (Hope, 2019, p. 72). UK also saves $10 bn per annum on contributions to EU budget but the savings are nullified due to revenue decline of around $20-40 bn per annum in the long run (Young, 2019).

Despite all the financial environment disruptions brought in by Brexit, big financial players foresee London retaining its position of the biggest and topmost financial centre in Europe and are willing to stay in UK as one hedge fund manager recently told CNBC - "our business is largely immune to the changes and most aspects of the city are very reliant on talent, knowledge and relationships and for a lot of reasons it is embedded in the UK. However, skepticism on London's ability to retain intra EU businesses still persists and depends on new arrangements and regulatory recognition and cooperation (Bercetche, 2021)".

Calo and Herzberg (2019) argue that EU customer base contribution to UK financial firms' revenue is quite moderate (directly attributable portion is one-fifth as per Oliver Wyman (2016)) which is suggestive of the fact that London can preserve its position even without EU client base, provided UK's real economy and international businesses face no disturbances. They cite that EU clients make up roughly 20% of total banking revenue and the rest 80% is earned from UK and non-EU clients. The authors also point out that the evolution of financial relationships, changing nature of Dublin as a rising financial centre and disintegration of finance in Europe have the power to reshape risks to financial stability and threats to London's position. Therefore, London's edge over other potential European rival centres can defend its position of preeminence and excellence. However, this premium enjoyed by London is vulnerable to abrupt changes in regulation, disruptions in global value chains, institutional reshaping and the concomitant uncertainty.

IMPACT ON EU & REST OF THE WORLD

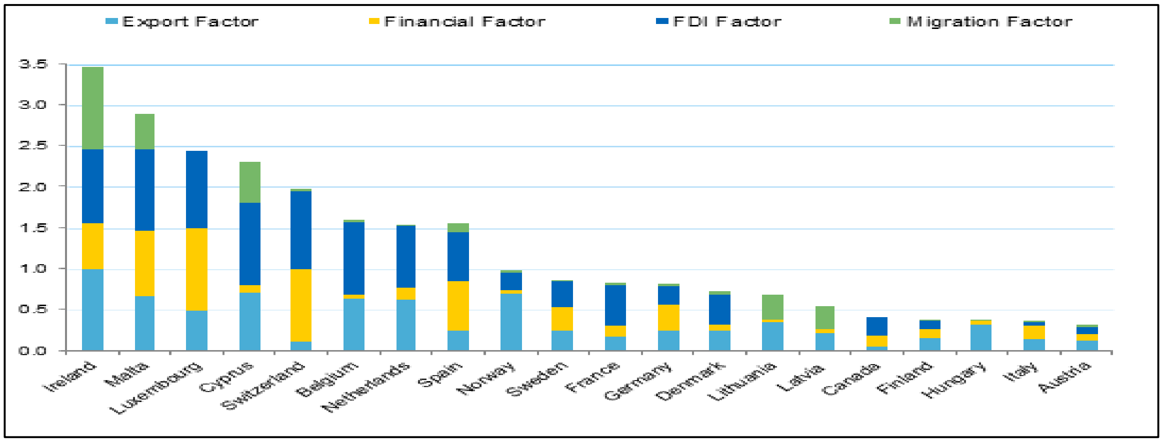
This sector examines how Britain's withdrawal from the European bloc has affected the financial sector of the European union and the implications Brexit holds for the countries which are not a part of the EEA or the rest of the world.

London is Europe's primary financial centre and service provider. 40% of UK's financial service exports went to EU in 2019 and 32% of financial service imports came from EU (Shalchi & Hutton, 2021). London is not only the one-stop shop for a wide range of supporting services but is also valuable for its knowledge, unmatched pool of global talent and expertise and invention of new derivatives. As such, an end to UK's membership in EU takes away from EU its largest and predominant financial centre and the foremost provider of financial services. The loss of London's ecosystem of banking and financial services, related professional services and supply chains create considerable costs for the recipients of such services in the EU in terms of inhibited access to capital, higher fees, higher interest rates and difficulty in accessing superior quality service at low costs. Loss of passporting rights could contract exports of financial services to the EU by half to around €10 bn (Grant Thornton, 2016). There is also the possibility of weakened financial innovation in Europe. Besides the increased costs for customers in EU, the high demand for financial services within the EEA in net from the UK-based service providers rather than those in the EU27 implies uncertainty if EU can meet its own demand of financial services because of lack of capacity of European financial centres and incomparable ecosystem of London, lack of access to the highly skilled human capital as available in London and the absence of economies of scale enjoyed by UK-based financial firms (Vries et al., 2017). Furthermore, the financial fragmentation caused by Brexit and the resultant shift of demand towards the financial centres located in EU entails additional costs due to absence of financial integration and agglomeration benefits in these regions and their incompetence to meet the demand as efficiently as London does.

UK-Headquartered Banks account for substantial lending volumes in Europe through their UK presence, and branches and subsidiaries spread out across the Eurozone, making up 9% of all foreign lending to EU nationals (PwC, 2018). This share exceeds 10% for some countries. The surplus savings generated in the UK serves as a convenient and trouble-free source of capital for EU companies in need of finance. UK-based banks had $1.9 trillion worth of loans outstanding in Q1 2016 to recipients in other EU countries, while they helped deposits of $1.5 trillion from the EU countries (TheCityUK, 2016). This voluminous scale of cross-border lending (UK lending in EU equivalent to 26% as of 2014) reinforces the financial interdependence and relationships between these two economies. Conversely, UK also serves as an important market for credit for EU-headquartered banks, representing more than half of total foreign credit streaming into the UK (PwC, 2018). Hence another repercussion for EU is the loss of convenient direct access to UK-bank lending as there is no provision for equivalence for wholesale and retail commercial banking services. EU borrowers who wish to borrow from UK will be required to use currency swaps. Currency swaps enhance search costs for firms and make borrowing more cumbersome and less straightforward (Vries et al., 2017).

Another expense of Brexit to EU is that it loses an important contributor to the EU budget. This poses the need for EU to cut spending or increase contributions of other members upto 5.8% of current levels (Deloitte, 2016). As per Deloitte (2016), Europe is also bound to face spillover economic impact in terms of slowing trade and reduced inward investment. However, this lowdown would be significantly small as compared to the UK. Loss of passporting also means closure of UK markets for the firms in EU. As per PwC (2018), greater than 700 passporting-enabled insurers authorized in EU are providing cross border services via branches to 540 British firms who have passported out into other member states. The constrained ability of EU firms to access UK markets (as subsidiaries are expensive to establish) implies shrinkage of markets for such entities which involves significant revenue losses, although Britain is allowing EU firms to stay for up to 3 yrs, hoping that they apply for permanent EU authorization (Jones, 2021). The survey results of S&P Global Ratings (2016) indicate the greatest impact of Brexit on Ireland, Malta, Luxembourg and Cyprus. These countries emerge as being the most susceptible to the trade and migratory shocks due to their close links with the UK. The strong merchandise and services trade and the flow of human capital could also prove expensive for Canada which is not a European nation. Luxembourg's high score on the index is supported by its sizable claims on UK's financial institutions (including derivatives and guarantees) and significant exports; Malta and Cyprus average around 2.4 due to their historical connections with UK while Switzerland's 2.0 score is explained by its large FDI holdings in UK and its large financial services subsidiaries (S&P Global Ratings, 2016). UK-based banks are responsible for huge borrowing and lending activities between UK and Cyprus. These banks have lent an equivalent of 30% of Cypriot GDP to entities in Cyprus and have borrowed funds worth 40% of Cypriot GDP (Deloitte, 2016).

A Brexited UK would rupture the financial interdependence between UK and Cyprus which would severely impact the Cyprus economy which is based on tourism due to restriction on migratory flows and devaluation of sterling. OECD (2016, as cited in Deloitte, 2016) suggests that Ireland, Cyprus, Netherlands, Norway and Switzerland would be the most affected while Eastern and peripheral economies would have the least exposure to Brexit.



Source: ONS, BIS, Eurostat, S&P Global Ratings, United Nations, Department of Economic and Social Affairs (2015)

Figure 2: Brexit Sensitivity Index

As the EU single market closes to financial institutions based in UK, firms are shifting both business and people out of UK to European financial centres to continue hosting EU-based clients. There is a sense of rivalry among European financial centres for staff and business activity relocations as the national authorities have been propagating their regional centres to attract the London-based banks. Dublin becomes the most popular destination for financial entities, followed by Luxembourg which attracted 26 companies in total during the period between EU referendum and 30th September, 2020 (EY, 2020). As market infrastructures pick Amsterdam, it outdoes London to become the leading financial trading centre in Europe. About €9.2 bn worth of shares were traded on Amsterdam exchanges daily in early February 2021 against €8.6 bn in London (BBC News, 2021). Frankfurt becomes the main beneficiary of banking relocations, Dublin and Luxembourg (specialized in investment funds) managed to entice asset-management firms while Paris has gained from a bunch of banking activities (Heneghan, Hall, 2021). Davies (2018) has pointed out that since no European city possesses the capacity to replicate the ecosystem of London (infrastructure, market intermediaries, agglomeration benefits, breadth of the investor base, regulatory and legal integrity), business exiting UK is seeking shelter in several cities in Europe instead of concentrating at one place, which would incur substantial costs in terms of lower efficiency and duplication of infrastructure. The fragmentation of the oversized financial sector in UK and its dispersion across Europe will lead to income and wealth equality and a more balanced distribution of financial services across the European cities, pulling off a broad and balanced growth and development (Davies, 2018).

Day after Brexit vote, Euro fell by 2% to $1.11 and this combined with the fall in pound of 8% to $1.36 increased dollar's value (Amadeo, 21-03). Due to the low competitiveness of European centres as financial hubs, New York, Hong Kong and Singapore emerge as real rivals to London as the financial services activity and trade is moving away from Europe and both UK and EU stand to lose (Euronews, 2020). The incompetence of European financial centers is revealed as UK's banking activity shifts to the more established cities, globally, particularly to the US, which has 23 equivalent arrangements with the EU, thereby facilitating access to the EU single market (Heneghan, Hall, 2021). Jamie Dimon, the CEO of JP Morgan declared that "American banks may repatriate work to New York instead of relocating elsewhere to Europe due to limited infrastructure (Financial Times 2016, as cited in Sowels, 2017)". New York's deep liquid capital markets give it an edge over European financial centres and unless UK and EU agree on a mutual equivalence arrangement, US could rise as the victor in the UK-EU dispute.

CONCLUSION

The interdependent nature of European and British banking and financial services industry raises serious concerns for the European finance as the United Kingdom breaks off from the European Union. As EU ceases to recognize the privileged status of UK-based firms and their passports become invalid, the firms using UK as a base to establish EU-wide operations face severe repercussions in terms of loss of the most valued client base, business activity crunch, urgency of converting branches to subsidies that entail heavy costs, revenue shortfall, upset operations from necessitated relocation and the possibility of permanently shutting down. Although the actual diaspora of resources and activity from London remains behind the estimated numbers by a wide margin, the coming years would bear witness to the loss born by the UK finance sector. European centres like Dublin and Luxembourg emerge as the greatest beneficiaries of this exodus. The strong comparative position of New York as a financial centre, due to its historical ties with the European Union indicate a possibility of erosion of

London's international edge and staining of its image as a global financial centre delivering deluxe services. Nevertheless, the current status of rival European centres and the absence of the 'financial ecosystem' as present in London suggests that outgrowing London would require great capacity building, involve tremendous costs and might take years. This implies that London can remain immutable as Europe's leading financial centre in the near future. Future trading of financial services between EU and UK depends on the EU system of equivalent regimes. The financial linkages render it important for the EU to grant the best possible access of markets to UK to obviate the damaging consequences to Brexit that might affect UK disproportionately. Both the EU and UK administration should strive to foster a new relationship that is broader in scope than the extant relationships between EU and a third country, delivers unhindered access to each other's markets and brings mutual benefits and shared prosperity to both.

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Factors Affecting Domestic Tourist Satisfaction

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ABSTRACT

Tourism has grown in importance as a global economic and leisure activity, as a result of its growing popularity and benefits. Even though a large amount of research has been done on service quality and its outcomes, there is still a lack of actual things that need to be changed in the context of the factors that may affect customer satisfaction and behavioral intentions, consideration which are Tangibles, Comfort, Reliability, Responsiveness, Empathy, etc. Service quality has been assessed taking a few factors, as in consideration which are Tangibles, Comfort, Reliability, Responsiveness, Empathy, etc.

***Keywords**: Service quality; customer satisfaction; behavioral intentions; tourism product.*

1. INTRODUCTION

One of the most important sectors in India is tourism. Tourism is described as short-term travel for enjoyment, vacation, religious, interpersonal, or business (Wikipedia). It is a temporary nature of people moving to destinations outside their normal home and workplace, the activities were undertaken through out stay, and the facilities catered for their necessities (Mathieson a and Wall and Mathieson (1982).Leisure tourism is described as a tourist destination for economic, cultural, sightseeing, relaxation, and other personal purposes (Getz, 2008). Local tourism is the act of visiting one's homeland for business or pleasure. And as per the UNWT, a person must be apart from their home nation (but still in their homeland) for at least a single night to be considered as a tourist destination. In India, tourism development seems to have a great base. Even the Ministry of Tourism has claimed that one billion domestic trips have taken a year within India. States have driven wants to travel within through excellent marketing. If we talk about resort hotels in general, they've been designed to be one of the fastest-growing sectors of leisure attractions, their quantity, diversity, and popularity significantly increasing since the 1960s economic boom (min and Mar 2013). A combination of aspects, however, according to researchers, influences the development of awareness, pleasure, loyalty, and a sense of belonging toward a subject. Customers are generally unaware of the reasons behind their inclinations toward a brand of any kind. Because the satisfied customer is the fundamental concern of each sector, the only constant changes in the current environment. As a result, they pay a lot of attention to the things that have an impact on them. The basic purpose of the report was to look at the factors, the relevant factors, and the outputs.

The level of service seems to be the backbone of life, as its large and fast-growing sector contributes significantly to global production and employs more people than any other sector (Maruvada and Bellamkonda, 2012). The destination's trust can be improved if the customer is satisfied with the trip experience. Visitors' loyalty can be observed in their desire to return and refer others to tourists, therefore tourist facility management must give the greatest tourist services in terms of satisfaction and loyalty to tourists. To establish long-term network connections, one of the main objectives of any company is customer satisfaction. Similarly, (Forozia, 2013) noted that customer satisfaction is the most important factor that influences tourism, Businesses to find success and benefit in this competition. As such, understanding the factors that promote tourist satisfaction while enjoying the guest space is important in management, especially in the management of facilities and other facilities that should be provided to visitors.

Rising Importance of Tourism

The industry of tourism is humbly important and growing up quickly. According to the calculation of World Travel & Tourism Council, India has risen six places to rank 34th in the World Economic Forum's Index for 2019. Tourism generated 16.91 lakh crore (US$240 billion) in 2018, accounting for 9.2 percent of India's Gross domestic product, and supported 42.673 million new jobs, amounting to 8.1 percent of overall employment, according to the World Travel and Tourism Council. According to new research from the World Travel and Tourism Council (WTC), the importance of visitor arrivals and tourism to the Indian economy has mostly helped matters. In recent years, domestic tourist trips have increased at an exponential rate. In recent decades, domestic tourist arrivals have increased at an amazing rate. During the year 2000, 220 million domestic tourists visited the country. In the year 2000, the country received 220 million domestic tourists. The figure has increased by around ninefold to 1.82 billion in 2018. By 2027, the sector is expected to grow at a compounded annual growth rate of 6.8%, reaching 28.49 lakh crore (US$400 billion) (10 percent of GDP). Due to the diversity of India's states and territories, people travel to the country. Religious tourism is a major component of this. But whether you spend your money on a journey to Kedarnath or skiing in Kufri, it all adds up to a certain GDP.

From 2013 through 2023, the tourism industry is expected to grow at an annual pace of 7.9% on average. This ranks India at third place, indicating that it will be one of the countries with the fastest-growing tourism industries in the next ten years. India's tourism sector appears to be huge, and it is predicted to increase at a rate of 30 percent annually. This research analyzes how our nation's capital, Delhi, is becoming an excellently domestic tourist destination in the world, due to a focus on innovation and the development of several tourists. It is intended to modify international tourists' attitudes and behaviors. It aimed to change foreign tourists' attitudes and behaviors by highlighting the notion that a tourist has been highly engaged. It also considers the impact of Economic growth and development on tourism, and even the role of investors in economic growth, the tourist sector's contribution to India's Gross domestic product, immigrants, and local producers. It is a multi-component industry. While we study, the positive economic effects on tourism, we read of its contribution to national income generation, job creation, rising tax revenue, foreign exchange generation, and regional economic transformation. Delhi tourism offers a variety of cultures, traditions, festivals, and interesting places. There are many guest options. Travelers who have visited the city say that the best way to find out is to get lost. With tourist attractions spread all over the place, one of the most difficult tasks is to fix the confusion as to which places should be on your trip. It is impossible to cover everything to attract tourists to a one-day view in Delhi, maybe a lifetime will be short to explore and unravel all the hidden secrets of this ancient city but you will not miss any of the places you should visit. The great thing about Delhi is that it welcomes everyone, from backpacks, family holidays to luxury trips.

As, while addressing the nation on Independence Day, our Prime Minister Narendra Modi, said India had much to offer and if domestic tourism got a boost, international footfall would also increase. To re-energize domestic tourism, he encouraged his countrymen and women to visit 15 tourist spots within India by 2022. This is a promising call, but it will be challenging to execute. Tourism is a profitable industry, thus this is a wise decision. A major amount of the money invested on tourism will go toward job creation and income growth. This is a great obstacle because Modi expects us to finish five trips per year, up from 1.5 last year. Even if 20% of Indians listen to Modi, the number of foreign visitors will more than double.

Table No. 1: Month-wise Foreign Tourist Arrivals in India, Jan 2018-June 2020 (Provisional)

	Foreign Tourist Arrivals (FTAs) in India				
Month	2018	2019	2020	Percentage Change	
				2019/18	2020/19
January	10,45,027	11,11,040	11,18,150	6.3	0.6
February	10,49,259	10,90,516	10,15,632	3.9	-6.9
March	10,21,539	9,78,236	3,28,462	-4.2	-66.4
April	7,45,033	7,74,651	0	4	-100
May	6,06,513	6,15,136	0	1.4	-100
June	6,83,935	7,26,446	0	6.2	-100
July	8,06,493	8,18,125	0	1.4	
August	7,85,993	8,00,837	0	1.9	
September	7,19,894	7,51,513	0	4.4	
October	8,90,223	9,45,017	0	6.2	
November	10,12,569	10,92,440	0	7.9	
December	11,91,498	12,26,398	0	2.9	
Total (Jan - june)	51,51,306	52,96,025	24,62,244	2.8	-53.5
Total (Jan - Dec)	1,05,57,976	1,09,30,355		3.5	

P: Prospective, @ Population growth over the prior year's January-June period.
I Bureau of Immigration, Government of India, for the periods 2018, 2019, and 2020

Table No. 2: In India, there are international controls for foreign tourist arrivals (FTAs) (2018)

S.NO	Checkpoints on the International Level	FTAs	Percentage Attendance
1.	**Delhi**	**3043550**	**28.83**
2.	Mumbai	1636941	15.50
3.	Haridaspur	1037318	9.83
4.	Chennai	784798	7.43
5.	Bangalore	608534	5.76
6.	Kolkata	531743	5.04
7.	Hyderabad	327146	3.10
8.	Dabolim	318580	3.02
9.	Cochin	310229	2.94
10.	Gede Rail	243685	2.31
11.	Total top 10	8842524	83.75
	Others	1715405	16.25
	Grand Total	10557929	100.00

Source: Government's Bureau of Immigration India's (2018).

Table no. 2 describes the Foreign Tourist Arrivals for the year 2018 in our national capital of India i.e Delhi when compared to other states of India.

Table No. 3: In 2019, the top 10 Indian states/UTs in respect of world tourist visits.

Rank	State/UT	Foreign Tourist Visits in 2019 (p)	
		Number	Percentage Share
1	Tamil Nadu	6866327	21.9
2	Maharashtra	5528704	17.6
3	Uttar Pradesh	4745181	15.1
4	**Delhi**	**2983436**	**9.5**
5	West Bengal	1656145	5.3
6	Rajasthan	1605560	5.1
7	Kerala	1189771	3.8
8	Punjab	1101343	3.5
9	Bihar	1093141	3.5
10	Goa	937113	3.0
	Total of Top 10	27706721	88.2
	Others	3701945	11.8
Total		31408666	100.0

Source: Tourism Departments of States and UTs. # The estimate for 2019 has been computed using the All India Projected Growth (P): Auxiliary

According to the table above no. 3, foreign tourist tourism appears to be very small compared to other provinces, namely Tamil Nadu, Uttar Pradesh, etc. if. What are the similarities, and what are the necessary steps that the government should take to contribute to the city's economy and create more jobs? To make Delhi tourism more environmentally friendly and environmentally friendly, there is a need to spread awareness among tourists and locals about the Delhi past.

Table No. 4: Fortnight estimates of International Exchange Earnings (FEEs) through tourism in India, in Rs. Crore, from January 2018 to March 2020 (provisional).

Month	Foreign Exchange Earnings(in Rs.crore)			Percentage Change	
	2018	2019	2020	2019/18	2020/19
January	17,755	18,205	20,180	2.5%	10.8%
February	17,757	17,959	18,190	1.1%	1.3%
March	17,222	16,214	5,833	-5.9%	-64.0%
April	15,620	17,134		9.7%	

May	12,752	13,642		7.0%	
June	14,398	16,083		11.7%	
July	16,976	18,205		7.2%	
August	16,492	17,867		8.3%	
September	15,150	16,824		11.0%	
October	14,701	17,057		16.0%	
November	16,584	19,840		19.6%	
December	16,474	22,631		16.2%	
Total(Jan-Mar)	52,734	52,378	44,203	-0.7%	-15.6
Total(Jan- Dec)	1,94,881	2,11,661		8.6%	

Source: Ministry of Tourism, Govt. of India. #1: Provisional estimates, @: Growth Rate over Jan-March, 2019 #2: Revised estimates

Table no. 5: Number of Domestic Tourist Visits to all States/Uts in India, 2000-2019

Year	Number of domestic tourist visits to states and territories	Change in percentage from the previous year
2000	220.11	15.4
2001	236.47	7.4
2002	269.60	14.0
2003	309.04	14.6
2004	366.27	18.5
2005	392.04	7.0
2006	462.44	18.0
2007	526.70	13.9
2008	563.03	6.9
2009	668.80	18.8
2010	747.70	11.8
2011	864.53	15.6
2012	1045.05	20.9
2013	1142.53	9.3
2014	1282.80	12.3
2015	1431.97	11.6
2016	1615.39	12.8
2017	1657.55	2.6
2018	1853.79	11.8
2019	**2321.98**	**25.3**

Source: Departments of Tourism within every state and union territory.
(Aug. 2019 & June 2020 modifications)

Table no. 5 clearly states that compared to previous years, no. Visits by local tourists to provinces and other union areas are very high considering the data from last year which is 2019.

Customer satisfaction for Tourism

Customer satisfaction plays a very important role in determining loyalty. As it is necessary to understand the aspects that influence the fulfillment of the local visitors. It seems that there has been a study of visitor satisfaction and its effects after a visit to a tourist destination, and evaluating tourist satisfaction which will be described in a variety of ways (Yoon and Uysal, 2005)."Whenever any customer shares their story, they not only share their pain points, but teach you how to create a product, service, and business. Your customer service organization should be structured in such a way that issues can be effectively communicated. literature-related literature that began in the 1960s (Xia, 2009), and the growing interest of experts in the field of research.

Many scholars have questioned the value of the visitor's satisfaction, and they have challenged themselves to investigate the factors that may contribute to a visitor's satisfaction.

Objectives of the paper:

1. To understand the relevance and development of economic tourism in India.
2. To understand the factors affecting the destination image for domestic tourism.

2. LITERATURE REVIEW

Tourist Destination Image

The Tourist Destination influences guests' decisions about where they spend their vacation and money. This image appears to be an important factor in highlighting tourist attractions (Carballo, 2015). Kotler and Gertner, 2004 described the destination as the number of beliefs and ideas each visitor could make. Research has shown that it is becoming increasingly difficult for the area you are going to diversify, especially the complexities such as infrastructure, economy, accessibility, and access to soft resources such as nature, recreational resources, etc. response (San Martín and Del Bosque, 2008). In the perspectives of visitors, the vision of appreciation indicates their knowledge and ideas more about the place, whereas the image in question represents their thoughts or emotional attachment to it (Beerli and Martn, 2004; Ike and Ryan, 2004). When tangible and intellectual images come together, it raises the whole picture (Baloglu and McCleary, 1999), which includes features that are specific to where you are going, and include real and non-real objects.

Studies that are dealing with and analyzing the relationship between photographic ideas on their destination and tourist actions are still uncommon (Turner and Reisinger, 2001) as home flow is very difficult to place in numbers. However, it is the most important field of research in a given area that will directly affect the destination of visitors (Bon, 2005). Any tourist identity, cultural, social, and personal backgrounds help us to solve the structure and group of visual elements of the destination (Govers and Go, 2005). Also, individual elements or interiors will play an important role that can affect that image (Ashworth and Voogd, 1990). Personal factors such as social demographic characteristics will have a similar effect (Beerli and Martin, 2004). The age of the guests or their group of generations is also an important factor that will have a significant impact on their behavior (Gardiner, Grace, and King, 2014).

Tourist Destination Image for Domestic Tourism in India.

Tourism industry is crucial to the overall growth of tourism in the region.; understanding local tourists' understanding of tourist destinations can be an important resource for tourism planners to determine the placement and promotion of local destinations. It will provide insight to local managers and developers to better attract and welcome local visitors and develop effective marketing strategies. Improving domestic tourism means that the Indian tourism industry is better prepared to automatically cope with declining international demand. Scaling your destination has the competitive advantage of places to enhance their image as a tourist destination and have a unique marketing proposal. The image rating of the destination, therefore, emerges as an area of concern and close attention.

Factors considered important by domestic tourists within India

Some proportions tend to be more interesting in the Indian cultural space, and they are mainly divided into ‘social' objects, ‘destination,' ‘travel,' and ‘mixed' features. Money, leisure, and human needs were all social factors. Weather, grilled food, affordable accommodation, location information, and availability were all promoted as characteristics of the area. Travel features considered as connectivity, inexpensive travel routes, safety, and distance. Connectivity, low-cost travel routes, safety, and distance are all factors that should be taken while planning a trip. The availability of shopping and entertainment facilities, as well as knowledge of the local language, were mixed features. The motivation for choosing any destination plays a major role in choosing the size value. People regularly visit religious webpages or the soul by connecting worthlessness to material things. Visitors to the cultural and historic site, on the other half, are found to be a more likely luxury, convenience, and food, and lodging, as well as observation, and souvenir shops. Tourists to the holy site didn't seem to pay much attention to these standards. These tourists are seen to be unaffected by sizes such as 'immediate connection, ''shopping area,' and 'language difficulties.' And particularly in comparison to visitors to both the historical and cultural sites they attend, they place more value on the presence of the elderly and children in the family, as well as the distance from the home of the holy event. Several points are about satisfying the religious aspirations of older people in the family and the importance accorded to the cultural upbringing of children in India. Visitors were given valuable time and money, as well as the opportunity to make money, because of the large variety of historical and cultural monuments.

When we talk about visitors to a religious place, they want comfort and convenience while traveling, and, where they go about history and culture, they also offer the importance of comfort during the stay. Visitors to religious places correlate warmth and protection with the importance of goods and the economy, whereas those in the historical and cultural areas highlight the relevance of resources and the economy. To visit sightseeing spots with a rich history and culture, will require a big number of days, which is why the research will be emphasized. This is also reflected in the high value given to visitors in the historical and cultural area where they go on the available travel budget. Some valued the availability of tourist attractions, whereas those in the religious community valued low-cost forms of transportation and the local climate. The availability of attractive food along the road appears to be a global demand, attracting tourists to both locations. Visitors to the religious site were concerned about the local language because the temple's practices were performed by priests who were not used to performing them. Instead, visitors to the site of history and culture where they favored the entertainment venues as they embarked on a fun trip.

This paper shows that the analytical approach can better interpret the preferences of visitors and distinguish between them when visitors visit different places for different reasons. The monetary effects were very powerful when visitors visited historical and cultural sites. Physical and mental comfort has also been taken into account. Religiously affected visitors were more concerned with travel-related difficulties than with land-related issues. As a result, it may be stated that the destination's level of relaxation and the reason for the journey influence visitors' thoughts, causing a change in attitude.

Factors contributing to Tourist Destination Image

According to a study by Lawson and Baud Bovy (1977), the image in question is “a reflection of all the meaningful details, thoughts and feelings of a person or group in a particular place". Kotler, Haider, and Rein, (1993) imagery of the place we go to is considered "the sum of all the beliefs, thoughts and ideas which people associate with the place". Many activities that evaluate the relationship between the image of the destination and visitor happiness do not consider the implications of guest conduct, such as "honesty word of mouth" (Veasna, 2013), which are linked to mortality. "Destination is described as an attitude-related word that spans a wide range of beliefs, ideas, and eme," according to Wiki page. The image of the location is highly significant in deciding where to travel, as well as the quality and future return aspirations (Chen and Tsai, 2007). A major gap in the literature exists in earlier research that views the destination as a past employee job satisfaction event.

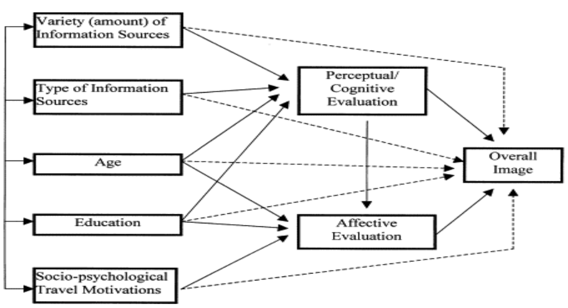


Figure 1: Baloglu and Mccleary's model of destination image formation

According to the above model, the features of the sources and individuals have a substantial impact on a variety of aspects. By analyzing the "Model of Destination Image Formation," (Baloglu and Mcleary 1999) found that internal and emotional testing has a significant impact on the formation of a destination.

INFORMATION SOURCES

Information is a key factor that affects the image of the destination. In addition, it is known as an incentive element that motivates consumers to visit. Gartner (1993) argues that the sources of information are photography teachers that influence vision. Sources of information can be defined as various details, ideological leaders, tourism and promotional advertisements, movie scenes, travel magazines, and more. Information from community groups is considered a source of information. These sources have been revealed to the public and have decided to make decisions about tourist attractions. According to Gartner (1993), there are a variety of resource teachers. They are extremely addictive - they arouse interest in the Internet, Television, etc. For tour operators, Organic - information from friends, relatives, and family members, and a destination visit as an end-to-end use. Gartner and Hunt (1987), Pearce (1982), and Phelps (1986), each list, that images that work without visiting where they are going will become more realistic, complex, and different. As new marketing strategies such as social media marketing, whoosh marketing, and other innovative strategies can be followed in branded areas as well as in the construction of images wherever they go.

PERSONAL FACTORS

Personal traits represent personal traits, who tell the difference between several places (more than two, but not many) and knowledge through many photos where you are going. Personal features will also affect the image where you go. This is because the way a person understands explains, and then you find sources that rely directly on his or her beliefs and point of view. Individual agents that lead to influence on tourist promotion (Beerli and Martin, 2004). On the other hand, Gartner (1993) described these factors as the Global Review of Research in Tourism, Hospitality and Leisure Management (GRRTHLM) personal needs and reasons for doing things as "Push" reductions which are internal factors that make the purpose of travel. The nature of people's beliefs varies according to the internal characteristics of each person for example your needs, preferences, motivations, knowledge, and other factors.

Tourist features and interior features shape the design of the destination (Crompton, 1990). The nature of individual beliefs varies from one person to another. Consumer needs, preferences, motivations, knowledge, and other factors are important factors that contribute to the image building of a destination. Individual travel motives vary for different purposes and aspects.

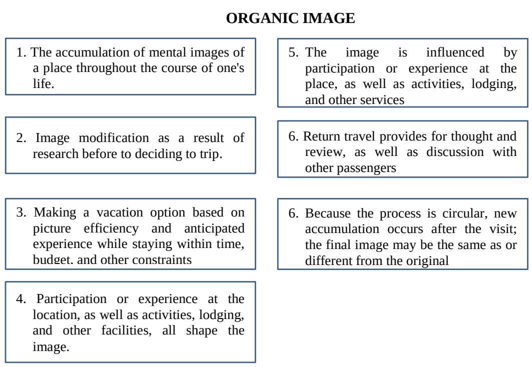
TRAVEL MOTIVATIONS

Motivation is considered as the emotional - cultural factor which influences an individual's decision to work in the tourist industry (Grandall, 1980). According to Iso-hola (1982), travel motivation is described as the satisfaction one seeks from their journeys. Motivation, whether intentionally or unintentionally, supports in the development of the intended location. Various previous studies (rompton, 1979 and Baloglu, 2000) have highlighted the effect of motivation on travel intentions. Considering the tourist purpose includes recognizing the tourist's activity and location review process, as it is the factor that affects all operations (Crompton, 1979).

The research being done a few months back has confirmed that the faith in tourism has increased. Stress in working life, increased stress due to internal and external forces, and other objectives block the way to spiritual travel to find peace of mind and rest. Even families go to religious sites for religious instruction and relaxation. From the study of the design of the destination images the most common reasons for visiting the destination are listed below:

1. Exploring new cultures and types of people.

2. Improving the mental planning process.
3. The search for new forms of entertainment and entertainment.
4. Expand your horizons by attending cultural events, festivals, and specific programs from time to time.
5. Relax and relax and relax and relax and relax and relax and relax and relax.
6. Put the stress on and get out of the normal life.
7. Pleasure, excitement, and leisure are all looked after.
8. Spirituality and cultural motivations.
9. Be a role model who can explain the travel experience.
10. Visiting the most important and outstanding places in search of signs and features.



Source: Gunn (1988) adapted in Jenkins 1999 and Echtner & Ritchie (2003).

Figure 2: Gunn's Seven-Phase Model of Destination Image Formation (1988).

The second is Gunn's (1988), a seven-phase model of destination pictures that Jenkins (1999) and others have researched extensively (Echtner and Ritchie, 2003). This seventh phase of the landscape experience was linked to Echtner & Ritchie's (2003) sources, while Jenkins (1999) tied it to the Stabler (1998) model's needs and expectations. According to Echtner and Ritchie (2003), seven model stages, 1, 2, and 7 all contribute to the creation of a mental image of where it is going. Section 1 of mental images about a holiday experience is linked to a picture of your destination, section 2 to the destination photo, and section 7 to the destination photo visit (see Figure No. 2).

Managerial Implications

Satisfaction is the purpose of all organizations, but not all organizations have a clear understanding of what satisfies their customers. Customer satisfaction is also a key factor that helps tourism firms to compete successfully (Forozia, 2013). Many features can be satisfying, but in the case of typical imagery, service quality, and visual value are the most important factors that create direct satisfaction. The effects of this paper on the tourism industry can have an impact on the management of tourist facilities in understanding the content of the tourism industry. All items that create guest satisfaction should be treated fairly. In addition, management can determine the direction of the future and its marketing, better management, and performance improvement of the company, especially those related to efforts to increase customer satisfaction and trust.

Destination marketers should also develop their tourist locations to attract tourists beyond 45 years of age by adding attractions such as libraries and temples and, as well, health-related factors. By such means, destinations can be promoted as health-promoting, as mature tourists will be more interested in peaceful and health-supporting destinations than ones that offer fun and adventure. Altogether, an atmosphere that is serene and peaceful and promotes self-reflection will attract elderly tourists (45 plus age group). It is unnecessary for destination marketing organizations (DMOs) to incur extra costs to overly develop their destinations with too much modernization to attract such senior tourists, rather adding aesthetic values like beaches, cultural heritage, and historical relics might help them attract tourists in the age group of 45 plus. Destination marketers should also develop their tourist locations to attract tourists beyond 45 years of age by adding attractions such as libraries and temples and, as well, health-related factors. By such means, destinations can be promoted as health-promoting, as mature tourists will be more interested in peaceful and health-supporting destinations than ones that offer fun and adventure. Destination marketing organizations (DMOs) don't have to get extra costs to overly develop their destinations with too much modernization to attract such senior tourists, rather adding beauty-related values like beaches, cultural history, and historical things might help them attract tourists in the age group of 45 plus.

In review, the location's image can be separated into two categories: the main image, which was created after visiting the guest house, and the second image, which was created before the person went to a certain location. Some authors recommend that, during the main image, it is advisable to employ memorized messages from the past, and that in the second section, it is very helpful to convey relevant details and messages about the location. Age, gender, the fact that somehow a person is visiting a destination, their level of education, motivation, and culture are all factors to consider. Working with all of these variables provides just one opportunity to strengthen the destination's positive image and, as a result, increase the likelihood that a specific tourist destination will be chosen. In short, destination is one of the most important destinations in the destination and becomes the most important factor in the success. The landscape image should then be analyzed using the Research, Development, and Innovation Strategy, which is supported by several approaches to its major features and subsequent structure.

Since findings further suggest that 'employers,' 'employed,' and 'self-employed' have a higher propensity to stay longer, the DMOs should develop facilities that support business-related travel like conference halls, meeting rooms, Internet, secretarial assistance, bars, and business desks to attract this category of tourists. Optional facilities, such as a gym, games room, swimming pool, spa, dance floor, and music, should be provided for entertainment as well. This study has shown that tourists accompanied by their spouses also tend to stay longer; hence, DMOs should target their promotional mix to attract couples, for example, giving extra discounts for the spouse; further, rooms should be designed to suit the requirements of a couple. Special honeymoon suites should be available for newly-married couples.

Since the present study also found that, up to three accompaniments LOS increases, marketers should keep this fact in mind while designing their marketing strategies as well as rooms and facilities. Extra discounts, for example, can be given to the third person accompanying the party either a child or one of the relatives or friends. Rooms must be designed in such a way that they can comfortably accommodate three people. Also, DMOs should pay attention to providing accommodation targeted at youngsters e.g., a playground, fun zones, and children's amusement centers. Yoga centers may be provided for elderly parents accompanying the couple. Regarding the number of persons accompanying the traveler, our findings suggest that beyond the size of three persons, the LOS decreases, possibly due to increasing expenditures; hence, DMOs should invest in the group transportation facilities and make available larger rooms with more beds at reasonable costs to motivate guests to stay longer. In general, the tourists traveling in large groups (four and above) should be incentivized to stay longer.

Since, findings further suggest that 'employers,' 'employed,' and 'self-employed' have a higher Natural tendency to stay longer, the DMOs should develop facilities that support business-related travel like conference halls, meeting rooms, Internet, bars, and business desks to attract this category of tourists. Optional facilities, such as a gym, games room, swimming pool, spa, dance floor, and music, should be provided for entertainment as well. This study has shown that tourists accompanied by their spouses also tend to stay longer; hence, DMOs should target their promotional mix to attract couples, for example, giving extra discounts for the spouse; further, rooms should be designed to suit the requirements of a couple.

The five factors that affect tourism satisfaction as mentioned can be used by various stakeholders in the formulation of customer satisfaction strategy. Attractions, resources, access, hospitality, and amenities can all be selected, focused on, and combined by policymakers., as well as their size to achieve unique competitiveness of tourist attractions - whether your destination is known for its high environmental appeal, entertainment, or reputation for its friendliness and beauty. In addition, these five items can also be used as a basis for the establishment of a comprehensive evaluation of the facilities to satisfy visitors at specific tourist destinations.

Since the present study also found that, up to three smaller parts LOS increases, marketers should keep this fact in mind while designing their marketing plans as well as rooms and facilities. Extra discounts, for example, can be given to the third person going along with the party either a child or one of the relatives or friends. Rooms must be designed in such a way that they can comfortably accommodate three people. Also, DMOs should pay attention to providing accommodation targeted at youngsters e.g., a playground, fun zones, and children's amusement centers. Yoga centers may be provided for elderly parents accompanying the couple. Hence, DMOs should invest in group transportation facilities and make available larger rooms with more beds at reasonable costs to motivate guests to stay longer.

Some of the limitations of this study are the difficulty of summarizing all the subjects related to this topic due to limited resources, in addition to what is set out in editing relevant documents. This study attempted to summarize as far as possible the results from previous studies to recommend this study. Existing limitations will probably be corrected in future studies. Future research should investigate factors that may influence the selection of tourist destinations and attractions not only for international tourists but also for local tourists. The relationship between tourism satisfaction and the purpose of redevelopment and tourism is also an important issue for tourism retailers and researchers to investigate.

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Evaluation of Problems and Perception of Tea Workers' in Kangra District of Himachal Pradesh

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ABSTRACT

The history of tea is more than 5000 years, but in India it's about 172 years old. The cultivation of tea in Himachal Pradesh was started by Dr. William Jameson in 1849 and has seen a golden era over the years. But, after heavy earthquake of 1905, tea Industry of H.P. was continuously struggling to get its' destroyed heritage and legacy, but success has been found to be negligible due to lack of govt. polices and effective support system. The tea industry is a labour intensive industry and has the capacity to provide employment to thousands of people. In view of this, through this paper an attempt has been made to examine the perception and problems faced by the people engaged in the cultivation of tea in Kangra region of Himachal Pradesh. The primary data is used for the study with a sample of 100 respondents' which was collected through questionnaire method. The analysis and interpretation part of the study is done with the help of statistical methods like mean, percentage, standard deviation, skewness and Chi-square.

Key Words- *Government (Govt.), Indian Tea Association (ITA), Tea Research Association (TRA), Self Help Group (SHG), Tea Board of India.*

1. INTRODUCTION

The tea plantation in Kangra region was started in the mid of 19th century with a feasibility survey of 1848, which shows that the area is suitable for camellia sinensis (Chinese variety of tea plants). The first tea garden was established in 1852 in Holta near Palampur and after the success of this the British had started tea plantation in Bhawarana and Nagrota in the mid of 1850. In the 1880s, Kangra tea was brought in Europe, Kabul and Central Asia and has seen its golden period and as a result Kangra tea received gold and silver medals in 1886 and 1895 in London and Amsterdam respectively.

However in 1905, Kangra region was hit by a major earthquake which destroyed everything and caused thousands of death and destruction of tea factories. It gave death blow to the Kangra tea industry and

European planters sold the estates either to their workers or local and left the valley. New entrepreneurs had no technical knowledge of tea farming as a result it lost its quality. The state government support came for industry during the period 1964-1983 in the setting up of four co-operative factories in Bir, Palampur, Baijnath and Sidhbari (Sood Meghna, 2016). Over the last fifty years, the state government and Tea Board of India are saying that they are putting their best efforts to bring back the kangra tea into the map of India, but results have seen very negligible.

2. REVIEW OF LITRATURE

The available literature shows that many studies has been done in different parts of the country on the conditions of workforce working in the tea industry, but very few studies are on Himachal Pradesh. From the several studies i.e. Kumar Pramod, Badal P.S., Singh N.P., Singh R.P., (2008), Mishra K. Deepak , Upadhyay Vandana, Sarma Atul, (2008), Baruah Bhupen Kumar, Das Bhanita, Medhi Chitrani, Misra Abani Kumar, (2011), Goowalla Horen, (2012), Bosumatari Dipali, Goyari Phanindra, (2013), Sarmah Prasanta, Goowalla Horen, (2014), Bhattacharjee Archana, Nirmolia Lakhya Pratim (2015), Mathivanan R. (2016), Narzary Sonjoy, (2016) and Debnath Sukharanjan, Debnath Prallad, (2017), it was found that condition of workforce have slightly improved in a few big tea estates, but by large workforce facing serious concerns to earn their bread and butter. These studies also reveal that in order to improve the quality of labourers', there is a need to provide technical knowledge of tea farming and financial assistance to small tea growers'. Through this study, an attempt has been made to find out the hidden reasons, which are responsible for the poor condition of workforce engaged in tea industry of Himachal Pradesh.

3. OBJECTIVE OF THE STUDY

The main objectives of the study are:

- To study the perception of tea workers' in Kangra region of Himachal Pradesh;
- To examine the problems faced by the workers' in Kangra region of Himachal Pradesh.

4. RESEARCH METHODOLOGY

Hypotheses of The Study

In the light of the stated objectives, the following hypotheses have been developed for the purpose of testing the perceptions and problems of the beneficiaries towards tea industry:

1. Null Hypothesis (Ho) – Opinion of the respondents regarding timely payment of wage, working hour, professional growth, performance appraisal, fair policies, clearly convey the mission, good communication between manager and employees, contribute in employee's health account, support community service is equally distributed.

Alternative Hypothesis (Ha) – Opinion of the respondents regarding timely payment of wage, working hour, professional growth, performance appraisal, fair policies, clearly convey the mission, good communication between manager and employees, contribute in employee's health account, support community service is not equally distributed.

2. Null Hypothesis (Ho) – Opinion of the respondents regarding government policies, facilities provided by organization, unhygienic living condition, demonstration and training camp, tool and resources, maternity benefits and trade union's work is equally distributed.

Alternative Hypothesis (Ha) - Opinion of the respondents regarding government policies, facilities provided by organization, unhygienic living condition, demonstration and training camps, tool and resources, maternity benefits and trade union's work is not equally distributed.

SOURCE OF DATA

To achieve the objectives of the study primary data has been used. The data is collected from the workers' engaged by the tea estates in the Kangra region of Himachal Pradesh with the help of questionnaire, which was divided into two parts:

Part 1- Perception of tea workers toward tea industry;

Part 2- Problems faced by tea workers.

SAMPLING DESIGN

The population of the study constitutes only those respondents who directly or indirectly engage in the production process of tea. Thus, it comprises of three administrative blocks of Kangra where tea production is done i.e. Dharamshala, Baijnath and Palampur. Multistage sampling has been used to select the sample. The sampling process is carried out in three steps-

STEP 1- In this step out of the twelve district of Himachal Pradesh only one district Kangra has been selected for the study because of single tea cultivation region of the state.

STEP 2- In the second step three administrative block of Kangra district, where basically tea is cultivated i.e. Dharamshala, baijnath and Palampur has been selected by using the simple random sampling.

Table- 1.1

Sr.No.	Statements	Strongly Agree	Partially Agree	Not Agree	Total	Mean	S.D.	Skew.	Chi-square
1.	Timely payment of wage/salary	12 (12.0%)	17 (17.0%)	71 (71.0%)	100 (100.0%)	1.4100	.6764	1.421	64.22
2.	Satisfied with working hour	20 (22.0%)	33 (33.0%)	47 (47.0%)	100 (100.0%)	1.7300	.77662	.513	10.94
3.	Good opportunities for your professional growth in this organization	18 (18.0%	42 (42.0%)	40 (42.0%)	100 (100.0%)	2.2200	.73278	-.371.	10.64
4.	Performance appraisal system of the organization is growth and development oriented	22 (22.0%)	45 (45.0%)	33 (33.0%)	100 (100.0%)	2.1100	.73711	-.177	7.94
5.	Fair policies for the promotion of all employees	42 (42.0%)	24 (24.0%)	34 (34.0%)	100 (100.0%)	1.9200	.87247	.157	4.87
6.	Company clearly convey its mission to its employees	33 (33.0%)	30 (30.0%)	37 (37.0%)	100 (100.0%)	2.0400	.83991	-.076	0.73
7.	Feel comfortable to voicing your concern to employer	31 (31.0%)	28 (28.0%)	41 (41.0%)	100 (100.0%)	2.1000	.84686	-.193	2.77
8.	Good communication from manager to employees	37 (37.0%)	30 (30.0%)	33 (33.0%)	100 (100.0%)	1.9600	.83991	.076	0.73
9.	Organization contribute toward an employee's health reimbursement account	20 (20.0%)	33 (33.0%)	47 (47.0%)	100 (100.0%)	2.2700	.77662	-.513	10.93
10.	Organization sponsor and actively supports any community service initiatives	8 (8.0%)	38 (38.0%)	54 (54.0%)	100 (100.0%)	2.4600	.64228	-.782	32.9
11.	Advise someone to work at this organization	6 (6.0%)	36 (36.0%)	58 (58.0%)	100 (100.0%)	2.5200	.61101	-.891	40.88

STEP 3- In the third step 100 respondents have been selected for study purpose by using quota sampling.

Tools and Techniques

The collected data is edited, classified and analyzed by using following mathematical and statistical techniques consistent with the objectives of the study:

(a) Mean;

(b) Percentage;

(c) Standard Deviation;

(d) Skewness and

(e) Chi-square

5. ANALYSIS AND INTERPRETATION

This part presents the analysis and interpretation of respondent's response. It shows the perception and problems faced by tea workers.

Table 1.2: Sample Size of Respondents

S.NO.	Name of the blocks	No. of Respondents
1.	Palampur	40
2.	Baijnath	30
3.	Dharamshala	30
	Total	100

Note: Figures in the parenthesis indicates percentage
Source: Field Survey

Classification on the Basis of Tea Worker's Perception towards Tea Industry

It is clear from the table 1.2, that the majority of the respondents with the statements of timely payment of wages i.e. 71.0 percent, 47 percent with the no. of working hours, 34 percent with the fair policies of promotion and 33 percent with the communication from manger to employee, have shown their dissatisfaction. These opinions are also supported by their mean values which are recorded 1.41, 1.73, 1.92 and 1.96 respectively and noted lower than the average standard score i.e. 2 at 3 point scale. The standard deviation and skewness for the statements are recorded (.6764, 1.421), (.77662, .513), (.8724, .157) and (.83991, .076) respectively, which shows that opinion of the respondents skewed more towards lower side. While applying Chi square test, it reject the null hypothesis at 5 percent level of significance. It shows that opinion of the respondents is not equally distributed and it is distributed more towards lower side. The above analysis concludes that tea estates needs improvement with regard to timely payment of wages/salaries, fixation of no. of working hours, fair policies of promotion and proper communication from manger to employees.

Further, the table 1.2, reveals that majority of the respondents have shown partially agreement or no agreement with the statements of opportunities for professional growth, performance appraisal system, clear communication with the employees, easy access with the employer, health reimbursement schemes, actively supports community services and will advise others also to work in the same organization. These statements are also supported by their mean values which are recorded 2.22, 2.11, 2.04, 2.1, 2.27, 2.46 and 2.52 respectively, which are noted higher than the average standard score i.e. 2 at 3 point scale. The standard deviation and skewness for the opinions are recorded (.73278, -.371), (.73711, -.177), (.83991, -.076), (.84686, -.193), (.77662, -.513), (.64228, -.728) and (.61101, -.891) respectively, which shows that opinion of the respondents skewed more towards higher side. When Chi square-test of goodness of fit at 5 percent level of significance is applied, it reject the null hypothesis, which shows that the opinion of the respondents is not equally distributed and it is distributed more towards higher side.

Table 1.3: Classification on the Basis of Problems Faced By Tea Workers'

Sr. No.	Statements	Strongly Agree	Partially Agree	Not Agree	Total	Mean	S.D.	Skew.	Chi-Square
1.	Government policies are inappropriate and not achieving its target	12 (12.0%)	45 (45.0%)	43 (43.0%)	100 (100.0%)	2.3100	.67712	-.471	20.54
2.	Absence of medical, drinking water and educational facilities to workers	16 (16.0%)	40 (40.0%)	44 (44.0%)	100 (100.0%)	2.2800	.72856	-.485	13.75
3.	Over-crowded and unhygienic living condition in residential colonies	61 (61.0%)	29 (29.0%)	10 (10.0%)	100 (100.0%)	1.4900	.67412	1.046	39.86
4.	Lacking in training & development programs	33 (33.0%)	42 (42.0%)	25 (25.0%)	100 (100.0%)	1.9200	.76118	.136	4.33
5.	Needed latest tools and resources to do the job	41 (41.0%)	26 (26.0%)	33 (33.0%)	100 (100.0%)	1.9200	.86082	.156	3.37
6.	Non implementation of maternity benefit schemes available for female workers	35 (35.0%)	65 (65.0%)	0	100 (100.0%)	2.6500	.47937	-.639	63.5
7.	No quick redressed mechanism of grievance in organization	26 (26.0%)	32 (32.0%)	42 (42.0%)	100 (100.0%)	2.1600	.81303	-.303	3.91

Note: Figures in the parenthesis indicates percentage

Source: Field Survey

The table 1.3, reveals that majority of the respondents i.e. 57 percent under inappropriate govt. schemes, 56 percent under absence of basic facilities, 100 percent under implementation of maternity benefits and 58 percent under quick redressed mechanism of grievances feels either strongly agree or partially agree with their working conditions. The result of these statements are also supported by their mean value which is noted higher than the average standard score i.e. 2 at 3 point scale. The standard deviation and skewness for the statements are recorded (.67712, -.471), (.72856, -.485), (.47937, -.639) and (.81303, -.303) respectively, which shows that opinion of the respondents skewed more towards higher side. While applying Chi square test, it reject the null hypothesis at 5 percent level of significance. It shows that opinion of the respondents is not equally distributed and it is distributed more towards higher side. The above analysis leads us to conclude that tea establishments in Kangra region are not able to provide basis amenities to the workforce engaged in tea cultivation and processing.

The table further shows that majority of the respondents i.e. 90 percent are of the opinion that residential colonies are over-crowded and unhygienic, 75 percent of the view that their organizations are not running any kind of training & development programs, whereas 67 percent thinks that latest technology is the need of the hour to perform their job smoothly. These statements are also supported by their mean values which are recorded 1.490, 1.920 and again 1.920 respectively, which are noted lower than the average standard score i.e. 2 at 3 point scale. The standard deviation and skewness for the opinions are recorded (.67412, 1.046), (.76118, .136), and (.86082, .156) respectively, which shows that opinion of the respondents skewed more towards lower side. When Chi square-test of goodness of fit at 5 percent level of significance is applied, it reject the null hypothesis, which shows that the opinion of the respondents is not equally distributed and it is distributed more towards lower side.

6. FINDINGS

The major findings of the study are as follows:-

- The study shows that the 71 percent and 53 percent of the respondents are not satisfied with their salary/wages and working hours respectively, whereas 47 percent of the respondents have shown their satisfaction with their working hours.
- The study highlights that 40 percent of the respondents are not happy with their present professional growth, whereas 41 percent feels that they ate

not able to voicing their concerns with their employer.

- The study reveals that 47 percent of the respondents are of the opinion that employer is not contributing in the health reimbursement account of the employees.
- From the study, it was also assessed that only 46 percent of the respondents feels that employer is contributing in community services, whereas only 42 percent will advise any one to work in the teas industry of Kangra district.
- The study shows that 43 percent of the respondents feels that govt. policies are appropriate and needs just proper implementation, whereas 44 percent of the respondents are of the opinion that employer is providing medical and other facilities at the work place.
- The study also highlights that 33 percent of the respondents have shown their satisfaction with the working tools used by their employer, whereas only 42 percent feels that their organization has quick redressed mechanism of grievances in the organization.

7. SUGGESTIONS

The Kangra tea industry today is facing many challenges and there is urgent need that tea industry adapt to twenty first century requirements. The some suggestions are:

- The tea estates should formulate a corpus fund, so that timely payment of wages/ salaries and dues may be done to the workforce.
- The tea estates must comply with the various regulations of the govt. regarding working hours, maternity benefits and basic facilities at workplace both for male and female workforce. The tea board of India and govt. should jointly formulate a monitoring committee to look into the grievances on such matters regularly.
- The workforce should be rewarded for their good performance and an incentive based method should be implemented to retain the manpower in the organization.
- The new technology should be promoted and for the purpose continuous training and development programs to be conducted to make the workforce user friendly.
- A health insurance cover should be made mandatory for every organization and soft loans may be provided for the child education and to construct the house.
- To fill the communication gap higher management must talk time to time with union leaders with open heart and get to gather may be arranged for the employees/workforce to fill the gap.

- The Kangra tea estates jointly formulate a forum to address their grievances with the govt. and an inclusive policy should be formulated to brand their products nationally and internationally.
- To widen the cultivation area the tea establishments with the support of local administration should organize such programs, where local youth may be encouraged for tea cultivation.

8. CONCLUSION

The whole discussion leads us to conclude that at the beginning of the twentieth century Kangra tea industry occupies prestigious place in the world. The Kangra tea won gold medal for making one of the finest quality of tea in the world. But, 1905 earthquake destroyed the tea industry of Kangra region which forced the Britishers' to leave the valley. The locals are not able to maintain the pace of technological advancement, which reduces the quality of Kangra tea and also the cultivated area. The govt. and tea board of India has made certain policies, but were not implemented properly at ground level. Now, to get the lost glory of Kangra tea the efforts should be to make this industry more organized and competent. The industry must introduce latest technology to improve the quality of their product and marketing strategies should be framed in such a way that sale of industry may increase both nationally and internationally. Further, a conducive working environment should be created to the workforce, so that efficient manpower may be retained. The industry also must pass on the benefits of various govt. schemes to their employees/workforce from time to time.

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Fraud Risk and Capital Market Performance Nexus in Nigeria (2001-2017)

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ABSTRACT

The study evaluates the concomitant effect of fraud risk on the performance of the Nigerian capital market. Specifically, the study assesses the effect of fraud risk on market size and turnover ratio of the Nigerian capital market. The study utilized the ex-post facto research design and retrieved secondary data from the Nigerian Stock Exchange and CBN statistical bulletins from 2001 to 2018. The data was checked for stationarity using Augmented Dickey-Fuller test. The vector autoregression used to validate the hypotheses showed a negative effect of fraud on market size and a positive effect on turnover ratio. Based on this, the study recommends that adequate collaboration and understanding between relevant anti-corruption and law enforcement agencies with SEC in order to ensure that the market is fair to all investors. Whistle –blowing scheme should be encouraged and made to be effective in the capital market since it can serve to deter corporate executive's, capital market operators from engaging in fraud in the market.

1. INTRODUCTION

The capital market is a framework of institutions that arrange for the sale and purchase of long-term financial assets, such as shares, government stocks, debentures (Onyiuke, 2010). It is part of the financial system that is primarily involved in raising capital by dealing in shares, bonds and other long term or short-term investments. It serves as an intermediate through which large and small businesses access equity and debt capital directly, thus reducing their dependence on bank-based financing. The market serves as the center of any financial system by providing funds needed for financing not only business and other economic institutions but also the programmes of government as a whole. It grants individuals and institutions the accessibility to corporate bodies and government parastatals that direct their savings towards capital intensive projects. The capital market is divided into two sectors, the primary market and secondary market. Primary market deals with issuing of new stocks and bonds directly from companies to investors, businesses and other institutions. Secondary market is where investment banks, private investors and other firms resell their equity and debt securities to investors.

The history of capital market in Nigeria dates back to the late 1950s when the Federal Ministry of Industries set up the Barback Committee to advise it on ways and means of setting up a stock market. Prior to independence, financial operators in Nigeria comprised mainly of foreign owned commercial banks that provided short-term commercial trade credits for the overseas companies with offices in Nigeria (Nwankwo, 1991). Their capital balances were invested abroad in the London Stock Exchange. So the Federal Government in attempt to accelerate economic growth embarked on the development of capital market. Some of the factors that encouraged the Federal Government to establish the capital market includes the need to provide local opportunities for borrowing and lending of long term capital by the public and private sectors as well as an opportunity for foreign based companies to offer their shares to the local investors and therefore provide an avenue for the expatriate companies to invest their surpluses.

Following the Barback Report, the Lagos Stock Exchange was set up in 1959 with the enactment of Lagos Stock Exchange Act 1961 as a private limited liability company limited by guarantee. It opened up for business with 19 listed securities made up of 3 equities, 6 Federal government bonds and 10 industrial loans. By the mid-1970s there was the need for an efficient financial system for the entire nation, which led to a review of the operations of the Lagos stock exchange. This review documented some problems associated with the market such as the huge amount of currency in circulation that was held outside of the banking system, unsatisfactory demarcation between the operation of commercial banks and the emerging class of merchant banks as well as the extremely shallow depth of the capital market. As a result of these problem Lagos Stock Exchange was renamed the Nigeria Stock Exchange in 1977. It was the foundation for trading in long-term securities needed for financing the industrial sector and the economy at large. This expansion established other branches of the stock exchange in Lagos, Kaduna (1978), Port Harcourt (1980), Yola (2002), Onitsha (1990) and Abuja (the Federal Capital Territory), thus increasing the geographical scope of investment activity in the country.

In 1988 Securities and Exchange Commission Act was enacted which lead to the established of Securities and Exchange Commission (SEC) as the apex regulatory organization for the capital market. The objective of SEC is to protect investors, maintain fair, efficient and transparent market by ensuring integrity in the market place and by preventing fraudulent practices. In 1999, the Investments and Securities Decree No. 45 became the Investment and Securities Act 1999 (ISA) by virtue of section 315 of the Constitution of the Federal Republic of Nigeria (CFRN) 1999. Subsequently, the ISA 1999 was repealed and replaced by the ISA 2007, which was a product of a long process of consultation for the reform and modernisation of the rules governing capital market transactions. Furthermore, the Federal Ministry of Finance provides supervisory roles by formulating periodical monetary policy guidelines. Recently, the ministry introduced the new whistle blowing scheme aimed at drawing public attention or attention of the authority to a perceived wrong doing, misconduct, unethical activity within an organization. Although it is a relatively recent concept, it has led to the recovery of significant sums of money laundered and stolen by politicians. In addition, Investment Protection Fund (IPF) was introduced with the aim of protecting subscribers against loss and damage arising from the default of issuers and their agents.

Despite the various laws and reforms introduced by the government there still exist various kinds of frauds and corruption in Nigeria capital market. Chieze and Onu, (2013) revealed that there is increase in shady dealings in the market done by stock brokers and top officials in the market. The suspension of the Securities and Exchange Commission Director General, Mr Munir Gwarzo by the Nigerian Minister of Finance over alleged shady dealings with Oando PLC in 2019 through the help of whistle blower attest to the existence of fraud and corruption in the market. As a result of that the study tends to find out the effect of fraud and corruption on Nigeria capital market. Furthermore, there is few works done on this topic in Nigeria and most of them looked at effect of corruption on capital market performance using market capitalization as capital market performance indexes. Equally their findings in Nigeria remain a controversial issue. The researcher tends to fill in the gap by introducing fraud and using stock value traded and all share index as capital market performance in the study. The following sections of this work include: conceptual framework; theoretical framework and empirical review of related works.

Others are methodology and data presentation; discussions, conclusion and recommendations.

LITERATURE REVIEW

Adeniji (2004) defined fraud as an intentional act by one or more individuals among management, employees or third parties, which results in a misrepresentation of financial statements. Fraud can also be seen as the intentional misrepresentation, concealment, or omission of the truth for the purpose of deception or manipulation to the financial detriment of an individual or an organization which also includes embezzlement, theft or any attempt to steal or unlawfully obtain, misuse or harm the asset of the organization, (Adeduro, 1998). Fraud is the misuse of delegated authority for personal benefits [Transparency International, 2011]. It is also a deliberate way of misrepresenting facts, realities and management of situation in which someone finds himself in an effort to deceive and gain both material and non-material things (Akinlabi, Hamed, & Awoniyi, 2011). According to Hasan and Nuri (2013), corruption is the misuse of public office for private gains. It is globally held that fraud is endemic and pervasive in nature, thereby constituting a major hindrance to economic and investment growth. It also impacts negatively on public service delivery as well as increases the social inequality (Bolgorian, 2011). Natalia (2016) posits that corruption includes bribery, extortion, and misuse of insider information and thrives where policy enforcement is lacking.

The Capital Market, according to Onyiuke (2010), is made up of markets and institutions, which facilitate the issuance and secondary trading of long – term financial instruments. The Nigerian Capital Market is a market for sourcing of medium and long-term funds by both the government and private sectors of the economy. The strategic roles of the capital market in the allocation of scarce financial resources for rapid economic growth and development of any nation is well documented. For example, Oladejo (2003) enumerates the gains of the Nigerian capital market as follows: - Helps the economy to increase capital formation; Provides funds to government and companies at more attractive terms; Provides best source of funding for SME growth; Subjects firms to market discipline thus enhancing chances of success; provides the necessary elements to manage financial risks and ensures continuity of the enterprise long after the founder.

Fraud is capable of limiting the capacity of the capital market to play these roles. A wave of fraud and corruption have hit the market reviving attention on its effect on shareholders' value, corporate governance, and stock market performance (Bonini & Boraschi, 2009).

According to World Bank Report (2017), fraud and corruption on the capital market is a trillion-dollar industry globally, which represents the amount of financial resources being lost on a yearly basis in terms of market performance (Kaufmann, Kraay, & Mastruzzi, 2011). The typical forms of these fraudulent behaviors include financial misstatements on investment or operations, inadequate or inequitable information disclosure or delay, withholding information, bribery, insider trading, inappropriate short selling amongst others (Dyck, Morse & Zingales, 2017). Insider trading or 'insider dealing is the use of inside information that is price sensitive and has not been made available to the public about a company or securities in order to make a profit or avoid loss through trading activity. It usually involves an insider (director, employee or professional advisor) or someone connected to such persons trading on information obtained in the course of employment or in the course of their professional relationship with a company and which information is not available to the broader market.

Aliyu and Bolgorian (2014) reveals that among the various forms of crimes discovered in the market include illegal sales of stocks or shares belonging to clients by stock brokers, circulation and sales of fake or non-existing shares to investors by registered stock brokers, diversion/conversion of clients' stock proceeds by stock brokers, insider trading, manipulation of annual accounts and deliberate withholding of share certificates by registrars. The occurrence of these crimes within the market has resulted in the loss of investors' funds estimated to be in millions of dollars apart from its impact on the Nigerian economy and other social consequence.

Some of the effect of fraud and corruption on capital market performance includes loss of investors' confidence it reduces trust investors has in the market. Since the investors' confidence are reduced investors will avoid the market consequently leading to less liquidity in the market. Fraud can encourage companies to choose riskier projects without informed consent of the investors thereby using investor's funds on projects that can result in lower returns. A major outcome of insider trading is delay in disclosure which tends to discourage investors from the market. Delay in disclosing information investor's needs to make an investment decision will discourage them from investing in the market. Fraud and corruption obstructs the efficiency of capital market. An efficient capital market has been explained as market that prices fully reflect available information. If information is not released or used in trade for the individual benefits of company officials, it makes the idea of an efficient market unattainable. The existence of fraud and corruption in the capital market will lead to higher borrowing cost, low stock evaluation and bad corporate governance by firms thereby resulting to loses to everybody in the market including the stockholders and consumers alike. Fraud and corruption in capital market hinders effectiveness of the market, it also stifles competitiveness in the market. This hinders the growth of the economy as well as impacting business competitiveness negatively. A country with a capital market where fraud and corruption is practiced develops a reputation that affects companies emerging from such economy when they enter the international market. Additionally, it decreases the inflow of foreign direct investment in the economy because they are perceived to be corrupt. Accordingly, there will be difficulty in establishing relationship with business partners who will see the companies coming up from such economy as untrustworthy business partners. Fraud is associated to human depravity and it has been said that human Civilization has been a product of human ingenuity. The ability of an individual to think, visualize and turn latent concepts and mere imagination into tangible and useful devices has been the driving force of civilization and progressive development. However, this same ingenuity when intermingled with unchecked greed can be devastating.

While the capital market today is an epitome of human ingenuity, fraud and corruption being perpetrated on it represents unchecked and inordinate greed which is also an offshoot of the same ingenuity. The capital market while operating efficiently and conscientiously has enabled the creation of wealth and improvement in the general well-being of many. However, the advent of fraud and corruption and their nascent prevalence have been eroding the continual positive performance of the capital market.

2.THEORETICAL FRAMEWORK

Economists and financial analysts have postulated theories in an effort to establish the linkage between fraud and capital market in Nigeria. Many theories will be adopted to enhance this research work, such as the social control/social bond theory, social disorganization theory and diamond theory. However, this study will be anchored on diamond theory which states that fraud and corruption thrives where internal control is weak, poor security and little chance of detection or immediate apprehension.

Diamond theory was proposed by David Wollfe and Dana Hermanon in 2004 and added fourth dimension to fraud, which is capability factor. The most essential fraud ingredients common to both models are greed, opportunity and exploitation. According to a survey (Hayward, 2007), it was found out that greed constitutes the main cause of fraud, responsible for about 65% of the cases. In term of opportunity, it was found out that fraud thrives where internal control is weak, poor security sector and little chance of detection or immediate apprehension. To some people fraud is seen as being smart and this is their justification. These are quite evident in some of the character trait of fraudsters where trait such as ego, illusion, positioning and intelligence abound.

3. EMPIRICAL REVIEW

Nwude (2006) analyzed bank fraud and its consequences using data from 9 commercial banks. The findings of the study revealed a significant correlation between fraud and the stock market values of banks. However, the study showed that the banks affected were those that their fraudulent activities were made public. Onuorah and Ebimobowei (2011) investigated of fraudulent activities on the capital market using forensic accounting in Nigeria. The study found that there is need for the banks in Nigeria to adopt more proactive measures such as the use of forensic accounting techniques in banks. According to the study, the Nigerian Stock Exchange lost over N1 billion in 2010 as a result of insider trading activities. Also, Ogunleye (2013) examined the impact of corporate corruption on market capitalization of commercial banks in Nigeria between 2008-2011. Employing the liner regression model, they observed that there seems to be a negative relationship between the incidence of corporate corruption and the growth in market capitalization.

Abdullahi and Mansor (2015) evaluated the influence of fraud related issues on corporate performance in Nigeria. The study was conducted enroute to the 2015 general elections in the country. Applying the analytical method of comparative analysis, the study specifically investigated the performance in banking industry. Out of six banks studied. The empirical results showed that three out of the six banks were involved in fraudulent issues and consequently performed poorly on the stock market while the others stock prices were either unchanged or experienced a boost. Aljazaerli, Sirop and Mouselli (2016) investigated the effect of corruption and stock market development: New Evidence from GCC countries from 2003 to 2011.The study used corruption perception index published by transparency international and stock market development proxy by market capitalization. Results from an estimation of alternative regression models on a panel of six GCC shows that corruption perception index has positive impact on market capitalization. Omodero and Dandago (2018) examined the effect of corruption and stock market performance in Nigeria from 1996-2016. The study used corruption perception index, Nigeria corruption ranking as proxies for corruption and share price index as proxy for stock market performance. The data were obtained from CBN Statistical Bulletin and Transparency International website. Multi –regression and t-statistics was used as method of analysis and testing the hypotheses. The study revealed a significant positive correlation between corruption and stock market performance in Nigeria. The study also revealed positive and significant relationships between Nigeria corruption ranking, corruption perception index and share price index. The research recommends among others adoption of strong form of stock market efficiency by the Security and Exchange Commission (SEC) and Nigeria Stock Exchange (NSE) for actualization by all listed firms in Nigeria. Furthermore, Federal and state governments should formulate more result-oriented policies and rules that could help combat corruption more effectively.

Jha, Sharma and Singh (2019) analyzed the effect of corruption and stock price volatility using firm level evidence. A sample of over 3,000 firms from 31 countries from 2003-2014 was selected for the study. The study discovered that corruption, constructed using the responses from the World Bank Enterprise Survey to match the firm's size, industry, location, and country, is positively associated with equity price volatility. The result also shows that equity price volatility decreases with the asset size in the presence of corruption, indicating that smaller firms are disproportionately affected by corruption. There is also positive association between corruption measured at the country level and stock price volatility, however, the effect of country-level corruption is found to be worse for firms with larger asset sizes.

Ojeka et.al (2019) investigated the effect of corruption perception and institutional quality on the performance of firms based on the data extracted for 135 companies from 2013 to 2017. Transparency international corruption perception index, institutional quality which is obtained from principle component analysis of six governance indicators extracted from world bank governance indicators, return on assets (ROA) and market value (Tobin Q) were used as data for the analysis. Generalized method of moment (GMM) was used as method of data analysis. The result revealed that corruption has negative effect on market value (Tobin Q) and accounting value performance (ROA). Institutional quality is negatively related to Tobin Q and ROA. The study recommends effective and strong mechanisms proactive to curb corruption practices and weak institutional quality. Ayaydin and Baltacr (2013) examined corruption, banking sector and stock market development: A panel data analysis from 1996 to 2011 and 42 emerging economies were used in the study. The result revealed that there exists a negative relation between level of corruption and financial system improvement. The result also showed a positive relation between banking sector development and stock market development in emerging market countries. There is also a strong negative relationship between interaction and stock market development.

Hasan and Nuri (2013) investigated the role of corruption and banking sector development on Stock Market development using a panel data of 42 emerging economies for the period 1996 to 2011. The result revealed among others that corruption had a more devastating effect on these countries' stock market development than the positive effects of the banking sector development.

Bolgorian (2011) analyzed a data set of corruption and stock market development measures such as market capitalization and total value of share trading for 46 countries around the world for the period 2007–2009, using a quantitative approach for investigating the dependence of the Corruption Perception Index (CPI) on stock market development. He found that countries with higher relative stock market development are less corrupt, and the power-law relation between level of corruption and stock market development is significant at the 5% level.

Yartey (2010) examines the impact of corruption as a part of institutional determinants of stock market development using a panel data of 42 emerging economies for the period 1990 to 2004. The study finds find there is a negative relationship between corruption and stock market development. The study proves that macroeconomic factors such as income level, gross domestic investment, banking sector development, private capital flows and stock market liquidity are important determinants of stock market development in emerging market countries. David, Lucey & Winne, (2015) assessed the capital market performance of banks in Kenya during periods when they were embroiled in corruption issues. The findings showed a negative correlation between bank stock market performance and occupational fraud and corruption. The study showed that the stocks of the banks shrank during their period of controversies.

4. DESCRIPTIVE STATISTICS

This section shows the statistical analysis of the variables which includes: Total Fraud, all share index, Market Size, Turnover ratio, and population. The statistical analysis includes: The Mean which is the mean of all the values in the data group divided by the total number of observation, the Median which is the midpoint value, the minimum value which is the lowest number in a set of data and the maximum value which is the highest number in a set of data.

Table 1: Descriptive Statistics

Variables	MARKET_SIZE	TURNOVER_RATIO	LGFRAUD	LGASH	POPULATION
Mean	18.81421	8.304737	4.191654	4.342279	8.177622
Median	17.90000	8.070000	4.111247	4.393935	8.176871
Maximum	50.00000	17.56000	4.868905	4.762680	8.280745
Minimum	0.600000	4.690000	3.455014	3.721514	8.076495
Std. Dev.	12.11610	2.997855	0.343240	0.265270	0.064177
Skewness	0.609226	1.556143	0.000892	-1.028362	0.025378
Kurtosis	3.585969	5.841460	2.972740	3.528671	1.779799
Jarque-Bera	1.447155	14.06017	0.000591	3.570106	1.180744
Probability	0.485014	0.000885	0.999705	0.167788	0.554121
Sum	357.4700	157.7900	79.64143	82.50331	155.3748
Sum Sq. Dev.	2642.399	161.7685	2.120645	1.266622	0.074136
Observations	19	19	19	19	19

From Table 1, looking at the Maximum and Minimum values for all variables, Market size was 50 in 2007 and had a minimum of 0.60 in 1999; Turnover ratio had a maximum of 17.56 in 2008 and a minimum of 4.69 in 1999; LGFRAUD had a maximum of 4.868 in 1999 and a minimum of 3.45 in 2000; LGASH had a maximum of 4.762 in 2007 and a minimum of 3.72 in 1999, finally population had the highest value with maximum at 8.280745 in 2017 and the lowest or minimum population of 8.076495 in 1999.

Skewness shows the degree of asymmetry of the distribution and it could be negatively or positively skewed while the kurtosis measures the degree to which the frequency distribution is focused about its mean or the peakedness of the distribution and it could be mesokurtic (when the kurtosis coefficient is =0), platykurtic (when the kurtosis coefficient is <0) and leptokurtic (when the kurtosis coefficient is >0). Therefore, looking at the variables (Market Size, Turnover Ratio, LGFRAUD, LGASH and population) in Table 1, they are all positively skewed; their kurtosis coefficient is >0 which indicates that they are leptokurtic. This implies that the chance of getting an extremely negative outcome is very low compared to a negatively skewed dataset. Finally, there are 19, 19,19,19,19 and 19 observations in Table 1 respectively.

The Jarque-Bera statistics tests the null hypothesis that a series is normally distributed is rejected when the probability value is significant. The test statistic measures the difference of the Skewness and kurtosis of the series with those from the normal distribution. From Table 1, looking at the various probability values of the variables of Market Size and

Turnover Ratio shows that we cannot accept the null hypothesis of a normal distribution as the probability values are less than the significant level of 0.05, hence we reject the null hypothesis. Furthermore, we will however accept the null hypothesis of LGFRAUD, LGASH and population as the probability values are greater than the significance level of 0.05 and hence is a normal distribution. The Correlation Matrix in **Table 2** show the magnitude and direction of the relationship between each pair of variables.

Table 2: Correlation Analysis

Variables	MARKET_SIZE	TURNOVER_RATIO	LGFRAUD	LGASH	POPULATION
MARKET_SIZE	1.000000	0.362876	0.116903	0.810843	0.433092
TURNOVER_RATIO	0.362876	1.000000	0.231228	0.347453	-0.083293
LGFRAUD	0.116903	0.231228	1.000000	0.004893	0.166135
LGASH	0.810843	0.347453	0.004893	1.000000	0.693642
POPULATION	0.433092	-0.083293	0.166135	0.693642	1.000000

The result shows that there is a positive relationship between Market Size and Turnover Ratio, LGFRAUD, LGASH, and population. Turnover Ratio however also has a positive relationship between Market size, LGFRAUD, and LGASH, but with an inverse relationship with Population. LGFRAUD recorded an all positive relationship with all other variables, LGASH has a positive relationship with Market Size, Turnover ratio, LGFRAUD and Population. Population shows a positive relationship between all variables except the Turnover ratio, which shows Turnover ratio and Population or population and Turnover ratio are negatively related.

UNIT ROOT TEST

The Unit root test is used for determining the stationarity or non-stationarity of a given variable. This is because most tie series data sets are often found not to be stationary and estimations with such data will produce highly spurious results. Various methods are often used to test for stationarity of variables; they include Dickey-Fuller (1979 & 1981), Augmented Dickey- Fuller (1979), Phillips-perron (1998), GLS Detrended Dickey-Fuller (GLS-DF, 1996), Ng-perron, Kwiatkowski-phillips-schmidt-shin (KPSS, 1992) amongst others. However, this study employed the Augmented Dickey-Fuller (ADF) unit root test.

From the Augmented Dickey-Fuller, the tables below show that all variables of Market size, LGFRAUD, LGASH, Turnover Ratio and population were integrated at order one 1(1) and were all stationary at first difference with the respective p values, less than 0.05 (5%) significance levels, hence we reject the null hypothesis of a unit root test in all variables. A variable is stationary if its Augmented Dickey-Fuller test statistics is less than its critical value at various levels of significance when considered in absolute values.

Null Hypothesis: D(LGASH) has a unit root				
Exogenous: Constant				
Lag Length: 1 (Automatic - based on AIC, maxlag=3)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-3.254781	0.0353
Test critical values:	1% level		-3.920350	
	5% level		-3.065585	
	10% level		-2.673459	

Null Hypothesis: D(LGFRAUD) has a unit root				
Exogenous: Constant				
Lag Length: 1 (Automatic - based on AIC, maxlag=3)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-4.147926	0.0065
Test critical values:	1% level		-3.920350	
	5% level		-3.065585	
	10% level		-2.673459	

Null Hypothesis: D(MARKET_SIZE) has a unit root				
Exogenous: Constant				
Lag Length: 1 (Automatic - based on AIC, maxlag=3)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-4.109057	0.0070
Test critical values:	1% level		-3.920350	
	5% level		-3.065585	
	10% level		-2.673459	

Null Hypothesis: D(TURNOVER_RATIO) has a unit root				
Exogenous: Constant				
Lag Length: 0 (Automatic - based on AIC, maxlag=3)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-5.802416	0.0002
Test critical values:	1% level		-3.886751	
	5% level		-3.052169	
	10% level		-2.666593	

Null Hypothesis: D(POPULATION) has a unit root				
Exogenous: Constant				
Lag Length: 3 (Automatic - based on AIC, max lag=3)				
			t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic			-4.103341	0.0084
Test critical values:	1% level		-4.004425	
	5% level		-3.098896	
	10% level		-2.690439	

Cointegration Test

First Model: Using Market Size

The interpretation of the table below will be in terms of sign and magnitude of the coefficient estimates, showing direction of long run relationship between the Market size and other various explanatory variables. The model was expressed in linear form, thus the coefficient estimates will be interrupted in terms of long run unit increases and p-values. The Cointegration test below shows that the Trace test at None hypothesis, the p value shows that there should be a rejection of the hypothesis at p value as 0.0000 is less than the 0.05 (5%) significant level.

Furthermore, the Maximum Eigenvalue test at None hypothesis, the p value shows that there should be a rejection of the hypothesis at p value as 0.0000 is less than the 0.05 (5%) significant level but should be accepted at Almost 1, given that the p value of 0.0734 is greater at the 0.05 (5%) significance level. This tells us we have one cointegrating equation, meaning an error term in the model at 5% significance level.

This shows there is a long run Cointegration relationship between our variables of market size and LGASH, LGFRAUD, Turnover ratio and Population.

Sample (adjusted): 2001 2017				
Included observations: 17 after adjustments				
Trend assumption: Linear deterministic trend				
Series: MARKET_SIZE LGASH LGFRAUD POPULATION				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.986319	115.7304	47.85613	0.0000
At most 1 *	0.689980	42.77083	29.79707	0.0010
At most 2 *	0.551113	22.86182	15.49471	0.0032
At most 3 *	0.419479	9.245101	3.841466	0.0024
Trace test indicates 4 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.986319	72.95956	27.58434	0.0000
At most 1	0.689980	19.90901	21.13162	0.0734
At most 2	0.551113	13.61672	14.26460	0.0631
At most 3 *	0.419479	9.245101	3.841466	0.0024
Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegrating Coefficients (normalized by b'*S11*b=I):				
MARKET_SIZE	LGASH	LGFRAUD	POPULATION	
-0.094207	-1.901729	1.552007	19.99654	
-0.207329	3.543076	-3.610100	-40.81860	
-0.073409	9.495102	9.013244	-13.01888	
-0.012295	8.089012	-0.968427	9.513228	
D(MARKET_SIZE)	1.666217	7.081386	-1.410782	1.261412
D(LGASH)	0.033306	0.073328	-0.012989	-0.026362

D(LGFRAUD)	-0.120841	-0.080824	-0.095357	0.003168
D(POPULATION)	-4.23E-05	1.84E-05	1.22E-05	-9.42E-06
1 Cointegrating Equation(s):		Log likelihood	147.2866	
Normalized cointegrating coefficients (standard error in parentheses)				
MARKET_SIZE	LGASH	LGFRAUD	POPULATION	
1.000000	20.18662	-16.47436	-212.2609	
	(4.45870)	(3.72347)	(13.9387)	
Adjustment coefficients (standard error in parentheses)				
D(MARKET_SIZE)	-0.156970			
	(0.25425)			
D(LGASH)	-0.003138			
	(0.00281)			
D(LGFRAUD)	0.011384			
	(0.00460)			
D(POPULATION)	3.99E-06			
	(9.0E-07)			
2 Cointegrating Equation(s):		Log likelihood	157.2411	
Normalized cointegrating coefficients (standard error in parentheses)				
MARKET_SIZE	LGASH	LGFRAUD	POPULATION	
1.000000	0.000000	1.876959	9.307707	
		(4.68321)	(20.3799)	
0.000000	1.000000	-0.909084	-10.97601	
		(0.23639)	(1.02871)	
Adjustment coefficients (standard error in parentheses)				
D(MARKET_SIZE)	-1.625145	21.92120		
	(0.37592)	(6.63796)		
D(LGASH)	-0.018341	0.196466		
	(0.00455)	(0.08037)		
D(LGFRAUD)	0.028141	-0.056559		
	(0.00963)	(0.17000)		
D(POPULATION)	1.68E-07	0.000146		
	(1.8E-06)	(3.1E-05)		
3 Cointegrating Equation(s):		Log likelihood	164.0495	

Normalized cointegrating coefficients (standard error in parentheses)				
MARKET_SIZE	LGASH	LGFRAUD	POPULATION	
1.000000	0.000000	0.000000	-0.390400	
			(18.7715)	
0.000000	1.000000	0.000000	-6.278846	
			(0.67089)	
0.000000	0.000000	1.000000	5.166924	
			(0.80434)	
Adjustment coefficients (standard error in parentheses)				
D(MARKET_SIZE)	-1.521580	8.525679	-35.69425	
	(0.38163)	(16.4468)	(15.6830)	
D(LGASH)	-0.017387	0.073133	-0.330103	
	(0.00469)	(0.20210)	(0.19271)	
D(LGFRAUD)	0.035141	-0.961986	-0.755242	
	(0.00742)	(0.31961)	(0.30477)	
D(POPULATION)	-7.28E-07	0.000262	-2.21E-05	
	(1.6E-06)	(7.0E-05)	(6.7E-05)	

Second Model: Using Market Turnover

The Cointegration test below shows that the Trace test at None hypothesis and Almost 1, the p value shows that there should be a rejection of the hypothesis at p value as 0.0000 and 0.0174 respectively are less than the 0.05 (5%) significant level. Furthermore, the Maximum Eigenvalue test at None hypothesis, the p value shows that there should be a rejection of the hypothesis at p value as 0.0004 is less than the 0.05 (5%) significant level but should be accepted at Almost 1, given that the p value of 0.0555 is greater at the 0.05 (5%) significance level. This tells us we have one cointegrating equation, meaning an error term in the model at 5% significance level. This shows there is a long run Cointegration relationship between our variables of Market Turnover and LGASH, LGFRAUD, Market Size and Population

Sample (adjusted): 2001 2017				
Included observations: 17 after adjustments				
Trend assumption: Linear deterministic trend				
Series: TURNOVER_RATIO LGFRAUD LGASH POPULATION				
Lags interval (in first differences): 1 to 1				
Unrestricted Cointegration Rank Test (Trace)				
Hypothesized		Trace	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.916063	75.72319	47.85613	0.0000
At most 1 *	0.705858	33.60248	29.79707	0.0174
At most 2	0.489766	12.79969	15.49471	0.1224
At most 3	0.076919	1.360643	3.841466	0.2434
Trace test indicates 2 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegration Rank Test (Maximum Eigenvalue)				
Hypothesized		Max-Eigen	0.05	
No. of CE(s)	Eigenvalue	Statistic	Critical Value	Prob.**
None *	0.916063	42.12071	27.58434	0.0004
At most 1	0.705858	20.80279	21.13162	0.0555
At most 2	0.489766	11.43904	14.26460	0.1335
At most 3	0.076919	1.360643	3.841466	0.2434
Max-eigenvalue test indicates 1 cointegrating eqn(s) at the 0.05 level				
* denotes rejection of the hypothesis at the 0.05 level				
**MacKinnon-Haug-Michelis (1999) p-values				
Unrestricted Cointegrating Coefficients (normalized by b'*S11*b=I):				
TURNOVER_RATIO	LGFRAUD	LGASH	POPULATION	
-0.189208	0.359630	5.135206	-40.73439	
0.997463	-8.889447	-12.38245	26.77645	
0.332597	6.869371	4.761341	15.98922	
0.140429	-4.202011	3.385034	13.58405	
Unrestricted Adjustment Coefficients (alpha):				
D(TURNOVER_RATIO)	0.683329	-1.720932	-0.878812	0.217826

D(LGFRAUD)	0.078093	0.013334	-0.044414	0.046756
D(LGASH)	-0.008336	0.018473	-0.042089	-0.022551
D(POPULATION)	4.95E-05	5.71E-06	2.65E-06	-3.56E-06
1 Cointegrating Equation(s):		Log likelihood	146.4556	
Normalized cointegrating coefficients (standard error in parentheses)				
TURNOVER_RATIO	LGFRAUD	LGASH	POPULATION	
1.000000	-1.900710	-27.14048	215.2886	
	(4.79579)	(4.93228)	(17.5452)	
Adjustment coefficients (standard error in parentheses)				
D(TURNOVER_RATIO)	-0.129292			
	(0.14469)			
D(LGFRAUD)	-0.014776			
	(0.01040)			
D(LGASH)	0.001577			
	(0.00591)			
D(POPULATION)	-9.36E-06			
	(1.2E-06)			
2 Cointegrating Equation(s):		Log likelihood	156.8570	
Normalized cointegrating coefficients (standard error in parentheses)				
TURNOVER_RATIO	LGFRAUD	LGASH	POPULATION	
1.000000	0.000000	-31.13270	266.3739	
		(5.07234)	(22.0767)	
0.000000	1.000000	-2.100385	26.87699	
		(0.61169)	(2.66229)	
Adjustment coefficients (standard error in parentheses)				
D(TURNOVER_RATIO)	-1.845857	15.54388		
	(0.57027)	(4.99737)		
D(LGFRAUD)	-0.001476	-0.090448		
	(0.05568)	(0.48790)		
D(LGASH)	0.020003	-0.167211		
	(0.03118)	(0.27325)		
D(POPULATION)	-3.66E-06	-3.30E-05		
	(6.3E-06)	(5.5E-05)		

3 Cointegrating Equation(s):		Log likelihood	162.5766	
Normalized cointegrating coefficients (standard error in parentheses)				
TURNOVER_RATIO	LGFRAUD	LGASH	POPULATION	
1.000000	0.000000	0.000000	-4.689755	
			(13.3640)	
0.000000	1.000000	0.000000	8.589531	
			(1.15905)	
0.000000	0.000000	1.000000	-8.706718	
			(0.92331)	
Adjustment coefficients (standard error in parentheses)				
D(TURNOVER_RATIO)	-2.138147	9.506995	20.63407	
	(0.52913)	(5.56705)	(7.04569)	
D(LGFRAUD)	-0.016247	-0.395541	0.024445	
	(0.05681)	(0.59775)	(0.75652)	
D(LGASH)	0.006005	-0.456334	-0.471944	
	(0.02988)	(0.31438)	(0.39788)	
D(POPULATION)	-2.78E-06	-1.47E-05	0.000196	
	(6.5E-06)	(6.9E-05)	(8.7E-05)	

REGRESSION

Model One

Vector Autoregression Estimates				
Sample (adjusted): 2001 2017				
Included observations: 17 after adjustments				
Standard errors in ( ) & t-statistics in [ ]				
	MARKET_SIZE	LGFRAUD	LGASH	POPULATION
MARKET_SIZE(-1)	0.274005	0.017304	-0.004615	-7.86E-07
	(0.37812)	(0.00756)	(0.00437)	(1.5E-06)
	[0.72464]	[2.28810]	[-1.05525]	[-0.52017]
MARKET_SIZE(-2)	-0.811094	0.017798	-0.012448	1.74E-07
	(0.46068)	(0.00921)	(0.00533)	(1.8E-06)
	[-1.76065]	[1.93167]	[-2.33630]	[0.09441]

LGFRAUD(-1)	-20.92118	0.241618	-0.239812	-2.15E-05
	(11.5434)	(0.23088)	(0.13351)	(4.6E-05)
	[-1.81240]	[1.04653]	[-1.79624]	[-0.46609]
LGFRAUD(-2)	-15.99463	7.12E-05	-0.064761	8.48E-06
	(9.94523)	(0.19891)	(0.11502)	(4.0E-05)
	[-1.60827]	[0.00036]	[-0.56302]	[0.21333]
LGASH(-1)	-55.62996	0.396372	0.174089	0.000102
	(36.2782)	(0.72559)	(0.41958)	(0.00014)
	[-1.53343]	[0.54628]	[0.41491]	[0.70560]
LGASH(-2)	74.35923	-1.332732	0.685800	8.32E-05
	(26.7296)	(0.53461)	(0.30915)	(0.00011)
	[2.78190]	[-2.49290]	[2.21835]	[0.77870]
POPULATION(-1)	74907.01	-312.9895	918.6885	2.100925
	(27897.7)	(557.973)	(322.658)	(0.11146)
	[2.68506]	[-0.56094]	[2.84725]	[18.8492]
POPULATION(-2)	-75132.38	315.1438	-921.0973	-1.102771
	(27956.2)	(559.143)	(323.334)	(0.11169)
	[-2.68751]	[0.56362]	[-2.84875]	[-9.87320]
C	1096.726	-7.492955	11.52415	0.013218
	(498.167)	(9.96369)	(5.76168)	(0.00199)
	[2.20152]	[-0.75203]	[2.00014]	[6.64095]
R-squared	0.766854	0.839620	0.877630	1.000000
Adj. R-squared	0.533709	0.679241	0.755260	1.000000
Sum sq. resids	448.6834	0.179486	0.060019	7.16E-09
S.E. equation	7.489020	0.149786	0.086616	2.99E-05
F-statistic	3.289162	5.235207	7.171926	7485233.
Log likelihood	-51.94334	14.56046	23.87167	159.3733
Akaike AIC	7.169805	-0.654172	-1.749608	-17.69098
Schwarz SC	7.610918	-0.213059	-1.308495	-17.24986
Mean dependent	20.92235	4.195148	4.411511	8.188879
S.D. dependent	10.96721	0.264472	0.175084	0.057885
Determinant resid covariance (dof adj.)		5.77E-13		
Determinant resid covariance		2.83E-14		
Log likelihood		168.6720		
Akaike information criterion		-15.60847		
Schwarz criterion		-13.84402		

Model two

Vector Autoregression Estimates				
Sample (adjusted): 2001 2017				
Included observations: 17 after adjustments				
Standard errors in ( ) & t-statistics in [ ]				
	TURNOVER_RATIO	LGFRAUD	LGASH	POPULATION
TURNOVER_RATIO(-1)	-0.619251	0.012749	-0.004906	-3.40E-06
	(0.38247)	(0.03995)	(0.02114)	(4.7E-06)
	[-1.61908]	[0.31911]	[-0.23212]	[-0.72684]
TURNOVER_RATIO(-2)	-0.488306	-0.022430	0.007744	1.21E-07
	(0.32034)	(0.03346)	(0.01770)	(3.9E-06)
	[-1.52433]	[-0.67034]	[0.43743]	[0.03094]
LGFRAUD(-1)	5.117109	0.317383	-0.301206	-3.05E-06
	(4.45925)	(0.46579)	(0.24644)	(5.5E-05)
	[1.14753]	[0.68139]	[-1.22220]	[-0.05594]
LGFRAUD(-2)	3.474581	0.090604	-0.060370	3.27E-06
	(3.25501)	(0.34000)	(0.17989)	(4.0E-05)
	[1.06746]	[0.26648]	[-0.33559]	[0.08209]
LGASH(-1)	18.76863	0.646308	0.324746	7.24E-05
	(8.63676)	(0.90215)	(0.47732)	(0.00011)
	[2.17311]	[0.71641]	[0.68035]	[0.68512]
LGASH(-2)	2.602783	-0.463591	0.126976	0.000111
	(7.33462)	(0.76613)	(0.40535)	(9.0E-05)
	[0.35486]	[-0.60510]	[0.31325]	[1.24118]
POPULATION(-1)	-2864.080	802.0957	336.8370	2.074710
	(7669.63)	(801.126)	(423.869)	(0.09391)
	[-0.37343]	[1.00121]	[0.79467]	[22.0936]
POPULATION(-2)	2779.072	-804.9948	-336.9821	-1.076578
	(7674.97)	(801.684)	(424.165)	(0.09397)
	[0.36210]	[-1.00413]	[-0.79446]	[-11.4565]
C	615.7298	16.32918	1.288466	0.013664
	(213.516)	(22.3027)	(11.8002)	(0.00261)

	[2.88376]	[0.73216]	[0.10919]	[5.22661]
R-squared	0.680645	0.560641	0.719360	1.000000
Adj. R-squared	0.361291	0.121281	0.438719	1.000000
Sum sq. resids	45.06582	0.491701	0.137646	6.76E-09
S.E. equation	2.373442	0.247916	0.131171	2.91E-05
F-statistic	2.131314	1.276041	2.563278	7935296.
Log likelihood	-32.40870	5.994381	16.81647	159.8696
Akaike AIC	4.871611	0.353602	-0.919585	-17.74937
Schwarz SC	5.312724	0.794715	-0.478472	-17.30825
Mean dependent	8.655294	4.195148	4.411511	8.188879
S.D. dependent	2.969798	0.264472	0.175084	0.057885
Determinant resid covariance (dof adj.)		1.09E-12		
Determinant resid covariance		5.35E-14		
Log likelihood		163.2569		
Akaike information criterion		-14.97140		
Schwarz criterion		-13.20695		

SUMMARY, CONCLUSION AND POLICY IMPLICATION

Fraud has been identified all round as the biggest impediments and barrier to investment opportunities which hinder effectiveness and competitiveness in a capital market especially in Nigeria. Basically, the empirical exploration on this topic in Nigeria remains a contradictory issue and that's why the study tends to ascertain the effect of fraud on capital market performance in Nigeria. Descriptive statistics was used to explain the characteristics of the data series, after that the unit root status of the variables was established in the structural equation. The study shows the existence of co-integration and Error Correction Mechanism was used in deriving the long run and short run estimates. The result of structural analysis shows that fraud have major impacts on capital market performance.

The findings of this work is in consistent with the study of Nwude (2006); Omodera and Dandago (2018) who found positive relationship between fraud and capital market performance. It is important to note that fraud is inherent in the Nigeria system and considered a viable enterprise and practiced in different ways in the country. Capital market is market where government and companies can raise long term funds for investment purposes. The existence of fraud and corruption in Nigeria capital market spells danger and may discourage investment in the capital market. It then goes to show that when fraud and corruption exists in capital market information becomes hidden and difficult to obtain. This means that insiders gain and average investors loses which goes to show that the market is not efficient anymore. Fraud tends to have negative and significant effect on the capital market but yet the result of the study shows that fraud has negative and insignificant effect on capital market. This could be an area for further research.

POLICY IMPLICATION

It is borne of that fact that fraud can cause share price not to reflect available information in the market which will result to inefficient capital market. Even though, the government has tried with necessary efforts to curb the rate of fraud in the market and ensure efficient capital market. There still exists fraud in the market as such the study makes the following recommendations. There should be collaboration and understanding between relevant anti-corruption and law enforcement agencies with SEC in order to ensure that the market is fair to all investors. The relationship will ensure that the investors (both foreign and local) and their investment are protected. Investor's protection fund which was set up by government to compensate claimant for financial losses suffered by them as a result of erroneous doing by certain dealing member firms of the exchange should be enforced and strengthened. Whistle –blowing scheme should be encouraged and made to be effective in the capital market since it can serve to deter corporate executive's, capital market operators from engaging in fraud in the market. Committee chairman on capital market from National Assembly should have adequate knowledge and expertise on capital market before heading such committee as this will help them perform strong oversight functions and make necessary laws for efficient performance of capital market. There should be also training for individuals in such committees in a bid to increase their knowledge as well as make them abreast of recent development in capital markets around and such trainings such be monitored very well by the government. There should be increase and awareness in investor's education by the regulators in the market. Investors education will help protect investors and increase investors' confidence in the market.

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APPENDIX

Year	Transparency Index	Corruption Perception Index	Total Fraud (₦" Million)	All Share Index	Stock Value Traded (Million)
1999	98	16.0	73,944.28	5,266.40	14,072.00
2000	90	6.0	2,851.11	6,111.00	28,153.10
2001	90	10.0	11,243.94	10,963.10	57,683.80
2002	101	16.0	12,919.55	12,137.70	59,406.70
2003	132	14.0	9,383.67	20,128.90	120,402.60
2004	144	16.0	11,754.00	23,844.50	225,820.70
2005	152	19.0	10,606.18	24,085.80	262,935.80
2006	142	22.0	4,832.17	33,358.30	470,253.40
2007	147	22.0	10,005.81	57,900.22	1,076,020.40
2008	121	27.0	53,522.86	31,450.78	1,679,143.70
2009	130	25.0	41,265.86	20,827.20	685,717.50
2010	134	24.0	21,291.41	24,770.52	799,911.00
2011	143	24.0	28,400.86	20,730.63	638,925.00
2012	139	27.0	18,045.00	28,078.81	808,991.40
2013	148	25.0	21,795.00	41,124.19	2,350,875.70
2014	140	27.0	25,608.80	34,657.15	1,234,783.10
2015	137	26.0	18,021.00	28,642.25	961,221.50
2016	140	28.0	8,683.00	26,874.62	952,826.60
2017	148	27.0	12,012.00	32,161.12	1,273,200.00
2018	144	27.0	38,926.00	33,728.40	1,284,976.28

Counterproductive Work Behavior and Performance of Banks in Enugu State, Nigeria

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ABSTRACT

Counterproductive behavior poses a real threat to the physical and social survival of an individual within certain social environments or collective settings. Increase in counterproductive work behavior has been linked to decrease in performance or productivity, employer dissatisfaction, and greater psychological distress. The study explores the effect of counterproductive behavior on performance of banks. Descriptive survey design was employed. Structured questionnaire was used to gather information from the respondents. Data analysis involved both descriptive and inferential statistics and was done at 0.05 level of significance. Simple regression analysis was used to establish the effect of personal aggression on employee turnover. The result revealed that personal aggression has significant positive effect on employee turnover. The study, therefore, concludes that aggression at workplace destroys the potential of employees and brings about a steady decrease in the quality and performance of work. Prevention of aggression must be an inseparable part of the organization's culture and climate.

Keywords: *Counterproductive, Personal Aggression, Employee Turnover.*

1.1 BACKGROUND OF THE STUDY

Counterproductive behaviour has become an issue of concern in human resource management in organizations. Behaviour is considered counterproductive when employees are non-conforming to an organization's policies, core values, culture etc., and such behaviour impede the vision, welfare and organizational standards (Jawad, Tabassum, Raja &Abraiz, 2013); in addition, counterproductive which is deviant behaviour is believed to be detrimental to the goals and interests of other members of the organization. Counterproductive work behaviour can take many forms such as sabotage, theft, withholding of effort, verbal abuse, physical assault and lying, refusing to cooperate, (Robinson & Bennette, 1995). These occur either at organizational level or interpersonal level. At the organizational level, these refer to the behaviors (absenteeism, misuse of the employer's assets and withdrawal) that affect the organization (Bashir et al., 2012; Chang & Smithikrai 2010; Galperin, 2002; Robinson and Bennett, 1995; Sackett, 2002) while at interpersonal level these include behaviors (such as aggression, verbal abuse, favoritism and gossip etc.) that affect employees within the organization**.** CWB embraces a variety of acts including: sabotage, absenteeism, verbal abuse, theft spreading of nasty rumors, stealing from coworkers, or coming late to workplace, lying, refusing to cooperate, physical assault, withdrawal, withholding of efforts, and physical assault (Bashir et al., 2012; Chang & Smithikrai 2010). Spector et al., (2006) have classified variety of these detrimental behaviors into five major categories called dimension including: withdrawal, production deviation, abuse, sabotage, and theft.

Counterproductive work behavior poses a real threat to the physical and social survival of an individual within certain social environments or collective settings. Deviations are marked by violation of social norms, moral norms, cultural values, the process of assimilation, and in the reproduction of values and norms. CWB can result from vague job description, job insecurity, poor motivation, poor organizational control, injustice, poor career opportunities, stress, and wrong performance appraisal system among others (Aftab & Javed, 2012; Fatima, Atif, Saqib, and Haider, 2012).Either at the individual or organizational level, the costs of CWB are very damaging to the organization in terms of declining productivity, greater maintenance costs due to vanished or destroyed property, psychological costs, and poor corporate image (Galperin, & Bennett, 2004). According to Dineen and Lewicki (2006), over $50 billion is estimated annually as the costs of fraud and theft committed by employees. The study, therefore, examines the effect of personal aggression on employee turnover.

2.1 CONCEPTUAL AND THEORETICAL CLARIFICATIONS

Counterproductive workplace behaviour is a class of behaviours that acts against the interests of the organization, which individuals, usually, consciously choose to engage in (Chang & Smithikrai, 2010). It is referred to as the engagement of people in criminal offences, illegal, anti-social and unethical behaviour. Counterproductive is any behaviour that does not conform to the established rules of a group of individuals or the society at large (Idris, 2016). Counterproductive behavior which is also referred to as deviant behaviour could also be any form of behaviour that contravenes the rules and regulations or even laws that govern an establishment. According to Spector and Fox (2005), CWBs vary from common destructive actions since they are not accidental and are done purposively to causing damage through deliberate actions. Counterproductive work behaviors can also be defined as behaviors that contradict and inhibit the attainment of organizations' objectives (Spector, Fox, Penney, Bruursema, Goh, & Kessler, 2006). Spector et al. (2006), who grouped CWBs into five dimensions: abuse, production deviance, sabotage, theft, and withdrawal. Behaviour is considered counterproductive when employees are non-conforming to an organization's policies, core values, culture etc., and such behaviour impede the vision, welfare and organizational standards (Jawad, Tabassum, Raja & Abraiz, 2013; Bennett and Robinson, 2003; Robbins & Judge, 2007). Deviant behaviour is counterproductive and whether such behaviour is noticeable or not, it does not only have an adverse effect on organizational productivity (Appelbaum and Shapiro, 2006), but may also escalate to high profile embarrassments and affect organization's drive for professionalism and institutionalized standards if not strategically managed (Chirasha & Mahapa, 2012). CWB is the behavior that goes against the goals and objectives of organizations (Spector et al., 2006). It is the set of different behaviors that are opposed to mandated behaviors and can harm the employees, organization and its stakeholders such as; clients, coworkers, customers and supervisors (Spector & Fox, 2005) and can even put the stability of organization at risk.

Personal Aggression: Aggression is any intentional act by the perpetrator that causes harm or damage to another individual; however, these behaviors are not necessarily physically violent acts that harm or damage (Hills & Joyce, 2013). Personal aggression is behaving in an aggressive or hostile manner towards other individuals. Sexual harassment, rape, verbal abuse, physical assaults, sabotaging the work of co-employees, stealing from co-workers, destroying property of co-workers, backbiting and endangering co-workers are forms of personal aggression. Workplace aggression involves physical and psychological behaviors that are potentially harmful (Johnson & Rea, 2009; Schat & Frone, 2011). Rogojan (2009) noted that employees, who have been the target of aggression by co-workers, have more physical and emotional health problems, increase turnover and are less committed to their organizations.

Employee turnover

Employee turnover occurs when there is need for employees to leave their jobs and must be replaced. Turnover has some significant effects on organizations' (Denvir & Mcmahon, 1992). Many researchers argue that high turnover rates might have negative effects on the profitability of organizations if not managed properly (Wasmuth & Davis, 1993). Employee turnover is the rotation of workers around the labour market, between firms, jobs and occupations and between the state of employment and unemployment (Abssi and Hollman, 2000). Employee turnover result to work extra hours to compensate for the work of those that have resigned which result to extra workload for the remaining employees (Mathis and Jackson, 2007). However, one of the significant effects of turnover is to increase cost due to recruiting and training new employees. An employee's exposure to bullying results in a reduced productivity and increased rate of employee turnover along with a significant decrease in the overall output of the organization (Hoel et al., 2003).

The study is anchored on theory of Reasoned Action by (TRA) by Ajezen (1985) and fishben (1975). The Theory of Reasoned Action (TRA) suggests that a person's behavior is determined by their intention to perform the behavior and that this intention is, in turn, a function of their attitude towards the behavior and subjective norms (Fishbein & Ajzen, 1975).According to TRA, if people evaluate the suggested behavior as positive (attitude) and if they think others want them to perform the behavior (subjective norm), this results in a higher intention (motivation) and they are more likely to perform the behavior. People consider the implications of their action before they decide to engage or not engage in a given behavior. TRA works most successfully when applied to behaviours that are under a person's volition or control. If behaviours are not fully under control, even though a person may be highly motivated by his or her own attitudes and subjective norm, he or she may not actually perform the behaviour due to intervening environmental conditions.

2.3 REVIEW OF RELATED LITERATURE

Studies (Gruys & Sackett, 2003; Marcus & Schuler, 2004; Fox, Spector & Miles, 2001) have shown that counterproductive work behaviour (CWB) is an intentional employee behaviour that is harmful to the legitimate interests of an organization. Some researchers have identified the different types of deviant behaviour among in-school adolescents; these include truancy, examination malpractice, substance abuse, bullying, vandalism, and sexual immorality (Odunmuyiwa 2001; Esere 2008). Suleiman (2011) asserted that behaviour is antisocial if any of these three criteria are seen; when behaviour does not allow a person to function effectively with others as a member of the society, when such behaviour does not permit the person to meet his or her own needs and when behaviour has a negative effect on the wellbeing of others. Deviant behavior by teenagers includes antisocial, delinquent, wrongful, aggressive, self-destructing, and suicidal acts. These acts may lead to various abnormalities in personal development. Paul-Titus, (2009) advocated that socio-demographic characteristics, such as age, gender, marital status, income, and level of education, are significantly connected to the tendency to engage in CWBs. CWBs occur either at interpersonal level and organizational level; CWBs at interpersonal level are directed at individuals/employees within the organization i.e. violence, verbal abuse and gossip, assault, harassment, etc. (Spector & Fox, 2005). CWBs at the organizational level relate to deviant behaviors, such as calling in sick when one is not, withdrawal efforts, long hours of break, cyberloafing, misuse/damage of the employer's assets, stealing, sabotage, etc., which affect the organization (Chang & Smithikrai, 2010). Fine, Horowitz, Weigler, and Basis (2010) explored the extent to which integrity lies at the root of CWB, demonstrating that high integrity is tied to low proclivity for counterproductive behavior. The study also examined the interaction of integrity with other situational variables, including the degree of involvement in work and perceived levels of job security. Results confirmed the interaction between situational variables and integrity: employees with high integrity exhibited less counterproductive behavior even when not deeply engaged in or secure about their positions. Galperin, and Bennett (2004) found trait aggressiveness to be an important predictor of workplace-deviant behavior.

Nimra & Nawaz (2020) found that there is a relationship between workplace aggression and employee turnover intentions. The results determined a positive relationship between the workplace bullying behaviors towards the individuals and the turnover intention. An employee's exposure to bullying results in a reduced productivity and increased rate of employee turnover along with a significant decrease in the overall output of the organization (Hoel et al., 2003). Workplace aggression typically involves negative practices that are aimed towards harming an individual, physically or psychologically. These forms of negative attitudes are always a result of an unethical practice within the workplace and these attitudes are always disliked by the individuals who are being targeted(Raknes&Einarsen,1997). It has also been found that exposure to bullying at workplace results in psychological distress among the employees (Stallworth & Fox, 2005) which is accompanied with lower self-esteem, suicidal ideation and depression (Matthiesen & Einarsen, 1999). Previous researches have also proved that experiencing workplace bullying can also prove to be dangerous for the employee's health, psychological and physical. A study reported that such employees have a higher rate of turnover intentions as compared to those who have never experienced workplace violence or aggression. However, there was no significant relationship found between the two variables; job commitment and experiencing violence (Aytac, Dursun, & Akalp, 2016). Workplace aggression has proved to have a long lasting, devastating effect on the worker performance, targets and the overall organization's performance (Rayner & Keashly, 2005; Einarsen, Hoel, Zapf, & Cooper, 2003). Liand Zhou, (2013) found that an employee's emotional exhaustion can trigger verbal aggression from the client and hence result in an increased employee turnover rate. It appeared that the degree to which an employee is feeling emotionally exhausted can play an integral part as a mediator in the verbal aggression between the employee and the customer.

Nazir, Umer, Najam, & Saleem, (2016). Assessed the impact of workplace incivility on turnover intentions and reported a positive correlation between the two variables. Previous studies have also shown that exposure to workplace aggression causes lower levels of job satisfaction, increases job turnover intention, reduce the emotional attachment to the organisation and causes accidents at work (Hegney, et al, 2010).

3.1 METHODOLOGY

Descriptive research design was used to explore the effect of personal aggression on employee turnover. Descriptive design involves gathering of opinions and information from the respondents which addresses the research objectives and research questions. Data were generated from primary source which is perceived as firsthand information. Questionnaire was structured in five point likert scale. Population of the study comprises the staff working in three selected banks Enugu State which are Guarantee Trust Bank, Zenith Bank and First Bank Plc. The population of the study is 341. These banks were rated high in terms of customer satisfaction, services delivery and others. Taro Yamane formula was used to determine sample size of

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

Where n = Sample Size

N = Total population

e = error margin

$$n = \frac{341}{1 + 341\,(0.05)^2}$$

n = 201

out of 201 copies of questionnaire distributed, 197 copies of questionnaire were retrieved for analysis. Content and construct validity was used to validate the instrument to ensure that the instrument was accurate and unambiguous. The reliability of the instrument was tested using Cronbach Alpha at 5% level of significance. The reliability coefficients for scale are: personal aggression (a = .751), employee turnover (a = .724). The scales showed values which are greater than .70, a threshold considered suitable for most studies.

4.1 RESULTS AND DISCUSSION

Test of Hypothesis

Personal Aggression has significant effect on Employee Turnover

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.905[a]	.818	.815	3.27657

a. Predictors: (Constant), PERSONAL AGGRESSION

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2795.185	1	2795.185	268.953	.000[b]
	Residual	634.154	60	10.736		
	Total	3642.339	61			

a. Dependent Variable: EMPLOYEE TURNOVER

b. Predictors: (Constant), PERSONAL AGGRESSION

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.753	1.088		3.471	.001
	PERSONAL AGGRESSION	.861	.053	.805	16.430	.000

a. Dependent Variable: EMPLOYEE TURNOVER

This table provides the *R* and R^2 values. The *R* value represents the simple correlation and is 0.818 (the "**R**" Column), which indicates a high degree of correlation.

The R^2 value (the "**R Square**" column) indicates how much of the total variation in the dependent variable, employee turnover can be explained by the independent variable, Personal aggression. In this case, 81.8% can be explained, which is very large. Personal aggression coefficient of 0.805 indicates a positive significance between Personal Aggression, which is statistically significant with (t = 16.430). Therefore, the null hypothesis is rejected and the alternate hypothesis is firmly accepted, thus Personal Aggression has a positive effect on Employee Turnover. This connotes that increase in Personal Aggression will result to increase in turnover and vice versa.

Discussion of finding

Employees who experience aggression which is initiated within the organization are more likely to experience a high level of negative organizational and personal outcomes. These include an employee's physical health, emotional well-being and attitude towards work. Employees exposed to workplace aggression suffer from psychological problems such as stress, depression, increased levels of anxiety, emotional exhaustion, family problems, low self-esteem, isolation in private life, alcohol problems, lack of concentration at work and fear (Aytac et al 2016).The current study was conducted to explore the effect of personal aggression on employee turnover. The result revealed personal aggression has significant effect on employee turnover. The finding is in agreement with the work done by Nimra & Nawaz (2020), Liand Zhou, (2013), Nazir, Umer, Najam, & Saleem, (2016).These studies found that workplace aggression has significant relation with employee turnover intentions. An employee's exposure to bullying results in a reduced productivity and increased rate of employee turnover along with a significant decrease in the overall output of the organization (Hoel et al., 2003; Quine, 1999).

Conclusion and Recommendation

Counterproductive behavior not only impact the quality of work produced by the employee engaging in CWBs but also can negatively affect the productivity of other employees in the company and create undesirable risks for the employer. Workplace aggression is an umbrella term that encompasses practices that create a negative work environment and a reduction in the overall employee's wellbeing. Having the employees being exposed to workplace aggression results in a number of serious consequences for the organization. Aggression at workplace destroys the potential of employees and brings about a steady decrease in the quality and performance of work. Organizations must take the necessary steps to ameliorate if not eradicate aggression by supporting and encouraging employees and also formulating polices that discouraged aggression in the organization invariably prevention of aggression must be an inseparable part of the organization culture and climate.

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Finding the Influence of NPAs on Profitability – A Juxtaposition of Public and Private Sector Banks in India

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ABSTRACT

One of the most gruelling challenge for the public sector banks has been the accumulation of NPAs in recent years especially when looking at its ever growing size. However, there is a notable difference when looking at the situation in private sector banks. It has been observed that the profitability of the public sector banks have dramatically nosedived in the past few years when compared to private sector banks. As a result, it becomes quite pivotal to throw light on the relation between NPAs and profitability in the context of public sector banks and private sector banks. The objective of the present research study lies in this where a side by side comparison will be laid between the two categories of banks for assessment of relation of NPAs and profitability. For this purpose, top ten commercial banks, 5 from each sector, in terms of revenue generation have been selected during the period 2008-09 and 2017-18. The findings reveal a negative linkage between provision for NPA to interest income and profitability (ROA) in case of both categories of banks. The study also found a positive association between NPA recovery and profitability in case of public sector banks.

Keywords: *Non-Performing Assets; Public Sector Banks; Private Sector Banks; India*

INTRODUCTORY OBSERVATIONS

The load of Non-Performing Assets (NPAs), in the Indian banking sector is increasing with each passing day. This bears all the more evidence in the public sector banks in recent times. The gross NPAs of scheduled commercial banks in

India has increased from Rs.566.06 billion to Rs.10361.87 billion in a gap of just ten years, i.e. from 31st March'2008 to 31st March'2018.

As per Narasimham Committee I (1991), the figures of NPAs related to the advances give a picture of the quality of assets and their impact on the viability of banks. In this light, it can be observed that the ratio of gross NPA amongst the public sector banks have escalated to 14.58 percent as on 31st March'2008 juxtaposed to the private sector banks who have a relatively low ratio 4.62 percent. On the other hand, the "Return on Assets" (ROA) in public sector banks have nosedived to an ignominious -0.6 percent in 2017-18. In stunning contrast, the position of private sector banks is much better, where the ROA is 1.1 percent in 2017-18. Since the banks are required to forego their receivable income interest from their bad loans as well as charge provision for NPAs against profit according to the norms of Reserve Bank of India (RBI), the profitability of banks are adversely affected by NPAs. On top of that, the legal and maintenance costs of NPAs have to be incurred by the banks.

The present research study is an attempt to unfurl the relationship between NPAs and profitability taking into consideration the public and private sector banks in India where the essence lies in side by side comparison.

REVIEW OF BACKGROUND LITERATURE

There exists a wide array of erstwhile studies conducted in the domain of NPAs and profitability which bears a strong testimony to the fact that NPAs adversely impacts the profitability of banks (Sharifi & Akhter, 2010). Bodla & Verma (2006), tried to investigate the various components of profitability in the context of Indian public sector banks by the application of data from the period of 1991-92 to 2003-04. The study revealed that explanatory power of provisions and contingencies were quite high but the explanatory power of NPAs were found to be low. Singh (2010), probed into the impact of bank specific and macroeconomic determinants on the performance of Indian banks. The study concluded with the fact that the performance of banks was affected by NPAs and total assets, whereas, bank size has no relation with profitability. Bhatia et al. (2012), examined the antecedents of profitability of 23 private sector banks in India from 2006-07 and 2009-10. The study explored that both NPAs as well as provisions and contingencies are relevant determinants which influences ROA. Rajput et al. (2012), introspected on the various predictors of NPAs and its association with profitability among 27 public sector Indian banks from 1997-98 and 2009-10. The findings confirmed a negative link between measure of profitability and NPAs. Socol & Danuletiu (2013), uncovered the adverse impact of gross value of exposure of loans and related interest under "doubtful" and "loss" to total classified loans on the ROA and ROE of Romanian banks during March'2008-June'2013. An attempt was made by Sharifi & Akhter (2010), to analyze the impact of NPAs on profitability of Indian public sector banks for a period of 7 years, i.e. from 2009-2015. The study reflected a negative impact of NPAs on "Return on Assets" (ROA), "Return on Equity" (ROE) and "Net Interest Margin" (NIM) in the context of public sector banks in India.

Hence, a good amount of research do exist in the present issue at hand, but still the current domain forms an intriguing area of research. Truth to be told, most of the studies blending keywords of NPAs and profitability has been emphasized from the viewpoint of public sector banks. Hence, there lies a greater need to lay thrust on both public as well as private sector banks with an intention to lay a side by side comparison between them where the essence would be ingrained to ultimately explore the impact of NPAs on profitability.

RESEARCH OBJECTIVE

To examine and analyze the impact of NPAs on profitability of the public and private sector commercial banks in India.

DATA AND METHODOLOGY

The study has been conducted on the basis of secondary data sources published by Reserve Bank of India (RBI) containing the annual statistical reports of banks. The secondary data sources also comprise certain facts and figures of erstwhile studies as well as government publications. Top 5 commercial banks have been selected from each sector, i.e. public sector and private sector. The public sector banks selected are State Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda (BOB), Bank of India (BOI) and Canara Bank. The names of the selected private sector banks are ICICI Bank Ltd. (ICICI), HDFC Bank Ltd. (HDFC), Axis Bank, Kotak Mahindra Bank (KMB) and Yes Bank. The selection of such banks has been made on the basis of greater revenue generation. The banks selected are all listed in National Stock Exchange (NSE) and are also part of CNX bank Index as on 1st January, 2018. The study focuses on a period of ten years from 2008-09 to 2017-18. Descriptive Statistics and Panel Regression Test have been conducted in order to analyze the data. Eviews version 9.5 has been used to process and analyze the data. ROA has been selected for measuring the profitability of commercial banks which is a common platform for studies on banking companies. Gross NPA Ratio (GNPAR), NPA Recovery

Ratio and provision for NPA to interest income have been considered as measures of NPAs for the current study. The two main hypothesis of the study are as follows:

H_0: "NPAs have an insignificant impact on the profitability of the public sector and private sector commercial banks in India"

H_1: "NPAs have a significant impact on the profitability of the public sector and private sector commercial banks in India"

DATA ANALYSIS AND RESULTS

The assessment of return on assets (ROA) and various measures of NPAs with regards to public and private commercial banks will be made. In addition to this, the impact of NPAs on profitability will also be determined.

Return on Assets (ROA):

ROA is actually the net income produced by the total assets during a period time. ROA is a popular measure of profitability in the context of baking companies. It is a representation of the efficacy of banks to procure profits by using its assets.

Table 1: Descriptive Statistics

Statistics	Public Sector Banks	Private Sector Banks
Mean	0.56	1.58
Maximum	1.48	2.02
Minimum	-1.61	0.04
Standard Deviation	0.68	0.36
Coefficient of Variation (percent of CV)	122.04	22.26
Jarque-Bera Probability	11.44 0.00	86.09 0.00
Observations	50	50

Source: Author's Own Calculation based on RBI Annual Statistical Reports of Banking in India

Descriptive Statistics shows that mean value of ROA in case of public sector banks is lesser than private sector banks as evidenced by their respective values of 0.56 and 1.58. This is a reflection of the profitability of private sector banks which is better than public sector banks. The values of CV is a strong evidence of the fact that the management of profitability of private sector banks is more consistent that public sector banks as observed by the score of public sector banks (122.04) which is higher than the private sector banks (22.26). J-B statistics with probability authenticates that the variable is not normally distributed for both categories of banks.

Gross NPAs

The degree of bad loans can be represented with the help of Gross NPAs Ratio. It is the ratio of Gross NPAs and Gross Advances.

Table 2: Descriptive Statistics

Statistics	Public Sector Banks	Private Sector Banks
Mean	5.62	2.38
Maximum	18.39	9.91
Minimum	1.26	0.21
Standard Deviation	4.46	2.23
Coefficient of Variation (percent of CV)	79.67	93.71
Jarque-Bera Probability	10.95 0.00	29.56 0.00
Observations	50	50

Source: Author's Own Calculation based on RBI Annual Statistical Reports of Banking in India

The mean value of Gross NPAs Ratio in case of public sector banks is higher than private sector banks as evidenced by their respective values of 5.62 and 2.39. This is an indication of the asset quality of private sector banks which is better than public sector banks. The values of CV is a strong evidence of the fact that the management of NPA position of public sector banks is more consistent than private sector banks as observed by the score of public sector banks (79.67) which is higher than the private sector banks (93.71). J-B statistics with probability authenticates that the variable is not normally distributed for both categories of banks.

NPA Recovery Ratio

The NPA Recovery Ratio represents the portion of NPAs recovered out of the average gross NPA throughout the year. It may be taken as one of the yardstick for measuring the performance of management of NPAs.

Table 3: Descriptive Statistics

Statistics	Public Sector Banks	Private Sector Banks
Mean	43.23	49.77
Maximum	121.72	297.01
Minimum	4.11	0.00
Standard Deviation	31.26	49.58
Coefficient of Variation (percent of CV)	72.31	99.61
Jarque-Bera Probability	4.41 0.00	341.55 0.00
Observations	50	50

Source: Author's Own Calculation based on RBI Annual Statistical Reports of Banking in India

The mean value of NPA Recovery Ratio in case of public sector banks is lesser than private sector banks as evidenced by their respective values of 43.23 and 49.77. This is a demonstration of the recovery mechanism of the private sector banks which is better than public sector banks. The values of CV is a strong evidence of the fact that the management of NPA recovery of public sector banks is more consistent than private sector banks as observed by a higher score of private sector banks (99.61) compared to public sector banks (72.31). J-B statistics with probability authenticates that the variable is not normally distributed for both categories of banks.

Provision for NPA to Interest Income

According to RBI guidelines, the banks need to set aside a chunk of fund as a charge against profit, resulting in profit reduction. Here, this ratio has been taken into account for measuring the portion of interest on advance lost to compensate for loss of assets.

Table 4: Descriptive Statistics

Statistics	Public Sector Banks	Private Sector Banks
Mean	20.21	9.60
Maximum	76.81	48.61
Minimum	2.40	0.26
Standard Deviation	17.66	10.22
Coefficient of Variation (percent of CV)	87.38	105.25
Jarque-Bera Probability	17.54 0.00	71.78 0.00
Observations	50	50

Source: Author's Own Calculation based on RBI Annual Statistical Reports of Banking in India

The mean value of provision for NPA to interest income ratio in case of public sector banks is higher than private sector banks as evidenced by their respective values of 20.21 and 9.60. This signifies that public sector banks have lost more interest income in order to compensate loss of assets compared to private sector banks. The values of CV is a strong evidence of the fact that the management in regard to provision making for NPAs in case of public sector banks is more consistent than private sector banks as observed by a higher score of private sector banks (105.25) compared to public sector banks (87.38). J-B statistics with probability authenticates that the variable is not normally distributed for both categories of banks.

Panel Regression Test

A Panel Regression Test has been conducted to check the impact of NPAs on the profitability of the two banking sectors in the study. Here, ROA has been taken as dependent variable and gross NPA ratio, NPA Recovery Ratio and provision for NPA to interest income have been considered as independent variables which represents the various measures of NPAs.

Now, $ROA_{it} = \beta_0 + \beta_1 (GNPAR_{it}) + \beta_2 (RECOV_{it}) + \beta_3 (PROV_{it}) + \varepsilon_{it}$

Where,

ROA_{it} = Return on Assets of Bank i in year t;

$GNPAR_{it}$ = Gross NPA Ratio (GNPAR) of Bank i in year t

$RECOV_{it}$ = NPA Recovery Ratio (RECOV) of Bank i in year t

$PROV_{it}$ = Provision for NPA to Interest Income (PROV) of Bank i in the year t

β_0 = Intercept coefficient

β_1 = Slope coefficient of independent variable GNPAR

β_2 = Slope coefficient of independent variable RECOV

β_3 = Slope coefficient of independent variable PROV

ε_{it} = Residual errors of Bank i in year t

Initially, we begin with fixed effects model and random effects model under panel regression for determination of the link between NPAs and profitability.

The results in case of public sector banks are as follows:

Table 5: Panel Regression Test Results of Public Sector Banks

Dependent Variable: ROA	**Fixed Effect**			**Random Effect**		
Independent Variables:	Coeff.	t-stat	Prob.	Coeff.	t-stat	Prob.
Intercept	0.915	4.42	0.001	1.131	6.87	0.000
GNPAR	0.021	0.51	0.617	0.063	0.00	0.999
RECOV	0.004	2.04	0.046	0.002	1.08	0.288
PROV	-0.034	-3.51	0.001	0.032	-3.34	0.002
Panel Observations	50			50		
R^2	0.83			0.83		
Adjusted R^2	0.82			0.82		
F-statistic (prob.)	0.00			0.00		

Source: Author's Own Calculations

To this end, a Hausman specification test has been conducted to find out the appropriate panel regression model out of the two. Here H_0 takes random effects model as appropriate and H_1 takes random effects model as inappropriate. The Hausman test has been captured in the below mentioned table 6.

Table 6: Correlated Random Effects – Hausman Test of Public Sector Banks

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Probability
Cross-section random	8.14	3	0.042

Source: Author's Own Calculations

The null hypothesis has been rejected because the probability of the chi-square statistic value is less than 5 percent; hence it can be asserted that the fixed effects model here is more useful than the random effects model.

We further have to check if the fixed effect model will give the best possible result and hence the redundant fixed effect test needs to be conducted. Here H_0 says that the fixed effect is redundant and H_1 says that the fixed effect is non-redundant.

Table 7: Redundant Fixed Effect Test of Public Sector Banks

Test Summary	Statistic	d.f.	Probability
Cross-section F	2.06	4	0.10
Cross-section Chi-square	9.02	4	0.06

Source: Author's Own Calculations

The results of the redundant fixed effect test do not reject the null hypothesis because the p-values of both statistics are more than 5 percent. Thus, panel data regression analysis by employing fixed effect model will be more appropriate.

Panel Regression Analysis on the basis of fixed effect model demonstrates that ROA is positively associated with NPA recovery (RECOV) and the relationship is statistically significant. Here, one unit increase in RECOV, ROA is increased by 0.005 in case of public sector banks. But ROA is negatively linked with provision for NPA to interest income (PROV) and the relationship is statistically significant. Here, a unit increase in PROV would result in decrease of the ROA of the public sector banks by 0.035. Albeit, positive relationship between ROA and GNPAR in this model is statistically insignificant. Again the value of R^2 is 0.83 and the P value of the F-test for the model is less than 1 percent, hence, the model fits well enough.

In case of private sector banks the results are as follows:

Table 8: Panel Regression Test Results of Private Sector Banks

Dependent Variable: ROA	**Fixed Effect**			**Random Effect**		
Independent Variables:	Coeff.	t-stat	Prob.	Coeff.	t-stat	Prob.
Intercept	1.912	23.14	0.00	1.784	20.36	0.00
GNPAR	-0.071	-1.21	0.23	-0.027	-0.72	0.47
RECOV	0.001	1.02	0.32	0.001	0.73	0.45
PROV	-0.021	-2.11	0.03	-0.024	-3.52	0.00
Panel Observations	50			50		
R^2	0.67			0.62		
Adjusted R^2	0.62			0.57		
F-statistic (prob.)	0.00			0.00		

Source: Author's Own Calculations

A Hausman specification test needs to be conducted to check the appropriate panel regression model from the two. The Hausman specification test has been captured below.

Table 9: Correlated Random Effects – Hausman Test of Private Sector Banks

Test Summary	**Chi-Sq. Statistic**	**Chi-Sq. d.f.**	**Probability**
Cross-section random	1.58	3	0.67

Source: Author's Own Calculations

The results reflect that null hypothesis is not rejected due to the probability of chi-square statistic value is more than 5 percent; thereby, it can be concluded that in this case the random effects model is more appropriate than fixed effects model.

Panel Regression Analysis on the basis of random effect model in the context of private sector banks also possess that ROA is negatively related with provision for NPA to interest income (PROV) and the relationship is statistically significant. Here, a unit increase in PROV, the ROA of the private sector banks is decreased by 0.025. Here, the positive relationship of ROA with GNPAR and RECOV are statistically insignificant. Albeit, the value of R^2 is 0.62 and the P-value for the

F-test for the model is less than 1 percent, hence, the model perfectly fits.

Limitations of the Study

Only to 10 commercial banks have been taken into consideration, 5 each from public sector and private sector. All the other banks could also be included which can bolster the worth of the study.

Conclusive Remarks

The findings explored the negative relationship between provision for NPA to interest income and profitability (ROA) in case of both categories of bank. Additions in NPAs need provision to compensate loss of assets which lead to negative impact on profitability. Thus, banks need to take initiatives for implementing stringent credit appraisal system to minimize the generation of NPAs. The study also revealed positive linkage between NPA recovery and profitability in the context of public sector banks. Hence, public sector banks are required to undertake measures to recover of NPAs for fine-tuning the position which will result in better profitability.

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Perspectives of MSMEs and Business Owners on Sustainability Challenges and its Effect on Sustainability Outcomes

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ABSTRACT

The purpose of this study is to examine the perspectives of MSMEs owners and managers regarding sustainability challenges and its effect on sustainable business outcomes in Awka metropolis. Sustainability was evaluated using the three dimensions of Triple Bottom Line, which resulted in three subscales measuring economic, social and environmental impacts. The data were collected using the survey method. The sample comprised of 78 MSMEs across five sectors: Healthcare/Pharmaceutical, Bakery/Food service, Wholesale/Retail trade, Water Supply & Production, and Agriculture in Awka. The survey data was analysed using Chi-Square and multiple regression technique. The results showed that MSMEs leverage on sustainability by embedding economic and environmental sustainability practices into business decision-making to achieve sustainable business outcomes. The results also found a positive effect of sustainability initiatives in corporate reputation building. Based on this the study recommends among others that MSMEs must be prepared to refrain from pursuing individual/self-goals or intentions in order to achieve long-term change. MSMEs need to be more flexible and responsive to remain competitive. Also, MSMEs may leverage on digital marketing and e-commerce platforms to generate brand awareness and inform consumers of products and services.

1. INTRODUCTION

Sustainability is a growing topic on the global and business roundtable (Aggarwal, 2013). This came with the wide realization that companies do not operate in isolation, but have a marked impact on the environment and society in general

(International Forum on Globalization, 2008). Issues such as population expansion (with more than 80% of the world's urban population in developing countries), poor living standards and lack of access to basic amenities such as electricity (World Bank, 2014a; World Economic and Social Survey, 2013), climate change and greenhouse gas emissions, resource depletion, pollution, habitat loss, overexploitation of species, among others, caused firms to readapt their strategies. Infact it is estimated that natural resource consumption would rise to 170% of the Earth's bio-capacity by 2040 if unchecked (World Business Council for Sustainable Development [WBCSD], 2008). According to Munich Re, natural disasters (climatological, hydrological and meteorological) increased from around 200 per year in 1980 to around 700 per year in 2016 (The Economist, 2017). Proponents strongly criticise the classical shareholder value orientation of corporations (Visser, 2017a; Hart & Milstein, 2003; Elkington, 1994; Freeman, 1984) for example, Milton Friedman that argued "the social responsibility of business is to increase its profits" (Friedman, 1970). Sustainability emerged as a broad all-inclusive approach based on stakeholder orientation cushioned by the growing presence of the World Wide Web (www), NGOs, consumerism, among others (Sani & Allahverdizadeh, 2012).

According to the World Commission on Environment and Development sustainability is defined as "meeting the needs of the present generation without compromising the ability of future generations to meet their own needs" (Brundtland 1987, p. 54). It is the "capability of an organization to continue its activities indefinitely, taken due account of the impact on natural, social and human capitals" (AccountAbility 1999); and, the further reconciliation of environmental, social and economic demands (Adams 2006). In the business domain, sustainable development involves "the simultaneous pursuit of economic prosperity, environmental quality, and social equity" by organisations (Elkington, 1997). The concept is closely linked to the three components of triple bottom line (social, environmental, and economic) performance as coined by Elkington (Elkington, 1997). The survival of any corporation is now closely linked to the ability to meet the tripartite needs simultaneously. This is driven in part by wide availability of corporate information for scrutiny by the public and consumers. Businesses are becoming sensitive and reacting to intrusive challenges from the media, NGOs, international competition, consumer advocates, and environmentalists, among others (Freeman et al., 2010). The table below provides a description of top 10 perceived global risks over the past 5 years.

Table 1: Top 10 perceived global risks over the past 5 years (2014-2018)

Global risk	2014	2015	2016	2017	2018
Extreme weather events	■	■	■	■	■
Failure of climate change mitigation and adaption	■	■	■	■	■
Weapons of mass destruction		■	■	■	■
Water crises		■	■	■	■
Major natural disasters or catastrophes			■	■	■
Data theft or fraud	■			■	■
Cyber-attacks	■				■
Large-scale involuntary migration			■	■	
Inter-state conflict with regional consequences		■	■		
High structural unemployment or underemployment	■	■			

Source: World Economic Forum [WEF] (2018); Visser (2018)

The business case for sustainability consists of asking how firms can enhance their economic sustainability by increasing their social and ecological efficiency (Arroyo, 2008). A “comprehensive analysis of sustainable business operations would consider all triple bottom line dimensions simultaneously” (Wu & Pagell, 2011, p. 589). In this regard, corporate sustainability largely depends on the ability of a firm to carry out long-term operations without jeopardising its stakeholder relations (Perrini & Tencati, 2006). This was previously espoused by Dyllick and Hockerts (2002, p. 131), as “meeting the needs of a firm’s direct and indirect stakeholders […], without compromising its ability to meet the needs of future stakeholders”. Stakeholders often include employees, suppliers, public authorities [local or national], community and civil society organisations, financial partners, among others (Perrini & Tencati, 2006).

Most businesses and industries presently face unprecedented challenges in considering sustainability issues. For instance, the study by the International Energy Agency [IEA] estimated that 22% of the world’s total CO_2 emissions in 2011 were attributed to the industrial sector (IEA, 2013). This has led to developments such as the Sustainability Brand Index for evaluating companies based on their sustainability stance. Numerous large corporations have demonstrated strong engagement with sustainability issues (Visser, 2018). This is partly driven by the likes of the World Business Council for Sustainable Development, the UN Global Compact and the Global Reporting Initiative (GRI, UNGC and WBCSD, 2015). And a tremendous amount of literature have focused on sustainability of large corporations; while, neglecting Micro, Small and Medium Enterprises [MSMEs]. SMEs are an integral part of the supply chain and contribute tremendously to economic growth of any nation. According to International Federation of Accountants [IFAC] (2013) they account for over 95% of all businesses and the bulk of private sector Gross Domestic Product (GDP), employment creation, and social and environmental impacts.

In Nigeria, MSMEs account for about 48.5% of GDP, and about 7.27 per cent of goods and services exported out of the country (Udo, 2019). The broad perspective is that MSMEs accelerate the attainment of broad socio-economic objectives, including poverty reduction, employment generation, and wealth creation, among others (Small and Medium Enterprises Development Agency of Nigeria [SMEDAN] and National Bureau of Statistics, 2013). - According to SMEDAN and National Bureau of Statistics (2013) the dynamic nature of this sector makes it vulnerable to a high mortality rate occasioned by sudden shifts in economic policy, global trends, and many unforeseen situations. However, IFAC (2013) observed that by integrating sustainability into core business strategy of MSMEs; they can benefit from lower costs, reduced risk, and new opportunities.

Prior studies have focused on sustainable business model in developed countries (Hogevold & Svensson, 2012); however, the literature still remains scanty on this issue in developing countries.

The study therefore seeks to address the following questions;

RQ1: What is the level of awareness of sustainability among MSMEs in Awka, Anambra State?

RQ2: What are perceived sustainability challenges facing MSMEs in Awka, Anambra State?

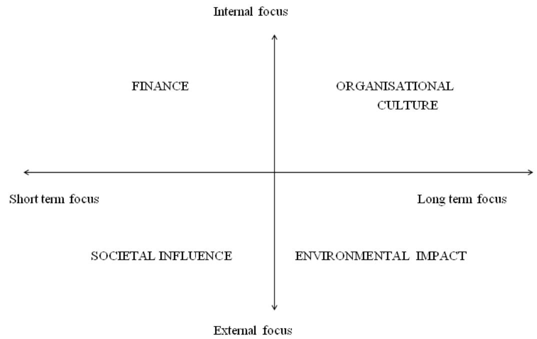
RQ3: What is the effect of sustainability initiatives in building corporate reputation?

RQ4: What is the implication of embedding economic, environmental and social sustainability practices on sustainable business outcomes?

2. CONCEPTUAL REVIEW

2.1 The Business Case for Sustainability

The concept of sustainability is fuzzy and riddled with several interpretations. For the purist sustainability implies nothing more than stasis – the ability to continue in an unchanged manner – (Aras & Crowther, 2008a; Hart & Milstein, 2003; Marsden, 2000). And terms such as sustainability and sustainable development are viewed as synonymous. However following several scholars have argued that it evolved from CSR with roots dating as far back as before World War II (Carroll & Shabana, 2010). Dahlsrud (2006) notes that the most frequent dimensions of CSR: stakeholder dimension, social dimension, economic dimension, voluntariness dimension and environmental dimension. An age long definition of CSR was offered by Carroll (1991, p. 283) as follows: "The social responsibility of business encompasses the economic, legal, ethical, and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time". Keith Davis posited that social responsibility referred to 'businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest' (Davis 1960, p. 70). Sustainability introduced 'less quantifiable considerations' usually related to environmental and social issues (Linton, Klassen, & Jayaraman, 2007, p. 1080). Triple bottom line outcome entails meeting the needs of different stakeholders with differing interests and demands. Business sustainability can enable a firm build trust and loyalty by showcasing sensitivity to an otherwise neglected issue. Benefits include such as embellishing corporate reputation (Arendt & Brettel, 2010; Worcester, 2009).



Source: Aras and Crowther (2007b, c)

Figure 1: Model of Corporate Sustainability

Aras and Crowther (2007b,c) proposed a two dimensional matrix for describing sustainability along the polarities of internal v external focus and short term v long term focus.

Risks and opportunities associated with environmental and social issues, and the possible link with the economic bottom line has made sustainability a strategic priority for companies as part of their overall business strategy (Committee of Sponsoring Organisations [COSO], 2013). According to Engert and Baumgartner (2016) six factors necessary for the successful implementation of a sustainability strategy are: factors related to organizational structure, organizational leadership, management control, employee motivation and qualifications, and communication. Integrating sustainability with a firm's strategy can improve corporate image and increase efficiency while contributing to a better society and environment (Blenkhorn & MacKenzie, 2017). This can only be achieved from a re-orientation of business strategy (Hillman & Keim, 2001). Improved social performance also has several benefits for a firm. For instance, studies by Thach (2002) and Brown, Sellen, and O'hara (2000) found that improved employee safety and well-being positively affects economic performance by reducing production costs. Previously, Burke and Logsdon (1996) observe that social responsibility programs of centrality, specificity, proactivity, voluntarism and visibility create strategic benefits for a firm and its stakeholders.

2.2 Theoretical perspective

The sustainability debate is best explained from a stakeholder perspective. Stakeholders are defined as any group within or outside an organization that has a stake in the organization (Daft, Murphy, & Willmott, 2010, p.692). This definition was further extended by Boselie (2010, p.14) as those who are also capable of influencing 'strategic decision-making' within the organisation. Organisations are not independent but rather dependent on a network of relationships which exists among them (Vicari, 1991). Neglecting stakeholders may tantamount to a negative effect on the performance of an organisation and ultimately the financial bottom line. The theory has been broadly explained from several angles such as the descriptive, normative, managerial and instrumental perspectives. And the increased and sustained pressure from a variety of stakeholders has driven companies to adopt sustainable supply chain management (Gualandris & Kalchschmidt, 2014, p. 94). Furtherance to this, Co and Barro (2009) categorise strategies for stakeholder management into two, aggressive and cooperative strategies. Aggressive strategies are characterised by some form of forceful attitude or behaviour; while, cooperative strategies are characterised by supportive attitudes or behaviours towards stakeholders. Both are geared at altering other stakeholders' behaviour. The failure to consider any group, may cause employees to sabotage the brand (Wallace & De Chernatony, 2009); or customers endorsing alternative agendas (Wilson, Bengtsson, & Curan, 2014).

Thus, stakeholder analysis enables managers determine the individual importance of each stakeholder and their effect on value creation for the firm (Cantrell, Kyriazis, & Noble, 2015). A sustainability based stakeholder analysis enables the re-categorization of stakeholders under the three dimensions of the triple bottom line (economic, social, and environmental). This re-categorisation should facilitate long-term relationship between stakeholders and able to resolve undiluted pressure from stakeholders on sustainability challenges (Orlitzky, Siegel, & Waldman, 2011; Kolk & Van Tulder, 2010).

From a systematic review of literature Meixell and Luoma (2015), made three key findings of stakeholder influence:

Firstly, stakeholder pressure creates sustainability awareness and/or adoption and implementation of sustainability practices; Secondly, different categories of stakeholders have different influence; and, Thirdly, the influence of each stakeholder group depends on whether the issue in contention is an environmental or social issue.

2.3 Micro, Small and Medium Enterprises

SMEs are non-subsidiary, independent firms/organizations which employ fewer numbers of employees (OECD, 2005). The number varies across countries. According to the European Union (EU), SMEs are categories of micro, small and medium-sized enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million Euros (Mekwunye, 2018). In Nigeria, the National Policy on Micro Small and Medium Enterprises (MSMEs) offered a clear distinction of MSMEs, based on employment and assets utilised (SMEDAN, 2007). The table below offers a description of the various categories.

Table 2: MSMEs categories

S/No	Size Category	Employment	Assets (=N= Million) (excl. land and buildings)
1	Micro enterprises	Less than 10	Less than 5
2	Small enterprises	10 to 49	5 to less than 50
3	Medium enterprises	50 to 199	50 to less than 500

Source: SMEDAN and National Bureau of Statistics (2013)

- Micro Enterprises are those enterprises whose total assets (excluding land and buildings) are less than Five Million Naira with a workforce not exceeding ten employees.
- Small Enterprises are those enterprises whose total assets (excluding land and building) are above Five Million Naira but not exceeding Fifty Million Naira with a total workforce of above ten, but not exceeding forty-nine employees.
- Medium Enterprises are those enterprises with total assets excluding land and building) are above Fifty

Million Naira, but not exceeding Five Hundred Million Naira with a total workforce of between 50 and 199 employees.

3. DESIGN AND METHODOLOGY

The study utilised a descriptive survey approach. The respondents were drawn from several Small and Medium Enterprises (SMEs) in Anambra state. The State is sub-divided into three Senatorial Zones: North, Central and South. The survey conducted in 2013 by SMEDAN and NBS (2013) determined the total number of microenterprises in Anambra as one million two hundred and twenty three thousand three hundred and ninety five (1,223,395). The study employed the snowball sampling method. Lewis-Beck, Bryman, and Futing Liao (2004) defined snowball sampling "as a technique for gathering research subjects through the identification of an initial subject who is used to provide the names of other actors". The snow ball sampling is a non-probability based sampling technique based on the judgment of the researcher. The instrument utilised for the study included some socio-demographic questions, such as gender, age, income, etc

4. ANALYSIS AND RESULTS

The graph showed that of all participants the highest level of awareness was recorded among the wholesale/retail trade category; and, immediately following this was the bakery/food service category. The greatest proportion of respondents that indicated a lack of awareness was recorded for those in the water supply and production sector.

Table 3: Demographic information of the respondents

Demographic profile		Frequency	Percentage (%)
MSMEs Sector:			
Healthcare/ Pharmaceutical		14	17.95
Bakery/Food service		18	23.08
Wholesale/Retail trade		22	28.21
Water Supply & Production		19	24.36
Agriculture		5	6.4
		78	**100**
Age:	25-35	29	37.18
	36-45	37	47.44
	45 & above	12	15.38
		78	**100**

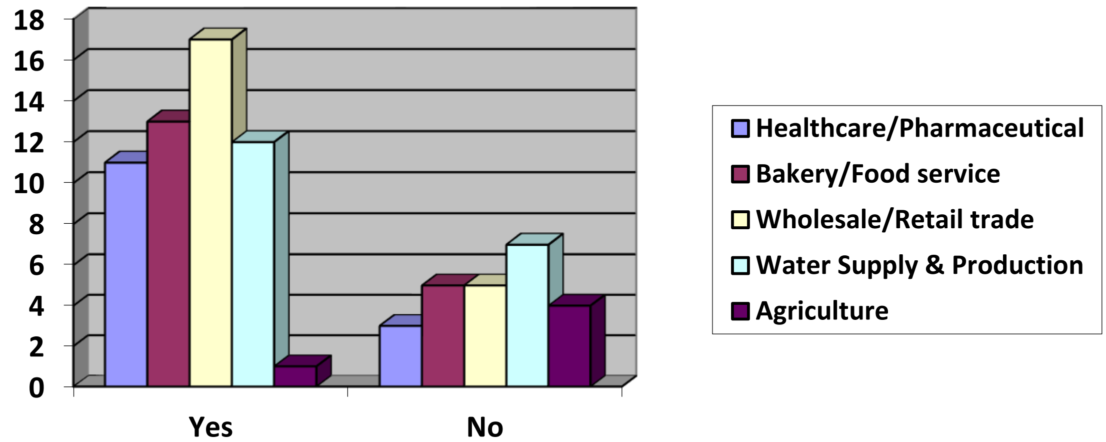
Gender:	Male	55	70.51
	Female	23	29.49
		78	**100**
Highest Educational Qualification:	Secondary School	nil	nil
	Diploma (NCE, OND, etc.)	15	19.23
Bachelor Degree	(HND, BSc, BA, etc.)	35	44.87
Post-graduate	(PGD, MSc, PhD)	28	35.90
		78	**100**
Years of business experience:	1 to 10	10	12.82
	11 to 20	46	58.97
	20 & above	13	16.67
		78	**100**

Source: Field Survey (June, 2019)

Table 4: Level of sustainability awareness by MSMEs

Sector	**Yes**	**No**
Healthcare/Pharmaceutical	11	3
Bakery/Food service	13	5
Wholesale/Retail trade	17	5
Water Supply & Production	12	7
Agriculture	1	4

Field Survey (June, 2019)



Source: Authors Computation using MS Word

Figure 2: Awareness of respondents on sustainability issues in Anambra State

This included MSMEs involved in sachet water and bottle water production, etc. The table below shows the sustainability constraints perceived by the MSMEs.

Table 5: Perceived sustainability challenges facing the MSMEs

Sector / Challenge	Healthcare/ Pharmaceutical	Bakery/Food service	Wholesale/Retail trade	Water Supply & Production	Agriculture
Financial constraint					
Green marketing initiatives					
Stakeholder management					
Pollution/Waste disposal					
Climate change					
Complying with regulations					
Maintaining ethical practices					
Online/E-commerce/ICT					

Source: Field Survey (June, 2019)

The questionnaire consisted of sixteen items (16), 4 items measured environmental sustainability, 4 items measured social sustainability, 4 items measured economic sustainability, and 4 items measured sustainable business outcomes. Each item was rated on a 5-point Likert-type scale with response categories ranging from *strongly disagree* (1) to *strongly agree* (5). The reliability of the instrument was tested using Cronbach Alpha (α), which measures the internal consistency of a scale. The data were analyzed using the Statistical Package for Social Sciences [SPSS].

Table 6: Reliability statistics

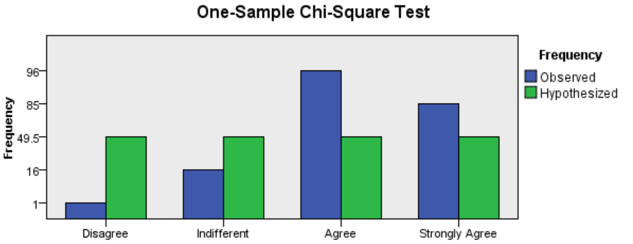
	N	**Cronbach Alpha (α)**
Environmental sustainability:	4	.711
Social sustainability:	4	.722
Economic sustainability	4	.777
Sustainable Business Outcomes:	4	.761

Source: SPSS Ver. 24

The items were sub-divided into four subscales, the environmental sustainability subscale consisted of 4 items [Questions 1-4] the Cronbach Alpha **(α)** value was .711; the social sustainability subscale consisted of 4 items [Questions 5-8] the Cronbach Alpha **(α)** value was .722; the economic sustainability subscale consisted of 4 items [Questions 9-12] the Cronbach Alpha **(α)** value was .777; and, the sustainable business outcome subscale consisted of 4 items [Questions 13-16] the Cronbach alpha **(α)** value was .761. The overall Cronbach Alpha **(α)** for the 16 items was .705; this indicated a strong degree of internal consistency of the instrument.

4.1 Analysis of Hypotheses:

H_1: There is a positive effect of sustainability initiatives in building corporate reputation



Source: SPSS Ver. 25

Figure 3: Graphical output for Chi-square test of hypothesis one

Table 7: Analysis result for hypothesis one

Total N	78
Test Statistic	39.34
Degrees of Freedom	2
Asymptotic Sig. (2-sided test)	.000
Decision	Reject the null hypothesis

Source: SPSS Ver. 25

The table above shows that the **Test Statistic** (**X^2**) 39.34 had a Sig. value .000 ($p<.05$). This confirms the rejection of the null hypothesis and acceptance of the alternate. Thus, there is a positive effect of sustainability initiatives in building corporate reputation.

H_{2A}: Embedding economic sustainability practices into business decision-making leads to sustainable business outcomes

H_{2B}: Embedding environmental sustainability practices into business decision-making leads to sustainable business outcomes

H_{2C}: Embedding social sustainability practices into business decision-making leads to sustainable business outcomes

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.587[a]	.344	.318	.493
a. Predictors: (Constant), Environmental sustainability, Social sustainability and Economic sustainability.				

Source: SPSS Ver. 25

The model summary shows that the Adjusted R Square value is .318; this explains that 31.8% variation in the dependent variable is explained by the independent variables. The overall statistical significance of the model is evaluated using the F-statistics in Table 6 below; the F statistics had a value of 12.951 ($p<.05$). Thus, the null hypothesis that all our regression coefficients are equal to zero is rejected.

The coefficients of interest are environmental sustainability, economic and social sustainability. The p-value for environmental sustainability was less than .05; the p-value for social sustainability was greater than .05; while, the p-value for economic sustainability was less than .05. Therefore H_{2A} and H_{2B} were accepted; while, H_{2C} was rejected.

Table 9: ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.428	3	3.143	12.951	.000[b]
	Residual	17.957	74	.243		
	Total	27.385	77			
a. Dependent Variable: Sustainable business outcomes.						
b. Predictors: (Constant), Environmental sustainability, Social sustainability and Economic sustainability.						

Source: SPSS Ver. 25

Table 10: Coefficients[2]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	6.549	.922		7.101	.000
	Environmental sustainability	-.389	.075	-.572	-5.192	.000
	Social sustainability	-.406	.231	-.340	-1.753	.084
	Economic sustainability	.390	.099	.815	3.951	.000
a. Dependent Variable: Sustainable business outcomes.						

Source: SPSS Ver. 25

5. CONCLUSION & RECOMMENDATIONS

The study contextualises sustainability challenges facing MSMEs in South-Eastern Nigeria. The empirical results confirmed that sustainability initiatives can help MSMEs build their corporate reputation. The regression analysis confirm that embedding economic and environmental sustainability practices into business decision-making led to sustainable business outcomes. This was however not the case for social sustainability practices. The study proffers the several recommendations for MSMEs and practitioners in developing countries as follows:

1. A sustainability focus. To enhance the relationship in the modern market place "change must imply sustainability" (Barile et al., 2013, p. 232). MSMEs must be prepared to refrain from pursuing individual/self-goals or intentions and focus on

increasing positive outcomes to the society and environment they operate.

2. MSMEs need to be more flexible and responsive to remain competitive. In this regard green marketing initiatives may become worthwhile. Integrating such tools into a comprehensive stakeholder's assessment would drive the company on a part to sustainable development (Peattie & Charter, 2003).
3. MSMEs can leverage on digital marketing and e-commerce platforms presently available. MSMEs need to use digital marketing tactics to generate brand awareness and inform consumers of products and services. Tools such as social media marketing, content marketing, web pages, etc. However, the e-commerce environment may need to be redefined in order to benefit from sustainable practices. This follows from the "three D's" obtained from positive social and environmental impacts in e-commerce: **D**ematerialization reduces material consumption by shifting books to bytes, compact disks to MP3s, check books to clicks, and so on; **D**ecarbonization deals with a reduction of Greenhouse Gases; while, **D**emobilization reduces the need for transportation and its associated costs in traditional market places (Tiwari & Singh, 2011).

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