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THE JOURNAL OF CORPORATE GOVERNANCE, INSURANCE AND RISK MANAGEMENT

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The Applicability of the Social Enterprise in a Small State: The Case of Malta**

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A B S T R A C T

The main objective of this study is to assess the social, financial and corporate governance (CG) implications of the proposed social enterprise (SE) legislation in Malta. In light of such implications, the study also assesses the applicability of the SE under such legislation. A mixed methodology was adopted. Fifteen interviews were held with experts. Such data was supplemented by 52 valid responses to a questionnaire sent both to co-operatives and voluntary organisations (VOs) in Malta. The study concludes that the proposed legislation has various positive social, financial and CG implications and that the SE, as being proposed, is applicable and filling a void within the Maltese environment. Although such legislation offers both a new legal form and a label, its reference to the Companies Act which ignores SEs' unique social dimension is questionable. Alternatively, a holistic SE regulatory framework may be developed. Furthermore, statutory thresholds, such as for dividend distribution and trade income, are to be possibly rendered more flexible. This study aspires to raise awareness about the implications of a proposed regulatory framework in Malta, hence hopefully promoting the application of the concept.

A R T I C L E I N F O

Keywords:
Corporate Governance, Financial, Social, Social Enterprise

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1. INTRODUCTION

Increased attention is being devoted to social practices in the business landscape (Harding, 2004). Corporate social responsibility practices are being undertaken by limited liability companies (LLCs) (Popescu, 2011) which by nature, seek to maximise shareholder value (Pike and Neale, 2009). Furthermore, the co-operative fosters co-operative and ethical values whilst operating commercially (Burlò, 2013). The voluntary organisation (VO) may also nurture a social purpose. However, VOs may be established for any 'lawful purpose', such purpose not necessarily being a social one if the organisation has a public interest in terms of Art.2(1) of the Maltese Voluntary Organisations Act (Government of Malta, 2007). The social enterprise (SE) takes the notion of social responsibility a step further by nurturing a social goal as a fundamental principle (Pearce, 2003; Ridley-Duff and Southcombe, 2012). SEs are thus seen to be economic vehicles for resolving societal problems (Nicholls, 2006; Thompson, 2008; Westall and Chalkley, 2007). In this regard, as shown in Figure 1, one may see a transition from companies to co-operatives to SEs, such that social goals become more important as one progresses, even though financial goals continue to play an important role.

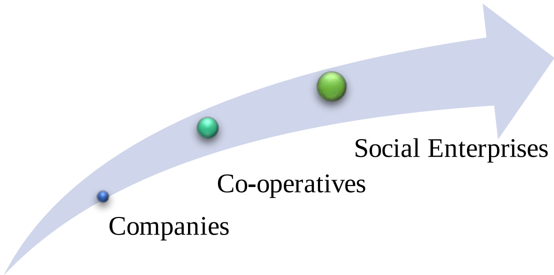

Figure 1: From Company to SE

Presently, there is no universal definition of ‘SE’ (Blount and Nunley, 2015; Lyon and Supelveda, 2009; Young and Lecy, 2014). The European Commission has operationalised a working definition incorporating three aspects, namely, the financial, social and corporate governance (CG) dimensions (Defourny, 2001; Galera and Borzaga, 2009). ‘SE’ has become a term overarching those organisations seeking to trade for a primary social aim (Peattie and Morley, 2008a; Ridley-Duff and Bull, 2011). Although profits are desirable, the focus is on enhancing the ‘common good’ (Ridley-Duff, 2007). Furthermore, SEs may assume different legal statuses and legal forms (Kerlin, 2006; Teasdale, 2011; European Commission, 2014).

The Government of Malta, through the Ministry for the Economy, Investment and Small Business (MEIB), proposed the enactment of a Social Enterprise Act (SEA) in June 2015. This study should thus prove useful in ascertaining the potential of the SE concept in Malta. The study will seek to assess the social, financial and CG implications in Malta of the proposed regulatory framework relating to the SE, whilst also assessing the applicability of this type of enterprise under the proposed legislation within the Maltese business and social environment.

The rest of this paper is divided into five sections, the first of which provides a summary of relevant literature on the three SE dimensions and the SE concept in Malta. The second section outlines the research methodology adopted, while the ensuing sections present an analysis and discussion of the findings respectively. The last section summarises the findings, whilst presenting the limitations of the study, a number of recommendations and areas for future research.

2. LITERATURE REVIEW

2.1 The Social Dimension

SEs, which primarily seek to attain social and environmental objectives (Hopkins, 2012; Perez di Mendiguren Castresana, 2013), typically emerge on initiative of community members (Defourny and Nyssens, 2012; Estrin, Mickiewicz and Stephan, 2013) and lead to social cohesion through their participatory nature (European Commission, 2013; OECD, 2007). To enhance their not-for-profit principle (MEIB, 2015b), certain European legal frameworks do not permit (e.g. in Spanish social initiative co-operatives) or otherwise limit (e.g. in British Community Interest Companies) the distribution of profit to shareholders (Defourny and Nyssens, 2012). This restriction partially signifies that the real objectives of SEs are social, whilst preventing other organisations from labelling themselves SEs simply to gain unwarranted advantages (Bacchiega and Borzaga, 2001).

2.2The Financial Dimension

Trading is the means by which social objectives can be sustained (Meadows and Pike, 2010; Moizer and Tracey, 2010; Wilson and Post, 2013). A significant degree of financial risk, emerging from trading and the risk of initiative, is tantamount to SEs (Defourny and Nyssens, 2010b). The lack of funding arrangements may present SEs with a challenge (Peattie and Morley, 2008b). Thus, new finance sources have been created through social investment (Doherty, Haugh and Lyon, 2014), including those provided through social banks, crowd funders with a social platform and microfinance institutions (Périlleux, 2015). SEs may also raise finance through debt or loans, the issue of social impact bonds, public sector funds and the issue of preference shares (Searing, 2013). Preference shares offer additional flexibility since they can be offered as convertible, redeemable and cumulative (Pike and Neale, 2009). Moreover, the state can also provide grants and fiscal incentives to SEs (Fisac and Moreno-Romero, 2015).

2.3The Corporate Governance Dimension

Being characterised by a financial dimension, SEs must give due regard to CG (Mason, Kirkbride and Bryde, 2007; Mswaka and Aluko, 2015; Spear, Cornforth and Aiken, 2009). In Malta, a model Code of Principles of Good CG (hereafter referred to as the 'Code') is applicable only to listed and licensed companies (MFSA, 2011). Democratic participation is an essential

SE characteristic (Galera and Borzaga, 2009) and can be achieved through the involvement of multiple stakeholders (Travaglini, Bandini and Mancicone, 2009). SEs having a participatory nature are usually more effective (Imperatori and Cataldo Ruta, 2015). However, involving different stakeholders at the highest level of an organisation is a bone of contention (Pearce, 2003; Travaglini et al., 2009). SEs must also exhibit a high degree of autonomy by being free to take their own decisions and to terminate their activity (Defourny and Nyssens, 2010a). Nevertheless, the state could amend public policies to increase stability within the sector (Park and Wilding, 2014; Young and Kim, 2015). SEs could also create new networks and partnerships with the intention of marshalling new resources to exploit new opportunities (Verreynne, Miles and Harris, 2013). By reporting their social impact, SEs are held accountable to achieving their stated social purposes (Bagnoli and Megali, 2009; Kay, 2015). A social audit may be a useful tool in this regard (Spreckley, 1997).

1.1. The Social Enterprise in Malta

2.4.1 Current Scene

The SE concept is somewhat currently employed in Malta through different organisational forms, each regulated by separate legislation (DF Advocates and APS Consult Limited (DFA&APSCL), 2012). However, some of these organisations operate with certain features opposing the ideal SE characteristics espoused by the European Parliament Decision A6-0015/2009 (ibid., 2012). Maltese law permits the formation of SEs through five different legal structures, namely, partnerships, associations and foundations (by virtue of the Civil Code), together with trusts and co-operatives established in terms of the Trusts and Trustees Act and the Co-operative Societies Act, respectively (DFA&APSCL, 2011; Vassallo and Mifsud, 2012). In Malta, band and sports clubs are mainly registered as associations in terms of the Civil Code, or as VOs. VOs are either registered as such in terms of the Voluntary Organisations Act (Government of Malta, 2007), or as associations or foundations as per the Civil Code (Government of Malta, 1868). By reference to Art.38(1) of the Voluntary Organisations Act (Government of Malta, 2007), VOs are not permitted to trade. However, Art.38(2) permits VOs to set up “an appropriate legal entity” to trade with the view of raising money to realise their goals if the trade falls outside their stated purposes [by reference to Art.38(4)] (ibid., 2007). Art.38(4) further states that if VOs engage in certain activities necessary for achieving their purposes, these shall not be considered to constitute trading activities (ibid., 2007).

2.4.2 Strengthening the Legal Framework in Malta

Following on the Belgian and UK models of SE, it has been suggested to introduce a novel legal structure for SEs in Malta (DFA&APSCL, 2012). Thus, the MEIB (2015b) has issued a White Paper including a draft law entitled 'Social Enterprise Act' (hereafter referred to as 'Draft Bill'). The proposal espouses the company as the most desirable form for SEs through the social enterprise company (SEC), this providing flexibility, good CG and distinct legal personality, whilst enhancing the pursuit of socio-commercial goals (DFA&APSCL, 2012; MEIB, 2015b). However, Burlò (2013 p.70) comments that the: "co-operative model beats the LLC model hands down in balancing the social and commercial aspects of business", despite the LLC model being more beneficial from a regulatory, CG and cultural perspective (Burlò and Baldacchino, 2014). In terms of Art.7(1) (MEIB, 2015a), the Draft Bill permits social purpose organisations currently operating under a different legal form than the LLC to obtain the SE 'label' of 'social enterprise organisation' ('SEO'), rather than alter their legal form altogether. Art.7(5) (ibid., 2015a) further specifies that in these cases, the legislative instrument pertinent to the legal form of the organisation would apply, subject to alterations necessary in the context.

Art.3(1) of the proposed SEA (MEIB, 2015a) defines the SEC as being established for the carrying on of a commercial activity to fulfil a primary social objective (as defined in Art.2) in terms of Art.3(1)(a), or to integrate disadvantaged groups back into the labour force as per Art.3(1)(b) (ibid., 2015a). Hereafter, SEs set up in terms of Art.3(1)(b) (ibid., 2015a) shall be referred to as work integration SEs (WISEs). Such enterprises promote social inclusion by integrating unemployed or disadvantaged individuals back into the labour market and society through productive activity (Marthe and Nyssens, 2012; Nyssens, 2006; Vidal, 2005). Art.4(1) (ibid., 2015a) adds on that in the case of the former type, acts of trade are driven by social purposes and at least 70 percent of revenue emanates therefrom; or that at least 30 percent of those employed are disadvantaged or disabled (DD) persons when the focus is on the integration of such groups.

Art.3(2) of the Draft Bill on SEs (MEIB, 2015a), in agreement with the European Parliament (2009), determines that SECs must not be state-owned, and that VOs, pious foundations and ecclesiastical entities are not eligible for registration. Nevertheless, such organisations may hold shares in SECs.

Certain financial provisions are introduced in Art.5 of the proposed Act (ibid., 2015a). Primarily, these aim to ensure that profit distribution is limited to 10 percent. SECs will be able to raise finance in a similar manner to LLCs, namely through shares and loans. Furthermore, by reference to Art.7(5), once an organisation successfully registers as an SEO, all provisions relating to SECs would apply to it "mutatis mutandis" (ibid., 2015a). Additionally, as per Art.25 (MEIB, 2015a), SEs must file an annual return, including a copy of the year-end accounts and annual report with the regulator (ibid., 2015a). SEs are not required to conduct social audits. Nonetheless, SECs must adhere to "all the requirements of the Companies Act in relation to annual returns, accounts and audits" by reference to Art.25(5). Furthermore, a Social Objectives Report outlining how and to what extent the social purposes have been achieved must be attached to the annual return filed with the regulator, in terms of Art.25(2)(e) (ibid., 2015a).

2.4.3 Public Comments to the Draft Bill

The proposal has been welcomed by the public as "it seeks to fill a legislative void" (Greenpak, 2015 p.3). A clearly emerging issue is that incentives should be established at the outset (Greenpak, 2015; Malta MicroFinance (MMF), 2015; Ministry for the Family and Social Solidarity (MFSS), 2015). The incentives recommended include: start up grants, loan guarantees, equity schemes, reduced tax rates and rebates on annual fees (ibid., 2015). Further proposals comprise the setting up of a social investment bank (MFSS, 2015) and providing incentives duly considering DD workers' needs (Directorate General (Social Policy), 2015). Another emerging notion is that the Draft Bill grants wide discretion to the Minister, this hindering legal certainty (Greenpak, 2015; MMF, 2015; MFSS, 2015).

Moreover, the terms 'SEC' and 'SEO' are not deemed to be clearly defined (MFSS, 2015) and the Draft Bill "discriminates against all legal forms other than LLCs" (Malta Co-operative Federation (MCF), 2015 p.6). Being more democratic than the LLC form, the co-operative model is deemed to lend best as a "preferred" legal form for SE, if one had "to be considered at all" (MCF, 2015 p.9). Comments to the Draft Bill also make reference to definitions and drafting. For instance, the term 'migrant worker' in Art.2 may need to be more clearly defined (Pace, 2015 p.1). 'Migrants entitled to work' has been suggested as a more suitable term instead (MMF, 2015; MFSS, 2015). Furthermore, the term 'disabled persons' could be replaced by the term "persons with a disability" (Directorate General (Social Policy), 2015 p.1). Moreover, requiring 70 percent of income to be derived from trade does not generally reflect the reality of the social sector (MMF, 2015; MFSS, 2015). Contrastingly, a higher quota of DD persons has been recommended in cases where SEs are established as WISEs (Directorate General (Social Policy), 2015).

3. RESEARCH METHODOLOGY

1.2. Research Instruments

A mixed-methods research methodology was adopted, exploiting the advantages of both qualitative and quantitative research methods (Johnson and Onwuegbuzie, 2004; Plano Clark and Creswell, 2008). A simultaneous QUAL + QUAN triangulation approach (Tashakkori and Teddlie, 2010) was used. Certain questions in the research instruments required only comments. However, the majority constituted close-ended statements to which respondents expressed their opinion using a five-point Likert scale (where 1 corresponded to Strongly Disagree and 5 to Strongly Agree). Interviewees substantiated their views through comments. The interview schedule contained 37 questions and statements. The questionnaire contained an additional three questions, two asking for comments and one relating to demographics. An interview schedule was designed, incorporating questions categorised into five sections. An almost identical questionnaire was also designed. The first section of the research instruments set the context and established reasons for SE legislation. The second section delved into the social dimension, whilst the second and third sections focused on the SE financial and CG dimensions respectively. The final section sought to collate overall comments and demographic data on respondents, the latter in the case of the questionnaire.

1.3. Sample Selection, Response Rates and Data Analysis

Initial contact was made with sociologists and lawyers (included in the University of Malta staff directory), as well as with politicians involved in the economic and social fields, encouraging their participation in an interview. Certain interviewees suggested names of other experts, including consultants, accountants and chief executive officers who were keen on the subject and thus, they were subsequently contacted. Fifteen semi-structured interviews were carried out. An online questionnaire was also sent to representatives from co-operatives, as well as Maltese-registered VOs. E-mail addresses of co-operatives were publicly available through the website of the Malta Co-operatives Board, while those of VOs in Malta were provided by the Office of the Commissioner for VOs. Representatives from both types of entities were treated as a homogenous group (namely, entity representatives), to enable a comparison of their views with those of experts.

From a total population of 1,187 organisations of whom 1,060 had valid e-mail addresses, 52 valid replies were received by the cut-off date, being five weeks after transmission of the questionnaire. This resulted in a response rate of 4.91%. Responses were received as follows: 41 responses (78 percent) from VOs, four (eight percent) from co-operatives, four (eight percent) from sports clubs, two (four percent) from band clubs, while the last response originated from a different organisation type to the former-mentioned ones. The Mann-Whitney test and the Friedman test were the statistical tests carried out on ordinal questions using the Statistical Package for Social Scientists (SPSS).

4. FINDINGS

4.1 Setting the Context

The annotations 'E' and 'R' will be used throughout the analysis of the findings to represent experts and entity representatives, respectively. Furthermore, tables present the mean rating scores and standard deviations of the two respondent groups in relation to the respective questions in descending order. They also provide the Mann-Whitney test results for significant differences between the responses of experts and entity representatives. Results of the Friedman test for significant differences between related statements are also listed beneath each table or each question's results.

Most respondents $_{(E13/15;\ R29/33)}$ were in favour of introducing SE-specific legislation in view of an existing legislative "*lacuna*". Effectively, as stated by one expert, "*VOs are at one end of the pole, whilst LLCs are at the other*", with SEs actually falling "*somewhere in between*".

The main emerging arguments regarding the definition of 'SEC' as presented in the proposed SEA pertained to the SE's legal form. Most respondents $_{(E9/15;\ R5/7)}$ were critical as the definition seemed to set the LLC as the predominant SE legal form $_{(E4/9)}$, with some $_{(3/4)}$ preferring the adoption of the co-operative form. Others $_{(E5/9;\ R5/7)}$ were critical because in a number of other EU countries, the SE was only a "*label*". This latter argument was in line with a number of public comments to the Draft Bill. Contrastingly, a number of respondents $_{(E6/15;\ R2/7)}$ stated that making the LLC the main form of SE was beneficial, the LLC model being "*more acceptable for obtaining finance*".

Furthermore, most experts $_{(E9/15;\ R10/33)}$ agreed with Art.3(2) and Art.7(1) of the Draft Bill; the first specifically excluding VOs, these being "*not commercially sustainable*" and therefore, different than SEs. However, those in disagreement $_{(E6/15;\ R23/33)}$ emphasised that amendments are required to render it possible to be simultaneously an SE and a VO. This would avoid VOs carrying out acts of trade considered to be outside their purposes experiencing inconvenience or even forfeiting important benefits under the new Act.

4.2 Reasons for SE Legislation

Table 1 presents results relating to reasons put forward for SE legislation.

Table 1: Reasons for SE Legislation

State your level of agreement to the following statements giving reasons for specific SE legislation:	Respondents	Mean	Std. Dev.	p-value
Such regulation entails that their specific social purpose is clear upon their setting up	Experts n=15 Entity Reps n=52	4.60 4.27	0.910 0.795	0.038
SEs place priority to serving the community interest	Experts n=15 Entity Reps n=52	4.33 4.19	1.291 0.908	0.125
SEs may render unique opportunities of autonomy, participation and risk-taking in a democratic setting to the weaker sectors of society	Experts n=15 Entity Reps n=52	4.33 3.77	0.976 0.962	0.027
The profit-making objective of SEs is secondary to their social objectives	Experts n=15 Entity Reps n=52	4.20 3.71	1.207 1.194	0.092
SEs place due importance to the economic dimension by trading, in order to ensure sustainability, whilst providing returns to the providers of capital	Experts n=15 Entity Reps n=52	4.33 3.75	0.976 0.905	0.014
Unlike most other structures, SEs are required to reserve funds for social purposes	Experts n=15 Entity Reps n=52	3.47 3.73	1.598 1.031	0.720

$X^2(5) = 21.87$, $p=0.001$

Results indicated significant differences *(p=0.001)* by all respondents to the six different statements. The two respondent groups were convinced that SE regulation entails clarity of the specific social purpose upon setting up, with a notable statistical difference arising in results. However, two experts cautioned that this did not imply that such purpose could not be subject to change in the future. Respondents also agreed that SEs placed priority to serving the community interest, whilst taking into account the commercial one. Furthermore, respondents believed that SEs rendered various unique opportunities to the weaker sectors of society, with a statistical difference arising in results. Yet, two experts remarked that such opportunities would probably be lower in the case of an SEC than in that of an SEO because an SEC would also be subject to the Maltese Companies Act (CA), which made no particular reference to participation.

Respondents perceived SEs to place importance to the financial dimension by trading, this therefore both ensuring sustainability and providing returns on capital, with experts again agreeing significantly more. SEs were not identical to any other specific legal structure. However, it was noted by one expert that such emphasis on the financial dimension should not necessarily be uniform for all SEs, as implied by Art.7(5)(6) of the proposed SEA. Moreover, respondents agreed that the profit-making objective should be secondary to SEs' social objective(s). Experts were neutral verging upon agreement, while entity representatives marginally agreed that unlike most other legal structures, SEs were required to reserve funds for social purposes. Some experts $_{(3/15)}$ noted that while retaining funds for social purposes might be "*noble*", a statutorily required high level of retention could endanger financial sustainability, leading to capital attrition.

A number of respondents (E11/15; R5/52) gave additional justifications for SE legislation in Malta. Some experts (E5/11) re-emphasised that specific SE legislation could promote more initiatives in this sector, resulting in economic gain and benefits to particular sectors of the community. Moreover, such legislation could enhance societal benefits, including those resulting from sports and the environment (E3/11; R3/5). Others (E3/11; R2/5) believed that self-support among the disadvantaged sectors of society could be incentivised, rendering such groups participants in the economy.

4.3 The Social Dimension

Table 2 presents results regarding statements on the social dimension of SEs.

Results indicated significant differences *(p=0.023)* by all respondents to two socially-related statements concerning Art.5(2), this setting the ceiling of 10 percent for distribution of profit. Respondents agreed that such ceiling ensured that most profits generated would be used for social purposes, whilst also ensuring stability of employment for employees, particularly DD workers. However, some experts (4/15) added that this also depended on other factors, particularly management competence.

Results indicated significant differences *(p=approx.0)* by all respondents to four statements about SEs' social dimension. Both experts and entity representatives were convinced that SEs contributed social cohesion, with experts agreeing significantly more. However, one expert commented that this could be "*merely idealistic*". Surprisingly, both sets of respondents held that the financial and CG dimensions needed to be given equal importance to the social one. This response contrasted that given to an earlier statement, wherein the social purpose was stated to dominate the profit-making objective. Only two experts maintained that the social dimension was "*key*". Furthermore, respondents agreed that SEs helped to reduce social costs, with experts being significantly more in agreement. Two experts cautioned that nevertheless, the reduction of social costs should not be an SE's primary aim. Both respondent groups were neutral about the statement that the total exclusion of public ownership from SEs may hamper the creation of important SEs, which the private sector could be unable or unwilling to set up. Those against the statement (9/15) emphasised that if some SEs had to be publicly owned, they would lose their autonomy, this supporting the emphasis placed on autonomy in the literature (e.g. Defourny and Nyssens, 2010a).

Table 2: The Social Dimension

The Draft Bill sets a ceiling of 10 per cent for distribution of profit. To what extent do you agree that this ensures:	**Respondents**	**Mean**	**Std. Dev.**	**p-value**
That most of the profits generated are used for social purposes?	Experts n=15 Entity Reps n=52	4.00 3.96	1.464 0.969	0.233
Stability of employment for employees, particularly disadvantaged or disabled workers?	Experts n=15 Entity Reps n=52	4.00 3.73	1.254 0.795	0.110
				$X^2(1) = 5.14$, $p=0.023$
State your level of agreement to the following statements relating to the social dimension of SEs:				
SEs contribute to social cohesion, enabling members of society to come together to a well-needed aim	Experts n=15 Entity Reps n=52	4.47 4.23	1.060 0.614	0.036
For the social objectives to be fulfilled, the other dimensions (i.e. the financial and corporate governance dimensions) need to be given equal importance	Experts n=15 Entity Reps n=52	4.33 4.23	0.900 0.731	0.430
Through the attainment of their social objectives, SEs help reduce social costs	Experts n=15 Entity Reps n=52	4.33 4.06	1.234 0.669	0.024
The total exclusion of public ownership from SEs may hamper the creation of important SEs, which the private sector may be unable or unwilling to set up	Experts n=15 Entity Reps n=52	2.60 3.40	1.595 0.955	0.051

$X^2(3) = 43.68$, $p<0.001$

4.4 The Financial Dimension

Table 3 presents results regarding statements on the financial dimension of SEs.

Respondents expressed their level of agreement regarding three finance-related statements relating to the profit distribution limitation. Results indicated significant differences *(p=approx.0)* by all respondents to the three different statements. Both experts and entity representatives agreed that such ceiling helped towards ensuring SE economic viability, with experts agreeing significantly more. However, some experts (4/14) stated that it was significantly probable that at 10 percent, the ceiling was too low and could need to be increased in the future.

Table 3: The Financial Dimension

To what extent do you agree that the ceiling of 10 per cent for distribution of profit:	**Respondents**	**Mean**	**Std. Dev.**	**p-value**
Ensures the economic viability of SEs through the high level of ploughed back profits?	Experts n=15 Entity Reps n=52	4.13 3.63	1.246 0.929	0.028
Discourages providers of capital from contributing towards the setting up or expansion of SEs?	Experts n=15 Entity Reps n=52	2.87 3.12	1.457 1.022	0.446
Renders the economic dimension subservient to the social one, thereby rendering the entities economically risky?	Experts n=15 Entity Reps n=52	2.00 3.00	1.254 0.886	0.001
				$X^2(2) = 21.76$, $p<0.001$
In relation to the Draft Bill, state your level of agreement to the following statements:				
Generating at least 70 per cent of total income from trade ensures the economic viability of SEs	Experts n=15 Entity Reps n=52	4.27 3.87	0.961 0.561	0.016
In the case of WISEs, requiring 30 per cent of employees to be disadvantaged or disabled members of society:				
	Experts n=15	3.67	1.291	0.253

Is a balanced percentage, rendering disadvantaged or disabled members of society more employable	Entity Reps n=52	3.40	0.823	
Is too high as it may render SEs unproductive	Experts n=15	2.47	1.187	0.156
	Entity Reps n=52	2.98	1.146	
				$X^2(1) = 7.14$, p=0.008

Current provisions need to supplemented by assistance through the inclusion of:	Respondents	Mean	Std. Dev.	p-value
EU grants and loans	Experts n=15	4.73	0.458	0.238
	Entity Reps n=52	4.52	0.610	
Banking support, through specifically trained specialists and possibly, branches	Experts n=15	4.20	1.082	0.619
	Entity Reps n=52	4.25	0.682	
A lower accounting and audit-reporting regimen, varying with SE size	Experts n=15	4.13	1.356	0.051
	Entity Reps n=52	3.50	1.350	
Tax concessions to make up for the extra expenditure emanating from the integration of disadvantaged or disabled persons	Experts n=15	3.87	1.685	0.818
	Entity Reps n=52	4.33	0.648	
Amendments to other industry-related legislation	Experts n=15	3.60	1.056	0.903
	Entity Reps n=52	3.69	0.701	
A right of first refusal to SEs in Government contracts	Experts n=15	2.80	1.568	0.377
	Entity Reps n=52	3.12	1.096	

$X^2(7) = 106.60$, p<0.001

A contentious issue was that such ceiling discouraged capital providers. Most respondents (9/15) emphasised that SE shareholders' primary motives would be social and altruistic. Furthermore, experts disagreed, while entity representatives were neutral regarding the statement that the ceiling renders the financial dimension subservient to the social one, thus rendering SEs economically risky, the responses of the two groups being significantly different. Most experts (11/15) emphasised that this derived directly from the nature of the SE. However, others (4/15) cautioned that setting a ceiling at such a low level could in effect be a cause of such subservience.

Respondents believed that requiring 70 percent of total income to be generated from trade ensures economic viability, with experts agreeing significantly more. However, some experts (3/15) hinted that viability also depended on costs, operations and competitiveness.

Respondents were asked to rate their agreement to two statements regarding the provision that in the case of WISEs, 30 percent of employees must be DD. Results indicated significant differences *(p=0.008)* by all respondents to the two different statements. Experts believed such a provision to involve a balanced percentage, rendering DD persons more employable, while entity representatives were neutral verging on agreement. Whereas most of the former (10/15) remarked that such provision went even beyond increased employability, others (5/15) disagreed that such or even a higher percentage alone would be enough to make DD persons more employable. Furthermore, experts disagreed while entity representatives had a neutral view that such provision is too high, possibly rendering SEs unproductive. The majority (8/15) remarked that this is an "*unfair assumption*" and although the percentage may be "*challenging*", it is intended to lead to social inclusion. Others (7/15) commented that the imposition of such a percentage might in reality be detrimental to smaller SEs.

Respondents also indicated their level of agreement in relation to different types of assistance that needed to be provided to SEs. Results revealed significant differences *(p=approx.0)* by all respondents to the six different statements. Out of the six incentives, both experts and entity representatives agreed to five and were neutral with respect to one.

Respondents distinctively agreed that current provisions needed to include EU grants and loans, including loan guarantees and SE-specific schemes. Banking support was also regarded highly by respondents. However, a number of experts (3/15) commented that the "*small size of the market*" could act as a limitation. Conversely, one expert longed for a specialised financial institution for SEs. A lower accounting and audit-reporting regimen, varying with SE size was also agreed to by both experts and entity representatives, the latter verging on neutral. Most experts (12/15) added that the independent audit should nonetheless be retained. Respondents further believed that current provisions needed to be supplemented by tax concessions compensating for the extra expenditure emanating from the integration of DD persons. However, some experts (4/15) hinted that care should be taken not to give the impression that employing DD persons would necessarily involve extra expenditure. Respondents marginally agreed that amendments were required to other industry-related legislation, including the: Value Added Tax Act, Income Tax Act, Malta Enterprise Act and the Malta Business Act. The statement that current provisions needed to be supplemented by a right to first refusal to SEs in Government contracts led to a controversy. Most experts (8/15) commented that this would render SEs "*dangerously*" dependent on preferential treatment, while others (7/15) saw this as feasible.

4.5 The Corporate Governance Dimension

Table 4 presents results concerning statements on the CG dimension of SEs.

Table 4: The Corporate Governance Dimension

State your level of agreement to the following statements relating to SE regulation:	**Respondents**	**Mean**	**Std. Dev.**	**p-value**
Either a regulator or an oversight committee needs to monitor the operations of Ses	Experts n=15 Entity Reps n=52	4.20 4.08	1.207 0.737	0.477
Such regulator or oversight committee must be separate from those established by existing legal structures	Experts n=15 Entity Reps n=52	3.20 3.63	1.656 1.138	0.136
				$X^2(1) = 7.11$, $p=0.008$
State your level of agreement to the following statements relating to a code of good corporate governance for SEs:				
	Experts n=15	4.13	0.915	0.080

Such Code is to specify that a specific percentage of those involved in the corporate governance of SEs, have to be knowledgeable of the needs of disadvantaged or disabled persons	Entity Reps n=52	3.71	0.871	
The regulatory framework for SEs needs to include a specific code of good corporate governance	Experts n=15 Entity Reps n=52	4.07 4.23	1.387 0.581	0.424
Such Code needs to be mandatory for Ses	Experts n=15 Entity Reps n=52	3.53 3.96	1.727 0.816	0.912
Including the participation of a disadvantaged or disabled person in the Board of Directors will not lead to a lengthier decision-making process	Experts n=15 Entity Reps n=52	3.27 3.50	1.163 0.897	0.295
Such Code may require the participation of at least one disadvantaged or disabled person in the direction of SEs	Experts n=15 Entity Reps n=52	2.40 3.31	1.682 1.094	0.027
$X^2(4) = 44.68$, $p<0.001$				
State your level of agreement to the following statement:	**Respondents**	**Mean**	**Std. Dev.**	**p-value**
A periodic say, three-year social audit needs to be carried out on every SE	Experts n=15 Entity Reps n=52	4.00 4.00	1.464 0.863	0.326

Results indicated significant differences *(p=0.008)* by all respondents to two statements relating to the SE regulator. Both sets of respondents agreed that either a regulator or an oversight committee needed to monitor SE operations, with most experts (13/15) commenting they were neutral about who would in fact be the monitor, subject to the regulator having the *"necessary qualifications and skills"*. Some experts (7/15) also emphasised the need for a separate monitor, while others (5/15) commented that there should not be a proliferation of regulators, but one regulator for most, if not all, types of entities.

Respondents were then presented with five statements relating to a code of good CG for SEs, three of which specifically related to WISEs. Results indicated significant differences *(p=approx.0)* by all respondents to the five statements. The two respondent groups held that in the case of WISEs, a code of good CG needed to specify that a percentage of those involved in the CG of SEs had to be knowledgeable of the needs of DD persons, entity representatives being marginally so. Respondents also agreed that the regulatory framework needed to include a specific code of good CG. However, four experts asserted that imposing such requirement *"could disincentivise the setting up of SEs"*. Nevertheless, both respondent groups agreed (albeit entity representatives marginally) that such Code needed to be mandatory. For most experts (9/15), the Maltese culture is not one of self-regulation.

In relation to whether the participation of a DD person on the Board of Directors would lead to a lengthier decision-making process, experts were neutral verging upon agreement whereas entity representatives marginally agreed. Experts disagreed that the Code may require the participation of at least one DD person on the Board, while entity representatives were neutral verging upon agreement, this resulting in a significant difference in results. Some experts $_{(4/15)}$ commented that if such a provision was to be introduced, participation needed to be subject to the DD person being capable for the job.

Moreover, both respondent groups agreed that a periodic, say, three-year social audit needed to be carried out in every SE. Most experts $_{(12/15)}$ commented however that such an audit needed to be *"clearly defined"* with its *"specified parameters"*, and with care taken for such audits to be *"relevant"* and *"cost-beneficial"*.

4.6 Overall Comments

The results of the final section of the research instruments are presented in Table 5.

Table 5: Overall Comments

State your level of agreement to the following statements:	**Respondents**	**Mean**	**Std. Dev.**	**p-value**
The Draft Bill as it stands is applicable	Experts n=15 Entity Reps n=52	3.60 3.06	0.910 0.826	0.027
The Draft Bill needs substantial alterations for it to be translated into law	Experts n=15 Entity Reps n=52	3.00 3.35	1.648 0.926	0.729

$X^2(1) = 1.33, p=0.248$

As regards the statement that the Draft Bill as it stood was applicable, experts marginally agreed while entity representatives were neutral, with experts providing a statistically higher level of agreement. Most experts $_{(9/15)}$ commented that the proposed SEA was a *"good start"*, yet calling for refinements. Some of those seeing the SEA as inapplicable $_{(2/15)}$ stated that this was as yet an incomplete, mostly enabling framework. For example, it was yet to include fiscal benefits and ideally, these should be laid out immediately. Conversely, both respondent groups had mixed feelings as to whether the Draft Bill needed substantial alterations for it to be translated to law. Some experts $_{(7/15)}$ highlighted the need for the SEA to be more *"flexible"* with respect to thresholds and limits.

In terms of overall response, respondents welcomed SE legislation as *"a long-awaited one"*. Participants also envisaged that SEs would be set up in Malta in the field of community care, humanitarian aid, education, health, the environment and restoration, as well as public service delivery functions. Furthermore, reference was made to wording and drafting of the legislation. For instance, some participants claimed that the terms 'disabled' and 'migrant worker' should be *"replaced by more socially acceptable terms"*, such as *"persons with disability"* and *"migrants entitled to work"*. Similar observations were noted in public comments.

5. DISCUSSION ON FINDINGS

5.1 The Regulatory Framework

5.1.1 Is SE-specific Legislation Required?

A legislative *"lacuna"* is existent within the Maltese business landscape as evidenced by the findings, in support of public comments. As illustrated in Figure 2, SEs probably fill a gap in the legislation, since no other legal structure, save for the social co-operative, has a dominating social purpose whilst still devoting attention to financial objectives. LLCs often devote minimum attention to benefiting society through corporate social responsibility practices, as cited in Popescu (2011). Contrastingly, VOs generally have little concern for financial objectives while co-operatives may not be guided primarily by social objectives.

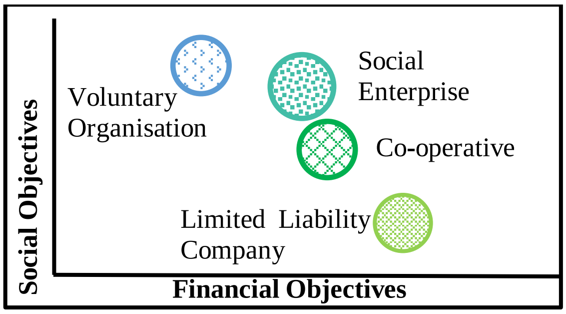

Figure 2: The Social and Financial Objectives in Different Legal Structures

As advocated in Defourny and Nyssens (2012) and Estrin *et al.* (2013), SEs emerge on the initiative of community members aiming to contribute to the common good (Ridley-Duff, 2007). However, SEs must necessarily trade to sustain their objectives (e.g. Meadows and Pike, 2010). Therefore, in line with respondents' belief, SEs uniquely take into account the community interest and the commercial one, with priority being given to the former.

5.1.2 Label, Legal Form or Either?

The LLC model has been tried and tested in Malta and as stated by DF&APSCL (2012) and Burlò (2013), proved in its own right to be *"the most appropriate trading vehicle"* (MEIB, 2015b p.10), in contrast with the co-operative model, as cited in Burlò and Baldacchino (2014). Given in particular the deemed predisposition of LLCs in raising finance, one may argue whether it is better to require limited liability for all SEs. However, such legal requirement may be too restrictive. The issue revolves around the nature of SEs. In this context, the Draft Bill seems to offer the best possible solution. It requires limited liability in the case of newly-formed SEs (except for VOs) and places these under the specific legal structure of SECs. However, existing legal structures may retain their legal structure (again except for VOs) and these are allocated a mere label. Such legal versatility is probably a practicable way of attracting all kinds of SEs.

Accepting the principle of limited liability for SECs does not mean that such entities are adopting the LLC legal structure. Therefore, one may question whether Art.3(3) by which all provisions of the CA are made applicable to SEs, are appropriate to SECs, and perhaps, by virtue of Art.7(5), even more relevantly to SEOs. It could be that the CA provisions are insufficient to cover the exigencies of the SE. For example, neither the Draft Bill nor the CA refer specifically to any guiding social principles, such as democratic control by members. These are referred to only in the White Paper. It could also be that some provisions in the CA, such as the reporting requirements, need to be modified in the context of SECs and also SEOs. It is difficult to accept that the same legislation as the CA is generally applicable. After all, SEs are deemed to be economic vehicles for solving social problems (e.g. Nicholls, 2006). The legal framework must therefore not discount such SE predicament.

5.2 The Social Dimension

5.2.1 The Reduction of Social Costs

There has been general agreement that SEs bring about a reduction in social costs, thereby also saving on public expenditure. For instance, the integration of DD persons into the labour market should present a win-win situation to DD workers and to the economy, leading to both social inclusion and economic growth, as hinted in the literature (e.g. Nyssens, 2006). Moreover, the provision of certain services through SEs, including education and healthcare, will result in a more affluent society. However, given that attaining the SE's specific social aims continues to be the pivotal aim, to what extent should the public authorities incentivise SEs to give priority in their operations to the reduction of social costs? Such public policy will be reflected in the kind of incentives to be eventually offered subsequent to SE legislation.

5.2.2 The Participation of DD Persons

There is general positivity in relation to WISEs, these being welcomed on the belief that having a workforce composed of at least 30 percent DD persons would translate into new opportunities and empowerment of such individuals. This even goes beyond the literature (e.g. Marthe and Nyssens, 2012; Vidal, 2005), where it is advocated that WISEs promote social inclusion. However, the percentage may be challenging, especially to smaller SEs. Therefore, different percentages varying with the size and number of years of establishment of an SE may be considered. Rather than legally requiring the participation of DD persons on the Board of Directors, perhaps, incentives may in due course follow towards promoting such participation. After all, as discussed by Galera and Borzaga (2009), Imperatori and Cataldo Ruta (2015), Pearce (2003) and Travaglini *et al.* (2009), while being a bone of contention, participation has its benefits. Yet, such a provision could be counterproductive unless the DD persons have the skills and qualifications necessary to reside on the Board. Therefore, such criteria cannot be ignored.

5.3 Restrictions, Incentives and Boundaries

5.3.1 The Restriction on Profit Distribution

It is believed that retaining a high proportion of profits will ensure that profits generated will be used for social purposes and will also help towards ensuring stability of employment for employees, particularly DD persons. This sheds light on the fact that SEs work primarily to fulfil social objectives, in support of Bacchiega and Borzaga (2001). Such a ceiling is also believed to ensure the economic viability of SEs, as advocated in Defourny and Nyssens (2012).

However, although it has been claimed that SEs mainly attract altruistic investors, certain investors might not be inclined to invest in SEs given that returns are *"minimal"*. Furthermore, although subservience of the financial dimension to the social one is in the very nature of SEs, at times, such a limitation could render such entities to be perceived as economically risky. In light of these arguments, set at 10 percent, the ceiling may be deemed to be rather low. Contrasting positions have been taken in this respect in various EU countries, as stated in the literature (e.g. Defourny and Nyssens, 2012). The more one regulates in this area, the more difficult it is for financial management to act according to the prevalent circumstances. Perhaps a way out of this, if one is to maintain the present distribution limitation, is to encourage other sources of capital beyond the minimum capital, such as through the use of preference shares issued at a commercial yield. Such a hybrid source of finance may provide the flexibility needed by the circumstances.

5.3.2 A Minimum Level of Trade-Related Income

In support of Moizier and Tracey (2010) and Wilson and Post (2013), among others, a minimum level of trade-related income is believed to further promote economic viability, sustaining the SE in its social objectives. Yet, the floor of 70 percent set by the Draft Bill seems to lead to controversy. Again, perhaps allowing for some flexibility depending on the number of years of establishment of the SE, as well as on its size, might be helpful in encouraging the formation of new SEs.

5.3.3 The Case for Incentives

Incentives supplementing the legislation are generally expected, similarly to the situation abroad, as discussed in Fisac and Moreno-Romero (2015). The immediate introduction of incentives would create an aura of legal certainty, hence further solidly encouraging the setting up of more SEs, as hinted in public comments received. Conversely, introducing incentives at a later stage would ensure that SEs are not set up merely to gain such benefits. Moreover, the introduction of such incentives may also need to take its time because amendments to other industry-related legislation may be required. EU grants and loans, loan guarantees, SE-specific schemes, start-up schemes, tax concessions and banking support (perhaps also through a specific bank for SEs) could be part of the incentive schemes offered. One may also think on the possibility of new specialised institutions helping SEs, such as whether or not a social investment bank should be set up. Such a bank could provide financial services for a social purpose, as cited in Périlleux (2015).

Rather than simply adopting the requirements of the CA, SEs may have a more specific accounting and audit-reporting regimen, varying with SE size, also involving the statutory independent audit. More details with respect to the contents and other requirements relating to the Social Objectives Report could prove helpful. Furthermore, the outcome and output indicators referred to could involve a mixture of social and financial key performance indicators. However, there is probably the need for more research in this area. Moreover, as advocated in Bagnoli and Megali (2009) and Kay (2015), a periodic exercise in social auditing, say, every three years, could help SEs to progress in the achievement of their social objectives.

5.3.4 The Case against Public Ownership

As cited in the European Parliament Decision A6-0015/2009 and Defourny and Nyssens (2010a), SEs must be autonomous organisations. SEs cannot be autonomous if owned by the state. Yet, at times, the private sector may be unable or unwilling to set up SEs. The Government may thus help the promotion of SEs by means of Public Private Partnerships or similar incentivising legislation, as advocated in Young and Kim (2015). Such partnerships could enable SEs to exploit new entrepreneurial opportunities, as described in Verreynne *et al.* (2013). It remains essential that SEs do not become over-dependent on any type of preferential treatment that may be meted out by the public authorities. In this context, preferential treatment, such as that allowed by the EU Public Procurement Directive (2014/24/EU) may perhaps best be conceded in the initial years of operation.

5.4 The Governance Dilemmas

5.4.1 Who is to Regulate?

One may argue that a separate regulating body could wholly devote its attention to SEs. However, it may perhaps be time to have a large body integrating the regulation of most types of legal structures, such as co-operatives, companies and SEs. Such a body would probably turn out to be stronger and more effective, leaving no room for inter-regulator miscommunications and gaps. Furthermore, the need for the Minister to intervene in the registration of an SE as stipulated in Art.6(3) and Art.7(1) of the proposed SEA is probably not called for, and may lead to unnecessary controversy.

5.4.2 Regulations

A specific code of good CG for SEs is warranted to prove useful, such Code being recommended to be mandatory in view of the Maltese culture working against self-regulation. In response to the argument that certain provisions might be somewhat burdensome for SEs, a Code with a 'comply or explain' requirement could be introduced for SEs. Such Code could become applicable only for SEs of a reasonable size.

5.4.3 Lack of Awareness and Misconceptions

Maltese co-operatives and VOs seem to be insufficiently aware of the peculiarities of the SE concept and seem to have common misconceptions about it, as evidenced by certain responses in the study. Thus, for the SE concept to succeed, the enactment of the law must be accompanied by more communication by the public authorities with these entities; the availability of training and educational material with further help in this regard.

6. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In summary, the SE has various positive social, financial and CG implications and is applicable within the Maltese environment. It is envisaged that once converted into legislation, it will fill a missing void relating to such entities having a dominant social objective and a secondary financial one. Regarding the argument, 'SE Label vs. Legal Form', the Draft Bill seems to present the best of both worlds, offering both a new legal form – that of SEC, as well as a mere 'label' – that of SEO. However, current CA provisions may be insufficiently applicable to SECs and probably, even less applicable to SEOs, which by Art.7(5) of the Draft Bill are also required to follow some of its provisions. Reference to social objectives may need to be made within the CA itself and modifications to reporting requirements may be required. An alternative could be a more developed SE regulatory framework.

The imposition of a number of floors, such as the percentage of trade-related income may be too challenging for smaller SEs. A progressive minimum level over the initial years may thus be called for. The SE could be rendered more effective through member participation on the Board of Directors. Such participation could be encouraged through incentives on condition of possessing the necessary qualifications and skills. There is also a clear need for guidelines relating to the proposed Social Objectives Report. The need or otherwise for a tailor-made accounting and audit-reporting regimen possibly varying with SE size will have to be determined. A periodic social audit would prove beneficial here. Over time, various new incentives will probably be introduced, priority perhaps best being conceded to incentivise SE formation.

Moreover, integrating SE regulation within an established regulatory body would probably be advantageous as past expertise could be availed of. The specific SE characteristics would in time lead to more specialised regulation. This study has also shown the need to focus legally on the relevant code of good CG for SEs. The extent to which such Code will be required to be obligatory, to include recommendations, and/or be subject to the 'comply or explain' provision requires further research.

In interpreting the findings and results, one needs to keep in mind that owing to the relatively low response rate, the resulting margin of error indicates a notable limitation in the extent to which the responses are representative of the whole population.

This study recommends that the link between the CA and the SEA be re-assessed. Furthermore, the varying sizes of SEs should be taken into account in the setting of thresholds. Incentives and benefits should also complement SE legislation within a reasonable time period. It is also recommended that SEs seek other sources of finance beyond equity capital, including preference shares and loan capital. Reporting requirements in the law should also be rendered more detailed and communication about the SE concept should be carried out with the stakeholders of existing legal structures.

This study has also shed light on a number of areas that would merit further research, including the introduction of a social audit for the Maltese SE. The CG of Maltese SEs, together with their regulator also beckon further study, as do the links and distinctions between SEs and co-operatives.

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Declining Supply and Rising Demand for Labor – the Consequences in RS

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ABSTRACT

The aim of this research is to provide projections of the labor market in the Republic of Serbska, as a part of Bosnia and Herzegovina (RS) in the period 2017 - 2021, based on an analytical approach and precise indicators. The basic methodology in creating projections on the labor market in the Republic of Serbska (RS) is statistical extrapolation of trends in demand and supply of labor at the level of the RS. Data for this study were standard reports of statistical institutions (Statistical Yearbook, Labor Force Survey, etc.), as well as special reports generated for the specific needs of this research. The results show that in the next 6 years, the number of working-age population will shrink by a further 59,000 people with 867,000 to 808,000. Out of the total working-age population, ie the active population. labor force (the sum of employed and unemployed) is will not change greatly, while the level of the inactive population, ie. working-age population not seeking employment will drop significantly. On the other hand, our projections show that, even in terms of the decline in the working-age population, the demand for labor will continue to grow. Also, according to projections, the number of unemployed ie. the excess of supply over demand of the labor force will decrease in the period 2017-2021. All this will not be without impact on wage levels. Total average gross wages will rise by 2021, but wage growth in the manufacturing industry will be much more pronounced. Therefore, it is essential to increase productivity and added value of companies because it is the only way to compensate for this increase in wages.

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1. INTRODUCTION

The aim of this research is to provide specific assessments related to developments on the labor market in the Republic of Serbska, as a part of Bosnia and Herzegovina (RS) in the period 2017 - 2021, based on an analytical approach and precise indicators. After analysis of available studies, analysis, research and other work (desk research) in the field of labor market trends in the Republic of Serbska (RS) and analysis of available relevant statistical data on demographic structure, employment and labor force characteristics, the informal economy, education policies and outcomes markets work and economic growth and the dynamics of demand for labor, this analysis is answering the question what are the current trends in the labor market of the Republic of Serbska. The main part of this research are projections of the supply and demand of labor of the Republic of Serbska in the period 2017-2021. with respect to the identified trends in age and educational structure of the workforce and on the structure and number of employed / unemployed in the period 2010 - 2015 and current labor market trends.

This paper consists of four parts. In addition to the first part – introduction, the second part is a description of methodology and data. The third part is about the macroeconomic situation in which the Republic of Serbska is now, in terms of economic growth, employment, inflation, etc. The fourth part, the most important part of this research are projections for the period 2017-2021, in the categories of the working age population, active and non-active population, labor demand and labor supply. At the end there are some concluding remarks.

2. THE METHODOLOGY AND DATA

The basic methodology in creating projections on the labor market in the Republic of Serbska is statistical extrapolation of trends in demand and supply of labor at the level of the RS. The extrapolation of trend consists of forecasting of future trends based on past situations or trends. The subject of analysis is a collection of chronologically determined values of selected variables in the field of characteristic population, employment and unemployment of the labor force.

A linear trend model that we used here explains the linear movement (positive or negative) of the value of observed time series. In addition to the displaying of the linear movement of the time series based on the estimated model, we performed a prediction of values in some future period.

In theory, the possibility of using a linear trend model exists whenever there is a time series, but in practice, the application of the linear trend is the most suitable time series with a one-year periods. Also, if the trend is calculated on the basis of a small number of data, there should be a reserve at the same interpretation.

A linear trend model is in the following form:

$$Y_t = \hat{\beta}_0 + \hat{\beta}_1 X_1 + e_t$$

where:

Y - the value of the time series; dependent variable, X - time; independent variable,

e - a random component, which suggests that of a linear trend model there are positive and / or negative deviations from the original values of a linear trend model.

In assessing the trend we used the coefficient of determination (R2). The coefficient of determination is the ratio of the sum of the squared deviations of a linear trend model and the total sum of the squared deviations. Trend model is more representative of what this indicator is closer to 1 or 100%.

Although very simple, linear extrapolation forecasting method creates results that are often more accurate than the results of some significantly more complex methods. On the other hand, it is clear that linear extrapolation can not be used successfully for forecasting future changes, which are not a continuation of previous changes. Regardless of the mentioned methods disadvantages or information needed for its implementation, linear extrapolation is simple, intuitive, understandable and easily applicable method, which is especially valuable when forecasting carried out at the level of the local labor market.

Data for this study were standard reports of statistical institutions (Statistical Yearbook, Labor Force Survey, etc.), as well as special reports generated for the specific needs of this research.

3. THE ECONOMIC CONTEXT

In this part of the research we will make macroeconomic snapshot of the Republic of Serbska economy. First of all, it is clear that the RS is in a very difficult economic situation. Suffice it to say that in 2015, RS had €3,200 per capita, and that Greece, which is in the focus of Europe and the world due to the economic crisis, had €16,000 per capita. In the case of RS, in the last five years we had a recession and very low growth rates (from -1.1% in 2012 and 1 to 2% in 2010, 2011, 2013 and 2014 and 2.6% in 2015.). Overall socio-economic situation in such circumstances worsened.

In the period before the global financial and economic crisis, real growth rates in the RS amounted to over 5%. However, the global economic recession led to a decline in economic activity. After the fall of real GDP in 2009 for 3% and two years of crisis, with very modest rates of growth, the economy went to recession again. In 2012, there was a decline in GDP of 1.1%, which represents a worsening of economic situation compared to a modest 0.7% in 2010 and 1% in 2011. In 2013. 2014 and 2015 we also had a modest growth. This is far below the pre-crisis growth rate of over 5%, necessary to achieve the standard of living not only of developed countries but also of most of transition countries. However, preliminary data for 2016 show some positive trends in this area.

Table 1. Summary of key macroeconomic indicators RS, 2008 and 2015.

	2008	2009	2010	2011	2012	2013	2014	2015
Nominal GDP (in millions KM)	8.490,60	8.236,30	8.318,20	8.682,40	8.584,97	8.760,80	8.847,12	9.150,18
GDP, nominal. growth rate in% (g / g)	15,50	-3,00	1,00	4,40	-1,10	2,00	0,70	n/a
GDP, real growth rate in% (g / g)	6,30	-3,00	0,80	0,80	-1,10	1,90	0,40	2,60
GDP per capita (in KM)	5.907,00	5.739,00	5.805,00	6.073,00	6.006,00	6.146,00	6.225,00	6.463,00
The number of unemployed (registered)	135.102	139.536	145.343	150.344	153.225	151.29	145.919	139.465
Number of employees (registered)	259.205	258.634	244.453	238.956	238.178	238.64	241.544	245.975
Formal unemployment rate in%	34,20	35,50	37,30	38,70	39,30	38,70	37,70	36,20
Unemployment rate (LFS - ILO), in%	20,50	21,40	23,60	24,50	25,60	27,00	25,70	25,20
Average wages (in KM)	755,00	788,00	784,00	809,00	818,00	808,00	825,00	831,00
Average pensions (in KM)	309,00	335,00	321,00	321,00	312,00	318,00	333,00	343,00
Consumer price index (avg.% Changes)	7,20	-0,40	2,50	3,90	2,10	0,00	-1,20	-1,40

Source: National Institute of the Republic of Serbska statistics

Overall socio-economic situation is worsened in these circumstances especially when comparing year 2008 as the last "pre-crisis" year with 2015. In this crisis period, there were significant increases in the number of unemployed in BiH. The real unemployment rate, in the RS increased from 20.5% to 25.2% in the same period.

When we summarize all the data, it is obvious that the world economic crisis has led to a recession and stagnation of the economy in the RS, which is still continuing. Overall socio-economic situation in these circumstances significantly deteriorated.

4. THE PROJECTIONS OF THE RS LABOR MARKET

4.1. The Projection of the Working Age Population

According to our projections, in the next 6 years, the number of working-age population will decrease by 59,000 people, from 867,000 to 808,000. In relative terms, this means that the working-age population will be reduced by 6.8%.

In the last ten years we have pronounced downward trend in the working-age population. Since it is realistic to assume that in this area there will be no significant changes until 2021, this trend will continue.

This trend will have a different impact on active population (labor force) and inactive population, as components of the working-age population. In fact, our projections indicate that the labor force, should remain at about the same level as in 2016, and that this decrease is mainly related to the reduction of the inactive population.

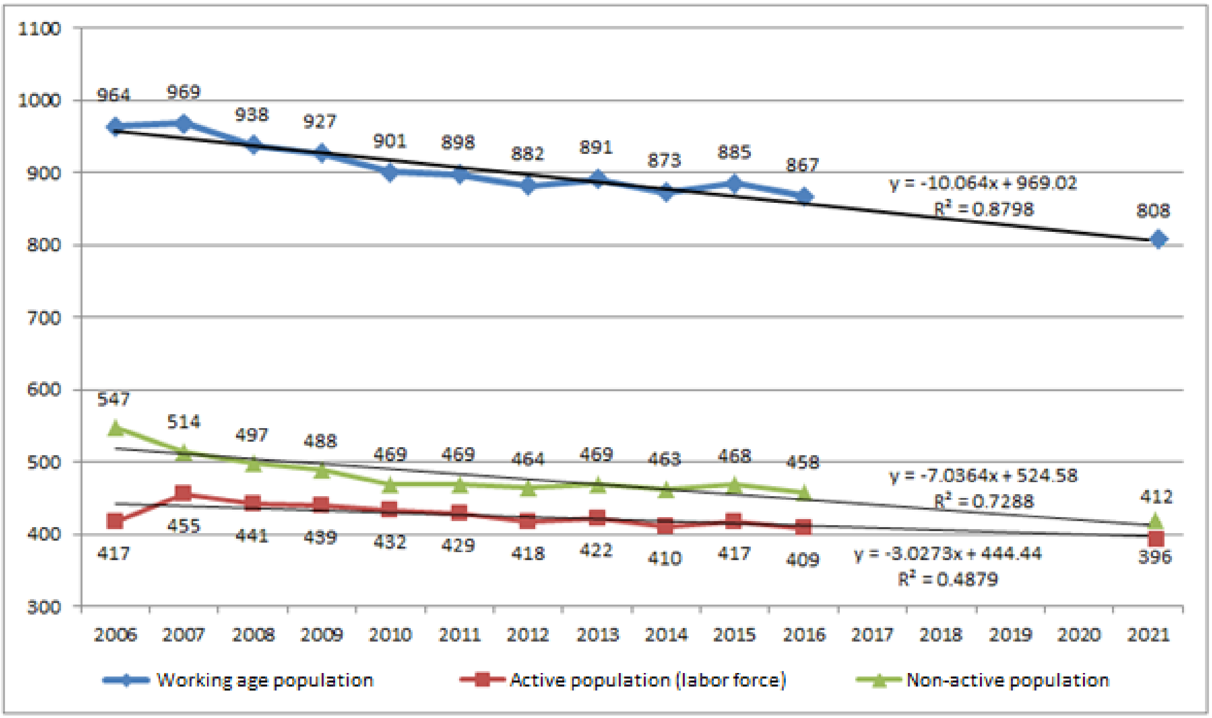

Figure 1. Projection of the working-age population by 2021 in RS, National Institute of Statistics and authors' calculations

The decline in the number of working-age population is slightly affecting the workforce that is decreasing for some 3.2% in the period 2017-2021, compared to 2016, but the reduction of the inactive population is as high as 10% in the same period. The retention of the workforce at around a similar level, a significant reduction of the inactive population means that there will be increasing fluctuations from inactive to active contingent. This increases the cost of services in the field of training of newly arrived workers who need to meet the demand caused by the increase of production, but also the demand caused by the outflow of skilled workers abroad.

4.2. The Projection of Labor Demand

In terms of the decline of the working-age population, the labor demand will continue to grow. The number of jobs will increase from 257,000 in 2016, to about 268,000 in 2021, a difference of about 11,000 jobs, or an average of 2,200 jobs per year in the period 2017 - 2021.

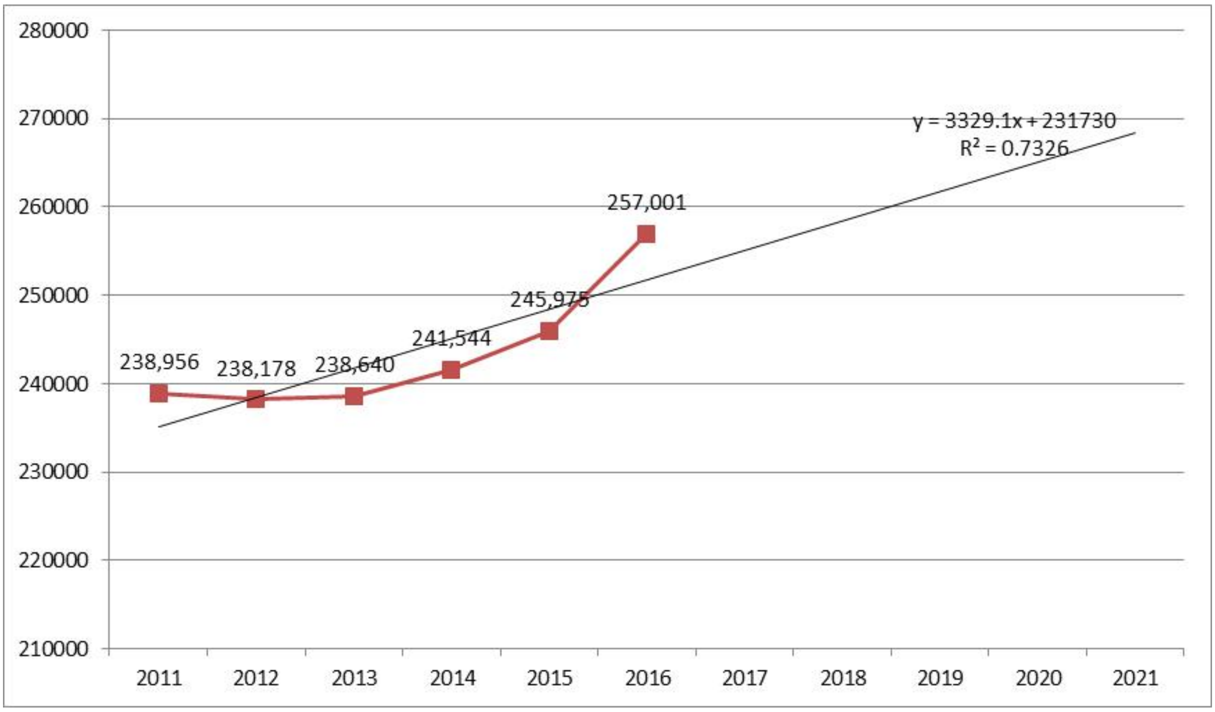

Figure 2. The projection of the number of employees in RS until 2021, National Institute of Statistics and authors' calculations

The economic growth projections are also in favour of this development. The International Monetary Fund predicts the continuation of economic growth in B&H. 10. On the Figure 3. we see the projection of growth made by IMF, and during the entire period they are predicting the growth rate of 3-4%.

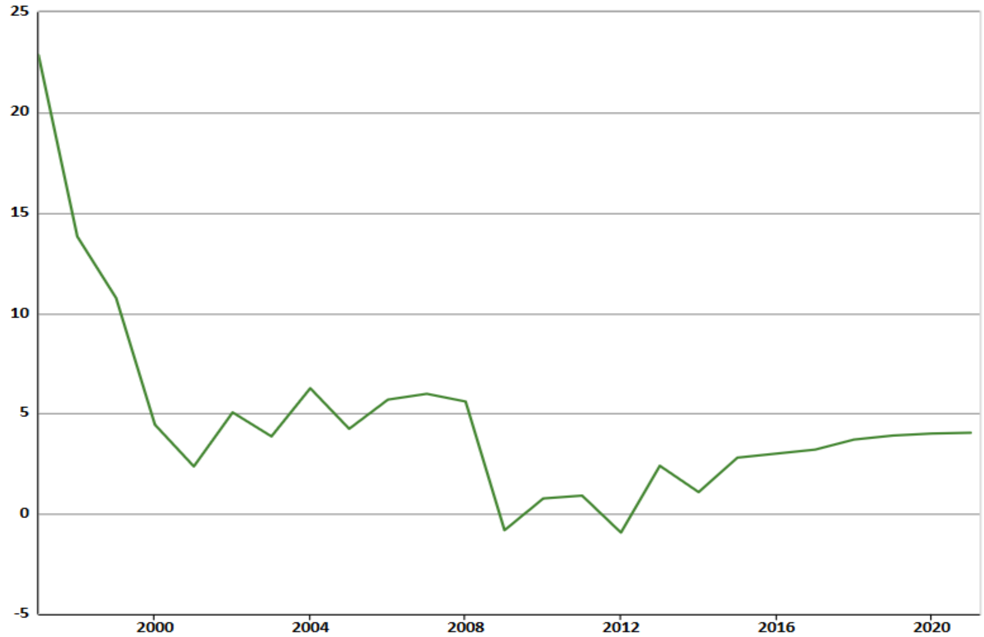

Figure 3. The projection of economic growth in BiH (in percentage), IMF, https://knoema.com/IMFWEO2016Apr/imf-world-economic-outlook-weo-april-2016?country=1000200-bosnia-and-herzegovina

It is interesting to analyze where the projected employment growth will take place, in what sectors. According to our projections of employment by sector, the largest number of new jobs will be created in the manufacturing industry, while the biggest loser will be the trade sector.

Table 2. Projection of the number of employees by sector for the period 2017-2021;

	2017	2018	2019	2020	2021
Agriculture, forestry and fishing	8,428	8,514	8,601	8,687	8,773
Mining and quarrying	5,417	5,513	5,610	5,706	5,802
Manufacturing industry	51,370	52,364	53,357	54,351	55,345
energy	8,210	8,431	8,652	8,874	9,095
Utility services	5,000	5,084	5,169	5,253	5,337
Construction	9,960	9,583	9,207	8,830	8,453
Trade	39,086	37,724	36,362	34,999	33,637
Transportation and storaging	11,655	11,751	11,846	11,942	12,037
Tourism and Hospitality	11,210	11,147	11,085	11,022	10,960
Information and communication	5,193	5,217	5,241	5,266	5,290
Financial and insurance activities	5,831	5,902	5,972	6,042	6,113

Professional, scientific and technical activities	7,117	7,154	7,191	7,228	7,265
Administrative and support service activities	2,920	2,987	3,054	3,121	3,188
Public administration and defense; compulsory social security	25,101	25,514	25,926	26,339	26,752
Education	23,063	23,446	23,830	24,213	24,596
Human health and social work	17,970	18,345	18,721	19,096	19,472
Arts, entertainment and recreation	3,722	3,939	4,155	4,372	4,589
Other service activities	5,931	6,345	6,758	7,172	7,586

Source: National Institute of Statistics and authors' calculations

What we should keep in mind are the possible changes in terms of employment in the public sector. Because of the problems of the public sector in the RS, it is possible that the upward trend in employment so far recorded in this sector will not continue, so in that case, it may be that we have a smaller number of new jobs in the period in which the projection applies. However, what is evident is the growth of employment in the real sector, particularly in export-oriented manufacturing industry.

4.3. The Projection of Labor Supply

According to the current trend recorded to 2016, the number of unemployed ie. the excess of supply over demand of the labor force will decrease also in the period 2017-2021. Projection expects it to fall from about 128,000 in 2016, to 104,000 workers in 2021, which is a total of 24,000 workers less. Of these 24,000, about 11,000 will be employed in the domestic market (projected employment growth), while the remaining 13,000 is likely to find a job abroad.

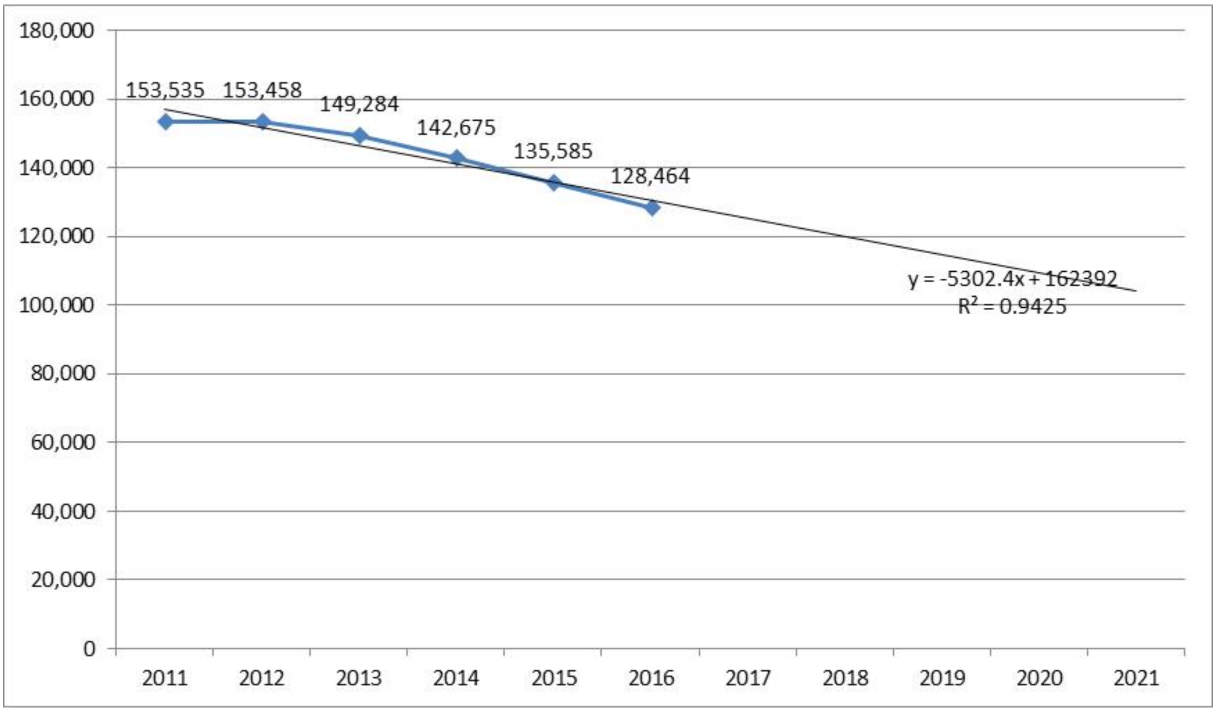

Figure 4. Projected number of unemployed in the RS until 2021, National Institute of Statistics and authors' calculations

Here again it should be noted the difference between formal and real unemployment. Specifically, a portion of the 128,464 workers are people who work in the grey economy or dealing with agriculture. However, based on the methodology of the International Labor Organization, unemployment is well below the totals 101,000. This number is obtained by estimation based on a representative sample and does not include those employed in the grey economy and employed in agriculture.

We did the projection of the number of formally employed people because this number is pure exogenous variable, where there is full coverage. What would be concluded that the projected number of formally unemployed from 104,000 in 2021, mean that the real unemployment rate in 2021 will also be lower and will probably amount to around 80,000 unemployed workers really.

4.4. The Projection of Wages

All this will not be without an impact on wage levels. Total average gross wages will grow by 2021 to about 100 KM (€50). This is not particularly high wage growth, especially if we take into account the changes taking place in our labor market.

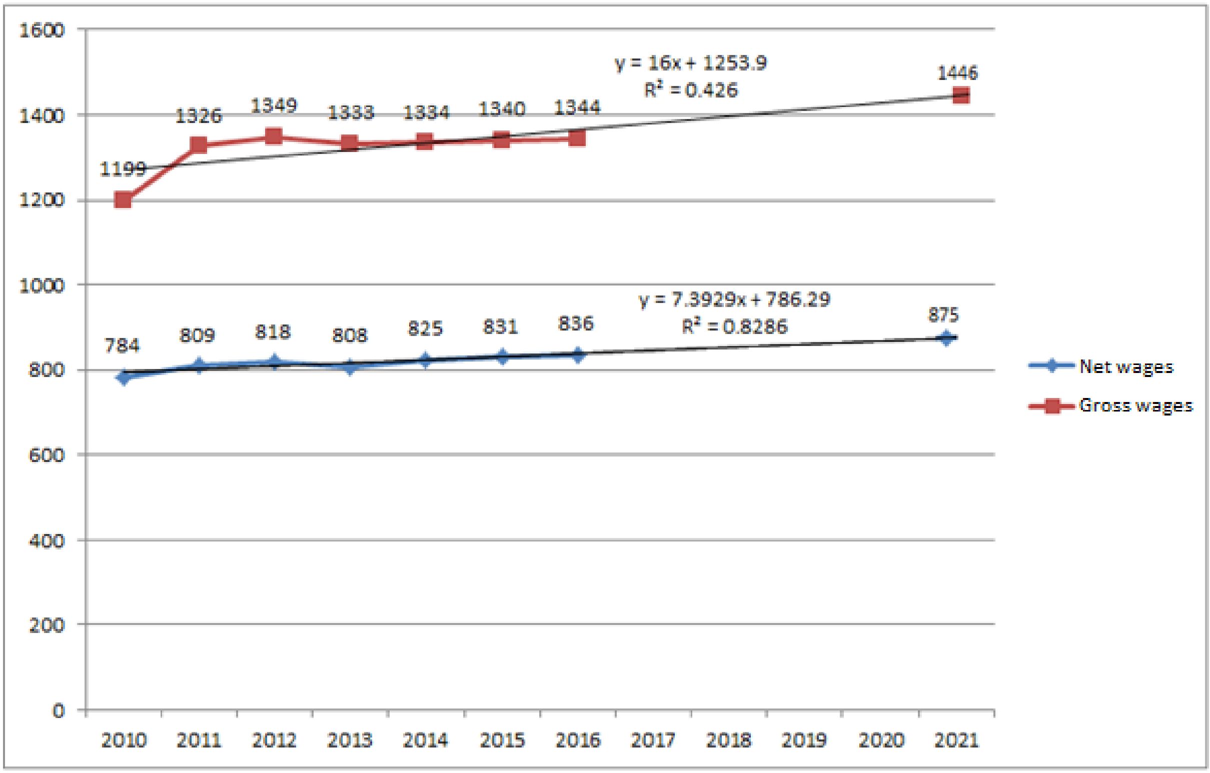

Figure 5. Projection of gross and net salaries in RS, National Institute of Statistics and authors' calculations

However, we must not forget that in RS the state is the largest employer, and salaries in the public sector, although they are much higher than in the private sector, stagnate or decline. Therefore, it is much more informative to look at the projection of salaries only for the manufacturing industry.

When we look at the Figure 6, wage growth in manufacturing, we can see that this growth is much more pronounced. Thus, the average gross wage in the manufacturing industry will, in the period 2017-2021st increase by about 300 KM. What this may mean for the manufacturing industry?

Simply put, if the manufacturing industry does not create productivity growth, this wage increase will significantly reduce their competitiveness, especially in the international market. This applies particularly to labor-intensive sectors, such as leather and footwear, textiles, and all companies performing so called lohn operations. A key competitive advantage of such companies is cheap labor, and when it is more expensive, this advantage is lost. Therefore, it is essential to increase productivity and added value of these sectors, and other companies because it is the only way to compensate for this increase in wages.

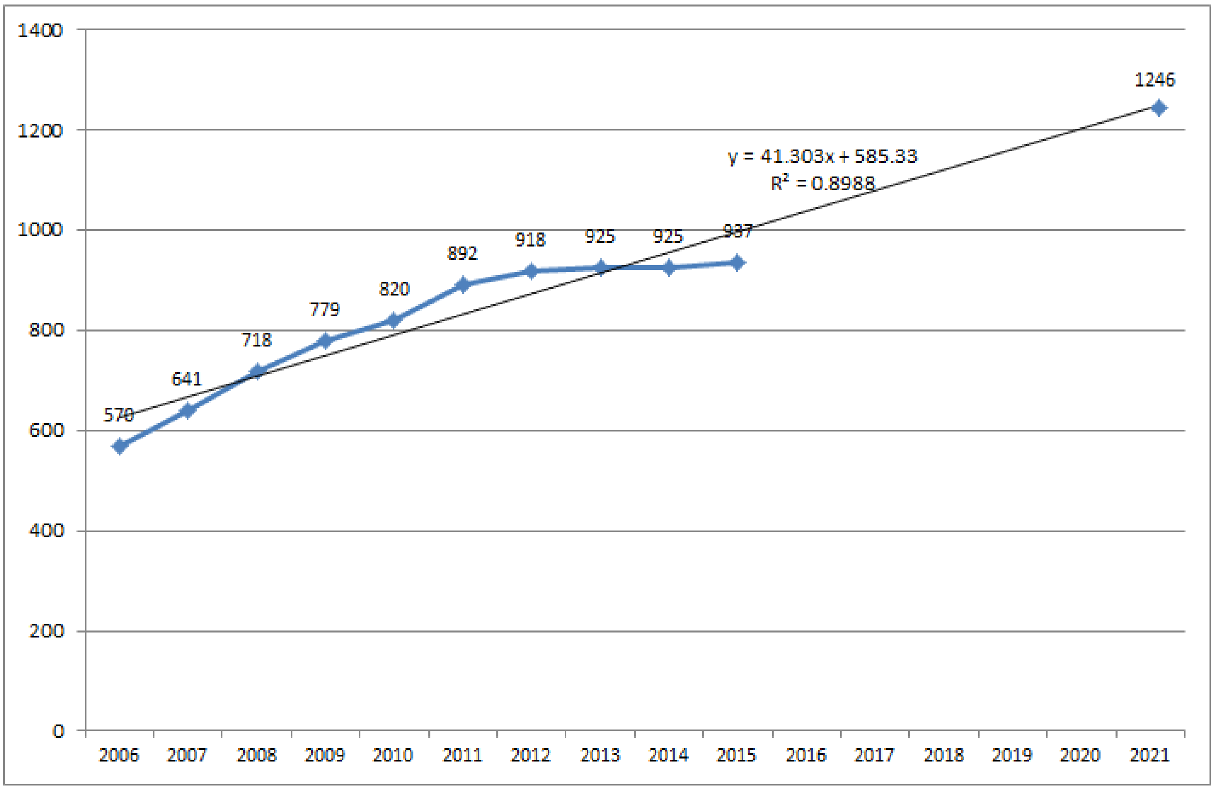

Figure 6. Projection of the average gross wage in the manufacturing industry, National Institute of Statistics and authors' calculations

The inevitability of wage growth is also confirmed by regression statistical analysis. As part of this research we correlated decline in the working age population and the growth of gross wages in the manufacturing industry by using linear regression.

Linear regression was used to determine the influence of the working-age population (independent variable), on the amount of average gross wages in manufacturing (the dependent variable). A negative correlation with a coefficient of determination (R2) of high as 94%, which means that this is strong correlation. Simply put, there is a strong causal relationship of the decline in the working-age population and an increase in the average gross wage in the manufacturing industry (Figure 7).

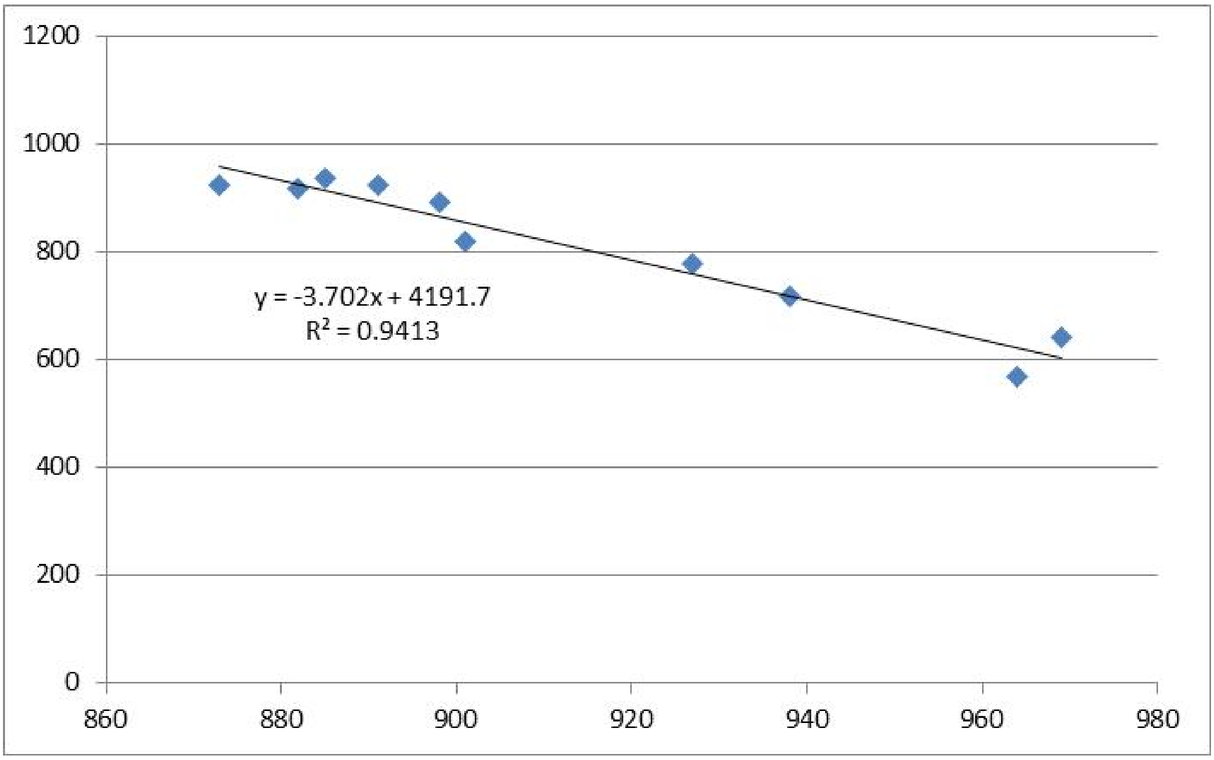

Figure 7. This linear regression of the workforce (independent variable) and the amount of the average gross plate in manufacturing (the dependent variable), National Institute of Statistics and authors' calculations

The regression statistical analysis shows that wage growth will inevitably happen and it's important to start on time with activities that can help the economy to adapt to these trends.

5. CONCLUSION

When we examine the overall situation, it is clear that the RS is in a very difficult economic situation. However, a much larger problem are the demographic changes occurring in the RS in the last ten years. They are an expression of the long-term tendency that is difficult to stop, and even harder to reverse. If we look at the working age population in the last ten years, a pronounced downward trend can be seen, from about 964,000 in 2006 to 867,000 in 2016, a decrease of 97,000 people or 10.1%. According to our projections, in the next 6 years, the number of working-age population will shrink by a further 59,000 people with 867,000 to 808,000.

Out of the total working-age population, ie the active population. labor force (the sum of employed and unemployed) is will not change greatly, while the level of the inactive population, ie. working-age population not seeking employment drop significantly. According to our projections, the workforce should be, in the period 2017.-2021., Slightly decrease compared to 2016 (some 3.2%), and that the reduction of the inactive population is as high as 10%. The migration outflow of the population is another important reason for the depopulation of the area of the RS. Due to the migration outflow of the Republic of Serbian lost a significant number of young, working-age populations. What is particularly worrying is that the number of those who migrate from BiH from year to year.

On the other hand, it should be noted that employment in 2016 significantly increased and it is a result of strong growth in the manufacturing industry, especially the export-oriented. Our projections show that, even in terms of the decline in the working-age population, the demand for labor will continue to grow. Also, the International Monetary Fund predicts the continuation of economic growth in B&H, where the entire period predict growth rates of 3-4%.

Unemployment is falling in the RS in the last five years. The rate of formal unemployment in 2012 was 39.3% and in 2016 33.3%, a difference of whole six percentage points. The real unemployment is also reduced, but to a lesser extent (e.g., from 27% in 2013, to 24.8% in 2016).

All this will not be without impact on wage levels. Total average gross wages will rise by 2021 to some, but wage growth in the manufacturing industry will be much more pronounced. Thus, the average gross wage in the manufacturing industry will, in the period 2017-2021st increase by about 300 KM. If manufacturing industry does not increase its productivity, this wage increase will significantly reduce their competitiveness. Therefore, it is essential to increase productivity and added value of companies because it is the only way to compensate for this increase in wages. In this way, these sectors could provide wage increases that are still quite low and achieve the conditions to keep the population in the country. For the types of production involved in European value chains, increasing productivity is the only way to reduce costs.

The problem that that has to be further investigated are large differences between different parts of the Republic of Serbska. Some areas have an unemployment rate over 70%, while the most developed parts have the lowest unemployment. In underdeveloped areas this leads to increased process of depopulation and aging, stagnation and even, deterioration in economic and overall development. In this way, large and strategically important areas can remain depopulated and their resources unutilized. At the same time, in developed centers the is excessive concentrations of the population, which has an adverse impact on economic, social, spatial and ecological sphere.

However, the largest problem is that large part of the unemployed or non-active do not have any qualifications, and cannot be employed without significant training or retraining. Because the qualifications of a large number of the unemployed are not suitable for expansion of manufacturing, training such people requires large expenses by the companies and the big question is how much companies are able to perform such additional training for a larger number of workers. Therefore, it is crucial to support the economy in the training and retraining of workers in order to make it easier to achieve knowledge and skills that are necessary to economy.

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Rise And Fall Of Ulips In Indian Life Insurance Market

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ABSTRACT

Reforms in the insurance sector were introduced much later in fact almost a decade later with the enactment of the Insurance Regulatory and Development Authority Act 1999, which facilitated the liberalization and opening of the insurance sector. There were two options before the Government of India to privatize insurance sector viz. (a) selling of two public sector insurance companies (LIC and GIC) to private and (b) allowing private sector to enter into insurance market and compete with the LIC and GIC. The Government took the latter route to open the insurance sector in 2000 and LIC and GIC were left untouched. Indian private companies entered the market as joint ventures with some of world's largest insurance companies. Coexistence of private and public companies heightened competition and Indian insurance sector witnessed several significant changes such as a large number of new innovative products, improved distribution channels and the introduction of world class regulatory and supervisory standards. The most significant product innovation in the life insurance segment is the introduction of unit linked products (ULIPs). Unit linked plans offer long term investment option plus life coverage. In fact ULIPs are combination of both investment and insurance.In this research paper an attempt is made (a) to examine the rise and fall of ULIPs across the private insurers and LIC in the Indian insurance market by analyzing the distribution of first year premium during 2003-14 . The materials in the form of data and information are gathered from the Annual Reports of IRDA and Reports of Economic Survey of India of various years. The data and information collected were processed presented and analyzed using SPSS version 20. Mann Whitney Test Z value (equivalent to Wilcoxon's rank sum z test) is also used in addition to the calculation of growth rate and percentage contribution of ULIPs to the total premium.

ARTICLE INFO

Keywords:

LIC, Private insurers, ULIPs, First Year Premium, Indian Insurance Market

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INTRODUCTION

Reforms in the insurance sector were introduced much later, in fact, almost a decade later with the enactment of the Insurance Regulatory and Development Authority Act 1999, which facilitated the liberalization and opening of the insurance sector. There were two options before the Government of India to privatize insurance sector viz., (a) selling of two public sector insurance companies (LIC and GIC) to private and (b) allowing private sector to enter into insurance market and compete with the LIC and GIC. The Government took the latter route to open the insurance sector in 2000 and LIC and GIC were left untouched. Indian private companies entered the market as joint ventures with some of world's largest insurance companies (vidyavathi 2014). Coexistence of private and public companies heightened competition and Indian insurance sector witnessed several significant changes such as a large number of new innovative products, improved distribution channels and the introduction of world class regulatory and supervisory standards (vidyavathi 2015). The most significant product innovation in the life insurance segment is the introduction of unit linked products (ULIPs) (vidyavathi 2015). Unit linked plans offer long term investment option plus life coverage. So ULIPs are combination of both investment and insurance. However ULIPs are not simple to understand as their cost structure is complicated with several charges such as policy administration charges, premium allocation charges, mortality charges, fund management charges etc.,

Premiums received from the customers less the various charges are used for investing in assets like bonds, equities, government securities etc., at the prevailing prices on the basis of predetermined option of the customers. Several options are available to a customer who can select a debt fund or a balanced fund or an equity fund. Companies like Birla Sun Life and ICICI Prudential have definitely procured a big chunk of their new business premium from the ULIPs and there is no doubt that the all private insurers increased their market share from 2.01 percent in 2002-03 to 30.23 in 2010-11with the domination of ULIPs and their market share declined thereafter to 29.32 in 2011-12 27.30 in 2012-13 and to 24.61 in 2013-14 with the fall of ULIPs in the Indian insurance market (vidyavathi 2015).

LITERATURE REVIEW

A Comparative Study On Public Vs Private Sector In Life Insurance In India by Vineet Kumar and Poonam Kumari(2012) pointed out that the insurance industry has contributed significantly to the growth of Indian economy in the recent years. With the re-entry of private insurers, the insurance industry has undergone a makeover, offering more choice, better services, quicker settlement, tighter regulation and greater awareness. They in their study appraised the comparative performance of the Insurance industry in India in terms of insurance penetration, density and growth in the first year premium.

Harpreet Singh Bedi and Preeti Singh(2011) in An Empirical Analysis Of Life Insurance Industry In India analyzed the overall performance of Life Insurance Industry of India between pre- and post economic reform era. The study revealed that the tremendous growth in the performance of Indian Life Insurance industry and LIC happened due to the policy of Liberalisation, Privatisation and Globalisation. Emergence of private companies as joint ventures with foreign players also contributed a lot to the growth in the Indian Insurance industry.

Santosh Anagol,Shawn Cole and Shayak Sarkar(2013) in their study Understanding the Advice of Commissions-Motivated Agents:Evidence from the Indian Life Insurance Market evaluated the quality of advice provided by life insurance agents in India. They found that agents overwhelmingly recommend unsuitable, strictly dominated products, which provide high commissions to the agent. Agents in majority cases mis sell the products to the in informed consumers. Agents usually recommend those products which bring them high commission rather than recommending a product suitable to the needs of customers.

G. Prabhakara(2010) in the study The Evolution of Life Insurance Industry in the last decade (2000 – 2010) traced the evolution of life insurance in India during the period of 2000-2010 with special reference to the role of the IRDA in regulating and guiding the industry. The study reviewed the various regulatory initiatives taken by the IRDA both to contain mis selling and also to enhance transparency at various stages of the sales process.

OBJECTIVES:

In this research paper an attempt is made (a) to examine the rise and fall of ULIPs across the private insurers and LIC in the Indian insurance market by analyzing the distribution of first year premium from 2003-04 to 2013-14 .

HYPOTHESES:

1. Distribution of total first year premium (2003-14) is same between the private insurers and LIC of India
2. Distribution of first year premium from linked policies (2003-14) is same between the private insurers and LIC of India
3. Distribution of first year premium from non linked policies (2003-14) is same between the private insurers and LIC of India.

MATERIALS AND METHODS:

The materials in the form of data and information are gathered from the Annual Reports of IRDA and Reports of Economic Survey of India of various years. The data and information collected were processed presented and analyzed using SPSS version 20. Mann Whitney Test Z value (equivalent to Wilcoxon's rank sum z test) is also used in addition to the calculation of growth rate and percentage contribution of ULIPs to the total premium.

RESULTS AND DISCUSSION :

Following the IRDA Act the monopoly enjoyed by LIC and GIC came to an end and the Indian insurance industry was opened for free market competition. IRDA granted license to seven private companies in the life insurance segment during the financial year 2000-2001. HDFC Standard Life Insurance company was first private company to receive the license in October 2000. (vidyavathi 2015).

Table 1- First Year Premium of LIC of India and Private Insurers from Linked Products

	First year premium of Linked products		Total First year premium (Rs in Crores)		First year Premium (Rs in Crores)	
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Year	LIC	Private	LIC	Private	Industry	% of Linked In the first year Industry Premium
2003-04	397.26 [2.3]	1215.96 [49.82]	17347.62	2440.71	19788.33	8.5
2004-05	4479.65 [21.7]	3966.43 [71.28]	20653.06 (19.05)	5564.57 (127.99)	26217.63 (32.49)	32.5
2005-06	8486.32 [29.8]	13389.93 [82.3]	28515.87 (38.07)	16269.66 (192.38)	44785.53 (70.82)	41.8
2006-07	26037.13 [46.3]	17211.9 [88.75]	56223.56 (97.17)	19393.69 (19.20)	75617.25 (68.84)	56.9
2007-08	37383.86 [62.3]	30455.62 [90.33]	59996.57 (6.71)	33715.95 (73.85)	93712.52 (23.93)	70.3
2008-09	15122.57 [28.4]	29537.74 [86.5]	53179.08 (-11.36)	34152.01 (1.29)	87331.09 (-6.81)	51.1
2009-10	28086.25 [39.3]	31839.19 [68.7]	71521.9 (34.49)	38372.01 (12.36)	109893.9 (25.84)	54.5
2010-11	26502.18 [30.5]	27040.45 [83.0]	87012.34 (21.66)	39368.64 (2.60)	126381 (15.00)	42.4
2011-12	4107.39 [5.0]	13298.44 [41.4]	81862.24 (-5.99)	32103.78 (-18.45)	113966 (-9.82)	15.3
2012-13	191.96 [0.3]	10677.31 [34.7]	76611.5 (-6.41)	30749.58 (-4.22)	107361.1 (-5.80)	10.1
2013-14	43.85 [0.05]	8564.83 [29.0]	90808.79 (18.53)	29510.88 (-4.03)	120319.7 (12.07)	7.2

Source: Annual Reports of IRDA

Note: 1. Brackets in columns (2) & (3) show the percentage share of ULIPs in the total first year premium of LIC and Private insurers.

Note: 2. Brackets in columns (4) (5) & (6) show the percentage change over the previous year.

Graph: First year Premium from ULIPs for the period 2003- 2014

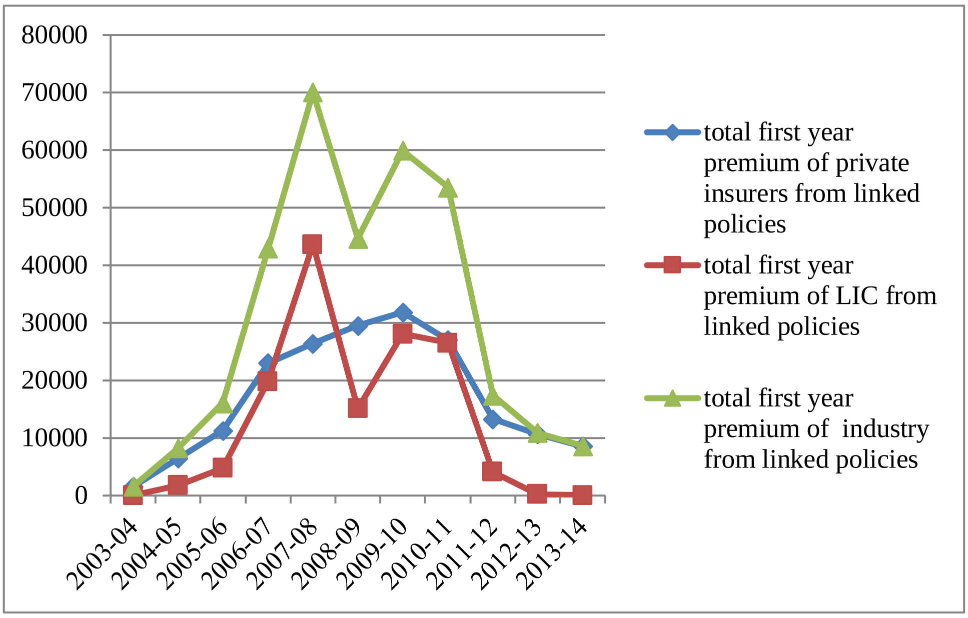

Table -2 Comparison of first year premium of Private and LIC during 2003-14

Variable	Insurer	N	Min	Max	Mean	Std deviation	Median	Mann Whitney Test Z value	P Value
Total first year premium	Private	11	17347.6	59996.6	35181.2	13123.1	32103.8	-2.528	.011 Reject H_0
	LIC	11	2440.7	90808.8	48943.7	34344.9	53179.1		
Premium from linked policies	Private	11	1543.3	31839.2	17243.3	10535.4	13298.4	-1.149	.250Accept H_0
	LIC	11	36.2	43654.1	13107.1	14742.4	4779.7		
Premium from non linked policies	Private	11	1224.8	20946.1	8585.8	7925.2	4614.3	-3.447	.001Reject H_0
	LIC	11	16173.4	90764.9	44808.6	27216.3	38056.5		

Source: IRDA Annual Reports.

However many of these new companies did not underwrite business immediately but concentrated on setting up agency force and infrastructure facilities. Reports indicate that LIC now being in a competitive market adopted a market savvy approach and sold some of its money-back products and assured return products like Bima Nivesh much more the traditional whole life and endowment policies and introduced new policies and products like unit linked policy called Bima Plus in the market and recorded a growth of 65 per cent in the last quarter of 2000-2001 as compared to the same period previous year. Subsequently most of the guaranteed return policies were withdrawn from the market as per the directions of IRDA. Companies like Birla Sun Life entered the market with policies giving investment-linked returns (IRDA 2000-2001). All the new companies like ICICI Prudential, Max New

York Life (now Max Life) and HDFC Standard Life etc., adopted very novel and aggressive marketing practices (IRDA 2000-2001). The private insurers collected a premium of 7.12 crores and captured market share of 0.02 percent in 2000-01.

The year 2001-02 was the first full year operation for Birla Sunlife, ICICI Prudential, Max New York and HDFC Standard Life and by the end of the financial year there were 11 private insurers who launched their products at different points of time in the financial year. In the increasingly competitive environment the life insurers offered a variety of products in the traditional and ULIPs providing protection and benefits towards child, endowment, capital guarantee, pension and group solutions. -Comprehensive packaged products were made popular with features of whole life polices, endowment plans, money back policies, pension plans, term policies, single premium, regular premium, rebate in premium for higher sum assured etc., together with riders to the base products. Unit linked policies are also made available to the customers along with riders.

The financial year 2002-03 was the second full year of operations for most of the private insurers and there were 12 companies and their market share went up from 0.54 percent in 2001-02 to 1.99 percent in the year 2002-03. The year 2002-03 also witnessed a shift in the products from nonlinked to linked products. Unit linked products were offered at times when the stock market was showing a rising trend and hence became attractive to customers. And the shift towards ULIPs became crystal clear during the financial year 2003-04, as a big chunk of premium came from unit linked policies and the number of insurers increased to 14. LIC which was a leader in traditional life insurance products too introduced more number of unit linked products in the market.

When the industry was opened up to the private players, the first year life insurance premium was Rs. 6996.95 crore (excluding single premium) which increased to Rs 19788.33 crore in 2003-04 recording a growth of 182.81 per cent. Table 1 shows the first year premium of LIC and private insurers from linked products and their percentage share in the total first year premium of LIC private insurers and industry as a whole from 2003-04 to 2013-14 . During the years from 2004-05 to 2007-08 linked products dominated the business underwritten by life insurers especially the private insurers. LIC, the public sector insurer, too underwrote significant business in the linked products.

During the period from 2003-04 to 2007-08 the average growth of premium underwritten under linked categories by LIC of India was 341.87 percent and thereafter there was a declining trend in the premium collected from ULIPs and the average growth recorded for the period from 2008-09 to 2013-14 was negative at 39.41 percent. In case of private insurers for the period from 2003-04 to 2007-08 the average growth was 142.32 per cent and the negative average growth recorded for the period from 2008-09 to 2013-14 was at 16.77 percent.

During the period from 2003-04 to 2007-08 the average growth of premium underwritten under non linked categories by LIC of India was 11.21 percent and thereafter the average growth recorded for the period from 2008-09 to 2013-14 was more than a double at 27.88 per cent. In case of private insurers for the period from 2003-04 to 2007-08 the average growth was 33.99 per cent and the average growth recorded for the period from 2008-09 to 2013-14 increased to 39.24 percent.

During the same period i.e. from 2003-04 to 2007-08 the percentage share of linked premium in the total first year premium underwritten by the life insurance industry went up from 8.5 to 70.3 and thereafter it started falling and fell to 7.2 percent in 2013-14 from 51.1 per cent in 2008-09. The data in the table 1 shows the year 2007-08 was the golden year of ULIPs where in both LIC and private insurers underwrote a major chunk of premium on the strength of unit linked products.

The Indian stock market which was doing well in 2003-04 continued to do well in 2004-05 because of the structural reforms by the government, good corporate performance, investor friendly regulatory framework which attracted investments by the foreign institutional investors. The first year premium underwritten by the industry increased by 32.49 percent in 2004-05 over the previous year. Indian stock markets witnessed unprecedented buoyancy during 2005-06 and the first year premium underwritten by the industry increased by 70.82 percent driven by a significant jump in ULIPs, innovative products, smart marketing and aggressive distribution In fact premium under ULIPs grew by 94.73 percent while the nonlinked premium growth was only 16.02 percent over the previous year.

During the years from 2005-06 to 2007-08 strong macro economic fundamentals like over 9 per cent GDP growth rate, gross domestic saving of over 33 per cent, moderate inflation of 4 percent, robust corporate results, positive investment climate, sound business outlook and continued foreign institutional investment supported by the active participation of Indian mutual funds drove the bullish trend in the Indian stock market.(IRDA) favored the sale of ULIPs. In 2007-08 real GDP growth rate came down to 9 per cent from 9.4 per cent in the previous year. Investment in ULIPs continued in the background of bullish stock market even though global economy experienced many uncertainties. The overall good performance of the economy has its high influence on the performance of the insurance industry too.

The year 2008-09 witnessed the global economic crisis which increased unemployment and slowdown in the economic growth. Indian stock market crashed, GDP growth rate fell to 6.7 percent and the inflation in terms of consumer price index remained high in the range of 8-9.7 percent. Insurance premiums recorded a negative growth in India . financial crisis across the globe and meltdown in the stock markets shifted the preferences away from ULIPs (the share of ULIPs in the total first year premium fell to 51 percent) and insurers designed traditional products with good incentives. The average growth of first year premium from 2003-04 to 2007-08 works out to be 42.15 per cent much higher than 5.08 per cent in the succeeding years i.e. from 2008-09 to 2013-14

In 2009-10 GDP growth was 7.4 percent lower than the pre-global crisis growth of 8.9 percent during 2003-08 and inflation was high at 11 percent towards the end of 2009-10. First year premium registered a growth of 25 % over the previous year's negative growth of 6.8. In 2009-10 54.5 per cent of first year premium was underwritten in linked segment(with the recovery of stock market) as against 51.1 percent in the previous year. The IRDA prescribed several guidelines such as [1] minimum lock in period being increased from 3 to 5 years with the stipulation being applicable to even top-ups; [2] charges on ULIPs have been mandated to be spread evenly over the lock in period [3] ULIPs other than single premium products to have a minimum premium paying term of 5 years. [4] individual products to have a minimum policy term of five years. ULIP pension/annuity products shall offer a minimum guaranteed return of 4.5% per annum or as specified by IRDA from time to time. All ULIPs other than pension and annuity products must provide the prescribed minimum mortality/health cover. The slow down in the economy from 2009 and IRDA's guidelines on ULIPs in July and with modification in September 2010 impacted the sale of ULIPs (vidyavathi 2015).

GDP of India grew at the rate of 8.5 per cent 2010-11 largely due to the good performance in the agricultural sector. However the high level of inflation remained one of the biggest concerns in the economy. (Economic survey of India). The life insurance sector in terms of first year premium grew by 15 per cent much lower than the previous year's growth. Premium from ULIPS registered a negative growth and their contribution to the total first year premium came down to 42 percent.

Indian economy recorded a growth rate of 6.5 per cent in 2011-12. Tighter monetary policy, lower demand, subdued business confidence, uncertainty in the global economy contributed to poor performance of Indian economy (Economic Survey). The slowdown originated mainly in Europe as a result of sovereign debt crisis problems in the banking sector and fiscal consolidation efforts of various governments spread to major emerging economies like India, China, Brazil too (IRDA). The recession suffered by the European economy affected the advanced economies. Lack of demand from advanced economies and uncertainty in Euro zone has caused the slow down in emerging and developing economies as well. Poor economic performance reflected in the insurance sector too. Global life insurance premium dropped by 2.7 percent.(Swiss Re) Indian life insurance industry recorded a negative growth of 9.8 percent in the first year premium collection and penetration has slipped down further to 3.4 percent from 4.4 percent 2010-11 and 4.6 percent in 2009-10.

The slow down in the economy continued and the GDP grew at the rate of 5 percent in 2012-13 mainly because of a persistent high inflation with tighter monetary policy, lower domestic and global demand, recessionary environment, euro zone crisis and to some extent weaker monsoon. Globally insurance premium grew by 2.3 per cent. Insurers faced a big challenge as the household sector is left with lesser savings because of a high inflation and the first year premium in India declined by 5.8 percent. ULIPs witnessed a decline of 38 percent in premium collection and their share in the total has come down to 10 percent.

India's economy registered a modest growth rate of 4.7 per cent during 2013-14. Inflation in terms of consumer price index eased a bit to 8 percent during December 2013 to February 2014 and remained above 9 percent during other time. Growth in the global life insurance premium slipped down to 0.7 percent (Swiss Re). However in India the first year premium registered a growth of 12.07 per cent as against the decline of 5.78 per cent during 2012-13. The first year premium income of ULIPs declined by 21 per cent and the share of ULIPs in the total first year premium fell down drastically to 7 percent. Penetration slipped in the consecutive fourth year on account of either negative or slower rate of growth in life insurance premium. The penetration for the year 2013-14 was 3.1 percent.

Mann Whitney Test

Non parametric test viz. Mann Whitney Test (equivalent to Wilcoxon's rank sum z test) is also used to know whether the total first year premium first year premium from linked as well as non linked products collected by private insurers and LIC of India are same or not. The results of the test are shown in the table 2 which shows that distribution of first year premium from linked policies for the 11 year period from 2003-04 to 2013-14 is same between private insurers and LIC of India i.e. when there was a bullish trend in the stock market both LIC and private insurers underwrote a major chunk of premium on the strength of ULIPs and with the slow down in the economy from 2009 both LIC and private insurers shifted away from ULIPs and designed more and more traditional products with good incentives.

Conclusion

ULIPs emerged as one of popular products in India after the opening up of the market. ULIPs are combination of investment and insurance and provide attractive benefits as well as risks to investors and capital related advantages to life insurance companies. ULIPs were launched at times when the stock market was showing a bullish trend. Further at the time of sale all the features of ULIPs particularly their return depends on the performance of capital market were not disclosed to the clients. So long as the macro economic fundamentals were strong and the market was doing well companies sold more and more number of policies and there has been a steady growth in the premium from ULIPs. The problem started with financial crisis across the globe and meltdown in the stock market made the people to realize that investing in ULIPs is not risk free and large number of policy holder ether lapsed or surrendered their policies in large numbers. In this process policy holders lost a substantial portion of their premium paid in addition to the loss of life cover. The slowdown in the economy and IRDA's guidelines on ULIPs made the industry to shift away from linked to traditional products.

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Street Vending in Zimbabwe: An urban scourge or viable enterprise

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ABSTRACT

This paper investigated the efficacy of street vending as a means for achieving economic sustenance by those engaged in the business with special interest to those operating in the central business district of Harare. A sample of 225 street vendors was decided on and questionnaires were used to gather data. The questionnaires had a response rate of 89.7%. The paper also adopted the descriptive research design. The study found that most of the street vendors understudy are earning less than $2 per day which is very low. Moreover, the majority cannot afford decent homes and are renting or still living with their parents and relatives. The study also found that street vending could be a means for achieving economic sustenance by those engaged in the business if proper support structures are put in place by the government.

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Keywords:

Street vending, Vendor, Unemployment, Poverty alleviation, Vulnerability

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1. INTRODUCTION

Street vending has been on an upward trend in major cities across the World in recent times, particularly in the developing world. Studies have identified a myriad of reasons that have been associated with this phenomenal growth of street vending as a profession. The reasons include among others: unregulated operating environment, bureaucratic structures that hamper the processes involved in starting a new business, rural urban migration coupled with high levels of unemployment, shortage of rental spaces for business and where such spaces are available, high rentals make them inaccessible to many individuals seeking to start small businesses. Other studies have also linked this staggering growth of vending to the flexibility that is inherent in the occupation. This is said to be serving as a pull factor, particularly for women who are then able to combine their work with other household chores such as childcare. Furthermore, this form of occupation is characterised by low investment requirements, which makes it comparatively easier to start, hence more attractive for even the poor to enter the trade. Meanwhile, vending in the Cities all around the world is plagued by numerous problems that seem to be more or less common across the globe. The vendors are regarded by public authorities as problematic as they tend to take up space on the most prominent and busiest public and private spaces. These include: the sidewalks and pavements, street islands, bus termini, train stations, traffic intersections and shop fronts, where they display and sell their wares. In the process their activities unwittingly create substantial disruption and discomfort for both the owners and users of these spaces and indeed the traffic in the streets along which they carry out their work. In recent times, the streets of Harare have become clogged with masses of street vendors displaying their wares on the floor, on makeshift tables, in push carts, vans or boots of various types of vehicles. The situation has become so dire some streets have been rendered unusable by motorists, particularly in the evening hours. Motorists and pedestrians seeking to make their way home after work have to navigate their way through the mayhem of displayed wares, pushcarts and those standing at traffic junctions, all jostling for customers. Many people are quite frustrated by how a simple walk in the city has turned into a complex and arduous task of navigation. In some streets it has become impossible to walk straight without bumping into those coming from the opposite direction. In such cases people have to walk in the road, which makes both driving and walking in town a dangerous exercise. However, although street vending is providing one of the largest employment opportunities in Zimbabwe at the moment, real incomes from the trade are said to be significantly low. Research shows that this is not peculiar to vendors in Zimbabwe only, but that it is a general trend in this trade.It is against this background that this paper would like to investigate the issue of the efficacy of street vending as a means for achieving economic sustenance by those engaged in the business.

2. RESEARCH OBJECTIVES

The specific objectives of the current study are:

- To evaluate the socio-economic characteristics of street vendors
- To determine the significance of street vending as a strategy for reducing hunger and vulnerability
- To analyse the cost structures and levels of earnings for street vendors

- To determine other support structures available to street vendors to ensure their wellbeing

3. LITERATURE REVIEW

3.1 Definition of Street Vending

According to Bhowmik and Saha (2012) a street vendor is “a person who offers goods or services for sale to the public without having a permanent built-up structure”. On another not, Harlan (2007) describes street vendors as that group of workers who are “living on the edge of subsistence” because of the low profit margins that are realized by their trade. The researcher is of the opinion that street vending is but a simple response to the forces of demand and supply. The demand is filled by the poor urban dwellers who make their purchases from street vendors and depend on them for low and affordable prices. The supply side receives its sustenance from the unending influx into the cities of a pool of unemployed able bodied people who are desperate for an opportunity to earn a living. In Zimbabwe, statistics indicate that up to 300 000 graduates arrive onto the labour market each year, only to be confronted with a situation that is offering few or no employment opportunities. Additionally, Nirathron (2006) describes the occupation of street vending as “survivalist strategy” for the less privileged people most of whom live on the edge of subsistence.The characteristics of the sector are identified by Jimu (2004) as including: being small scale, labour intensive, low fixed costs, use of simple technology, reliance on family labour, use of personal or informal sources of credit, non payment of taxes and licences, easy to establish and exit.

3.2 The growth of Street vending

Bhowmik and Saha (2012) has linked the growth of street vending to globalisation. They argue that prior to the onset of globalisation, the developing world operated with protected markets and regulated economies. Globalisation on the other hand brought about widespread trade liberalisation and market deregulation, which opened up these countries to an influx of cheap imports from developed countries. The most affected are those countries which underwent Economic Structural Adjustment Programme under pressure from institutions like the International Monetary Fund (IMF) and the World Bank. Mittulah (2004) highlights how the plight of many African economies is forcing them to consider street vending as on the viable ways of promoting the private sector’s contribution to both growth and equity objectives of development. Mitullah also notes how significant attention to street renders originated from the

Bellagio International Declaration of Street Vendors which advocated for national policies for street vendors, and follow up actions and all stakeholders in the sector. The researcher also credits the Bellagio Declaration with having established six common challenges which street traders face around the world. These are, lack of legal status and right to vend, lack of space or poor location, restriction on licensing, cost of regulation, harassment, bribes, confiscation and evictions, lack of services and infrastructure and lack of representation or voice.

Persistent rural poverty is also another factor that has been linked directly to the growth of the informal sector as many move from rural areas to urban centres in search of better options. In Zimbabwe in particular, most rural areas have lost their appeal as a result of continued low rainfall patterns and droughts which have made the land quite unproductive, hence inevitable poverty. Faced with such difficulties, many who had escaped economic hardships in the cities have been forced back into the cities, in the hope of finding some means of earning a living. Perhaps also closely linked with this situation is the rapidly growing group that is composed of those who were previously employed in the formal sector, but have since lost their jobs due to company closures. Being faced with a lack of new opportunities for employment in the formal sector, they opt for creating their own employment in the informal sector due to its relative ease of entry and exit, use of simple technologies, reliance on family labour, amongst the numerous attractions associated with the sector.

3.3 Street vending in Zimbabwe

Informal trading in the form of street vending has become in recent years a common feature in cities across Zimbabwe (Njaya, 2014).Over the last two decades, Zimbabwe has seen an unprecedented influx of street vendors in all its urban centres. Zimbabwean laws do not permit street vending in undesignated places such as pavements, street islands and traffic intersections. Those intending to carry out vending activities are encouraged to apply to council for allocation of space in the designated vending sites. Operating from these designated vending sites incurs a daily fee of US$3 for flea markets, and US$1 for vegetable and newspaper vendors. Any form of goods brought into the country without sufficient documentation to prove that payment of duty was made, are prohibited at any vending sites and they are confiscated by law enforcement agents. Furthermore, the local authorities regularly embark on street raids in an effort to contain the growing contravention of this established statutory instrument.Those who are captured are usually released after paying a fine. Their goods are confiscated and later destroyed if the owner is unable to pay a fine. This has been condemned as inhuman by NGOs and political leaders. Common articles sold by the street vendors are depicted in Table 3.1.

Fruits (a variety of grown as well as wild)	Telephone accessories	Wallets	CDs
Vegetables of all kinds (packed and open)	Carrier bags (masaga bag),	Hand-made shoes and sandals	Books
New and second-hand clothes and accessories	Airtime	Assortment of traditional medicines	Bibles
Torchesandwatches	Rat and ants poison	An assortment of hardware articles	Bags

Table 3.1: Common articles sold by street vendors in Zimbabwe

Marapira (2013), states that in the years prior to the new Millennium fruits and vegetables were the dominant products peddled by street vendors. In actual fact, various studies have noted that not only has street vending grown exponentially in the diversity of its wares, but it has also taken some innovative dimensions in terms of scope, composition, shape and modes of operation. For instance, it is the women who were traditionally known to make up the larger number of street vendors, while men on the other hand preferred to work in the formal sector (Manyanaire et al., 2007). It was also a trade mainly dominated by the poor to whom this was the only means to make a living. Nowadays, it is common to see vehicles packed full with merchandise ranging from clothing, shoes, cell phones, pots and pans to cooked food. It is no longer an unusual sight to have people queuing at a vehicle to buy lunch from a boot of a car at a roadside.

3.4Types of employment for street vendors

In this study three employment categories of street vendors are identified.

- The self-employed, that is, those working for themselves
- Those that work for the family, with or without receiving payment.
- The wage earners: these are employed by other street vendors or shop owners seeking to establish a presence in the street.

For purposes of this paper, all the three categories are together referred as Street vendors/vendors. In these three employment categories of street vendors, the researcher further identified two distinct groups. Amongst the street vendors, the researcher observed that there are those who are stationary and others who are mobile (Bhowmik, 2003). The stationary group is comprised of those vendors who carry out their business on a regular basis at a specific location. In this group you will find individuals who occupy space on the pavements, street corners or other public such as bus stations, taxi ranks, school and hospital gates, or other similar private places. They may operate from either open or covered spaces, having sought and obtained either implicit or explicit consent of the authorities. The second category comprises the vendors who carry out their vending moving from place to place on foot, as well as those vendors that move from place to place on bicycles, or mobile units on wheels, including in buses and trains. Vendors that move on foot are sometimes found carrying their wares on their heads, shoulders or pushing carts, while calling out to advertise their wares, with or without loudspeakers. In some cases they use bells in order to attract the attention of potential customers who may be indoors or at a distance to see them.

3.5 Street vending and Unemployment

It must be noted that street vending was traditionally associated with the unemployed, uneducated who could not find employment in the formal sector. This perception has since changed as many educated personnel are finding it difficult to secure formal employment, while many of those employed are either not being paid, or paid in time or indeed making sufficient income to support their needs. Several studies have explored the causes of growth in street vending in cities across the world, particularly the developing world. Rapid population growth in the whole world, accompanied by rural-urban migration, is named as the number one cause, especially in the developing countries. In more recent times, this situation has been worsened by low industrial growth (Ndiweni et al., 2014), particularly in most Sub-Saharan countries, with Zimbabwe being most affected. The resultant mismatch has seen large populations being unable to secure employment in the formal sector (Jimu 2004).According to the Zimbabwe Independent (January 20, 2017):

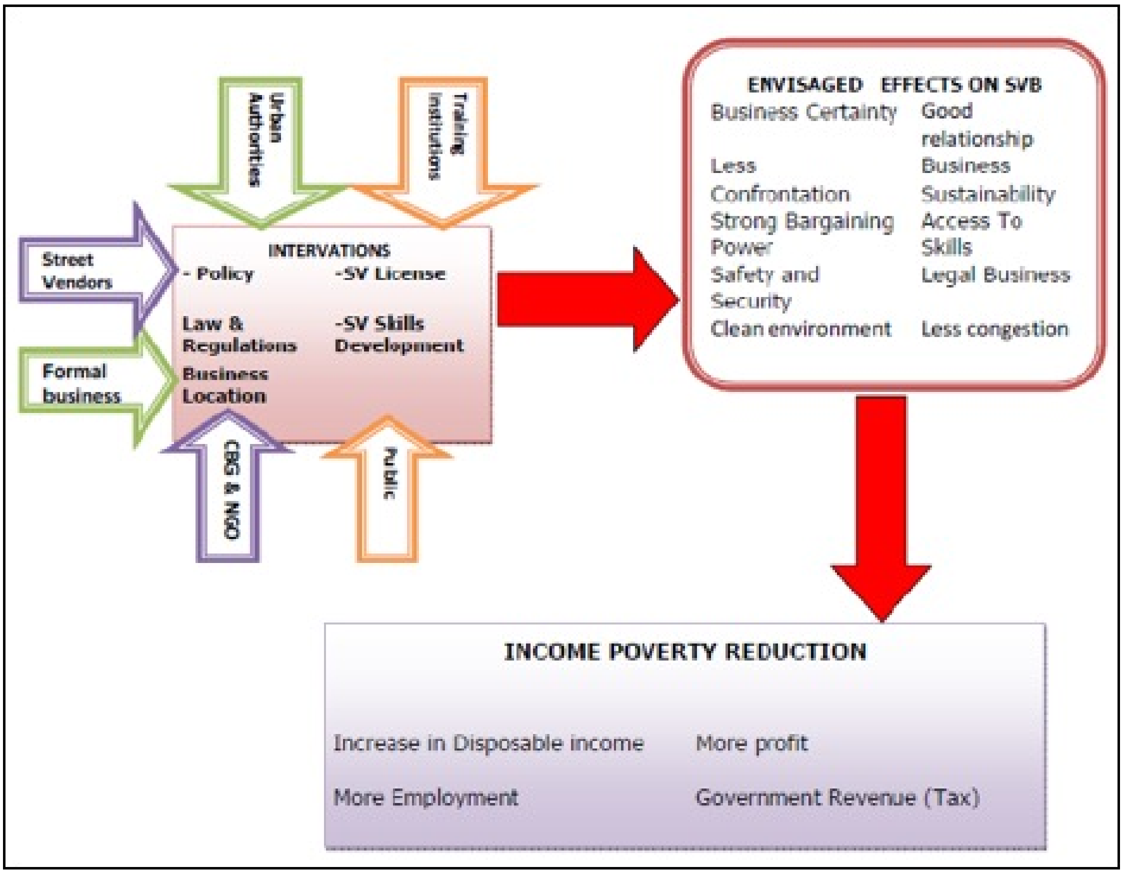
> *"Vending in Zimbabwe has become common as a result of the deepening economic crisis reflected in a high unemployment rate. According to the International Labour Organisation, 95% of Zimbabweans are informally employed."*

Although the problem of lack of adequate skills is identified by most researchers as part of the primary causes for failure to secure a formal job, the prevailing situation in Zimbabwe is such that skills and educational qualifications are not a guarantee for a job. The classical view towards street vending was as a profession that strictly attracts those that are unable to find opportunities for employment in the formal sector. In Zimbabwe, however, street vending is increasingly becoming an option for both skilled and unskilled citizens, who are faced with dwindling incomes and opportunities, insecurity surrounding salary payments (dates of payment, amounts being paid). Currently, many of the few remaining companies are staggering salary payments or placing employees on shifts so as to manage the wage bill. Thus, many in the formal sector are reduced to straddling both the formal and informal sector in order to supplement their salaries. Alila and Mutullah (2000) note that even though the sector offers employment opportunities to massive numbers of people, the incomes realised from these activities are generally excessively low. This has a negative effect on the potential for earning a decent living, making investments and upward mobility in their business.

3.6 Theoretical Framework

Most discussions on street vending have been largely embedded in the broader discourse on informal trade. Evidence points to the fact that street vending is indeed an integral and most visible segment of the informal sector. Thus it follows, that any discussion on the subject cannot be absolutely separate from that of the informal sector. However, given its peculiarity as a sector and its current rate of growth, one can argue that it demands and indeed warrants close scholarly scrutiny and debate. This paper however is not seeking to construct a theory on street vending that is separate from the informal sector. Rather it aims at constructing a profile that illustrates the conditions of the life of a street vendor, and thus highlighting their financial and material well-being. There are several established models that explain how the street vending business can help in reducing poverty and promote people's livelihoods. This paper utilizes Mramba's (2015) proposed model on the conception of the street vending business for income poverty reduction depicted in Figure 3.1.

Figure 3.1: A model for conception of street vending business for income poverty reduction.



Source: Mramba (2015)

According to Mramba (2015) governments should develop supportive policies, laws, and regulations that address the informality and illegality of street vending business in order to strengthen the role of the street vending business in income poverty reduction. Additionally,Mramba asserts that this supports the romantic view of informal economy that, street vending business is the same like other forms of formal business what needed are constructive interventions. According to this view informal firms are actually or potentially extremely productive, but held back by government taxes and regulations as well as by the lack of safe property rights and access to finance. If suchbarriers were lowered, street vending business would register and take advantage of the benefits oftheir formal status. Currently the government of Zimbabwe is using a lot of money to remove street vendors, money which could be used to make street vending business be meaningful for income poverty reduction.

4. METHODOLOGY

The population for this study consisted of all street vendors in the Harare central business district. The sample consisted of 225 street vendors operating in the central business district of

Harare.The descriptive research design was used in this study because it provides accurate and valid representation of the factors or variables that pertain to and that are relevant to the research question (Van Wyk, 2012).A descriptive study enabled the researcher to investigate the socio-economic issues related to well-being of the street vendors such as what, when, where and how thus enabling a detailed description of the nature of their livelihoods. Additionally, the study used the quantitative research approach which enabled the responses of the participants to be coded, categorised, and converted to numbers for purposes of statistical analysis.In this study, a mixed approach was used to gather data. Observations, questionnaires and documentary analysis were used in the study. Both primary and secondary data were collected. The secondary data obtained was from books, scientific articles, and internet sources and it gave a better insight and supported the theoretical as well as the empirical part of the research project. Primary data were collected using questionnaires.

5. RESULTS AND DISCUSSIONS

5.1 *Response rate*

225 questionnaires were administered to the sample of street vendors in the Harare central business district. A summary of their response rate is depicted in Table 5.1.

Description	Number of study subjects	Number of responses received	Percentage response (%)
Questionnaires for Street Vendors	225	202	89.7
Total	225	202	89.7

Table 5.1: Response Rate

Table 5.1 shows that 225 questionnaires were distributed to the street vendors and 202 questionnaires were returned. This result gives a total response rate of 89.7%. According to Wiesma (1995) 70% is considered to be the minimum acceptable rate of return for questionnaires. Therefore, the response rate of 89.7% is significantly large enough to ensure that the responses received were a sufficient representation of the street vendors in the Harare central business district.

5.2 Age and Gender

			Gender		Total
			Male	Female	
How old are you?	15-25 years	Count	45	12	57
		% within How old are you?	78.9%	21.1%	100.0%
		% within Gender	29.6%	24.0%	28.2%
	26-35 years	Count	71	16	87
		% within How old are you?	81.6%	18.4%	100.0%
		% within Gender	46.7%	32.0%	43.1%
	36-45 years	Count	27	19	46
		% within How old are you?	58.7%	41.3%	100.0%
		% within Gender	17.8%	38.0%	22.8%
	46-55 years	Count	7	3	10
		% within How old are you?	70.0%	30.0%	100.0%
		% within Gender	4.6%	6.0%	5.0%
	56 years and above	Count	2	0	2
		% within How old are you?	100.0%	.0%	100.0%
		% within Gender	1.3%	.0%	1.0%
Total		Count	152	50	202
		% within How old are you?	75.2%	24.8%	100.0%
		% within Gender	100.0%	100.0%	100.0%

Table 5.1: How old are you? * Gender crosstabulation

Table 5.1 shows that men, who represent 75% of the participants dominate street vending, with the majority of them (48%) being in the 26-35years age group. This is a direct contrast to previous studies in which women were traditionally known to make up the larger number of street vendors, while men on the other hand were found to have preferred to work in the formal sector (Manyanaire et al, 2007). The reason for this new trend could be linked directly to the lack of formal employment, which has seen many men being either retrenched or being unable to enter the formal employment sector. Meanwhile, the high percentage of male respondents exhibited in the 26-35years age group could be further explained by the fact that this is the age range where men are generally assuming responsibility, for themselves, their nucleus family as well as the extended family. With few companies remaining to offer employment opportunities, many are forced to create their own employment in order to sustain their livelihoods. Within the total population of their age range (men + women aged 26-35years), it is notable that male respondents form the majority (82%). This could be explained by the fact that women in this age group are still in their prime age for marriage and childbearing, which in many cases tends to interfere with meaningful economic activities. While there were men still vending at age 55years and above (1%), there were no female respondents in the same age group.

5.3 Education level and Gender

			Gender		
			Male	Female	Total
What is your highest level of education?	Never been to school	Count	2	0	2
		% within What is your highest level of education?	100.0%	.0%	100.0%
		% within Gender	1.3%	.0%	1.0%
	Primary	Count	20	8	28
		% within What is your highest level of education?	71.4%	28.6%	100.0%
		% within Gender	13.2%	16.0%	13.9%
	Secondary	Count	123	41	164
		% within What is your highest level of education?	75.0%	25.0%	100.0%
		% within Gender	80.9%	82.0%	81.2%
	College/Vocational Training	Count	7	1	8
		% within What is your highest level of education?	87.5%	12.5%	100.0%
		% within Gender	4.6%	2.0%	4.0%
Total		Count	152	50	202
		% within What is your highest level of education?	75.2%	24.8%	100.0%
		% within Gender	100.0%	100.0%	100.0%

Table 5.2: What is your highest level of education? * Gender cross tabulation

Traditionally, street vending has been viewed as an economic activity for those with low levels of education. Table 5.2 indicates that a high percentage of the respondents attended Secondary education, which effectively enables them to read and write. Approximately 81% of the participants understudy indicated having attended secondary school although most of them explained that they either did not sit for their O' Levels or they sat and failed to attain minimum required O' Level subjects due to lack of school fees. This is against the backdrop of five O' levels being the minimum requirement for entry into the formal employment sector. Which in turn means therefore that most respondents would not qualify to apply for employment, even where it were available. In Zimbabwe, the unemployment rate is estimated at around 90%, with many companies operating at below 50% capacity, retrenching or closing down, making it a daunting challenge even for those with required qualifications to secure formal employment.

5.4 Ability to afford Accommodation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Rented	150	74.3	74.3	74.3
	Owned	17	8.4	8.4	82.7
	Living with parents / guardian	35	17.3	17.3	100.0
	Total	202	100.0	100.0	

Table 5.3: What is your type of accommodation?

As shown in table 5.3, the majority of the respondents (74%) live in rented accommodation, followed by those living with their parents or with guardians (17%). Some of the respondents further indicated that of the rented accommodation, they are renting rooms, in houses that designed to accommodate a single family. This gives the conclusion that in those places of accommodation, there are too many people living together since the other rooms will be occupied by other families. In other cases, respondents pointed out that they were renting houses that have no electricity, plumbing or toilet.

5.5 Type of employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Self	159	78.7	78.7	78.7
	Family	16	7.9	7.9	86.6
	Employer	27	13.4	13.4	100.0
	Total	202	100.0	100.0	

Table 5.4: Whom are you working for?

In this study three categories of street vendors are identified. The self-employed, that is, those work for themselves, then there are those that work for the family, with or without receiving payment. Then there is also another group of vendors that work for a wage. These are employed by other street vendors or shop owners seeking to establish a presence in the street. Table 5.4 shows that the self-employed group of vendors make the highest percentage of the total population (79%).

5.6 Earnings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below $2	171	84.6	84.6	84.6
	$2 - $10	22	10.8	10.8	95.4
	Above $11	9	4.4	4.4	100.0
	Total	202	100.0	100.0	

Table 5.5: How much money do you earn per day?

Earnings in this sector is characterised by wide disparities. As shown in Table 5.5, 84.6% of the street vendors understudy earn below $2 a day, which is commonly known as the poverty threshold. Indications are also that women street vendors earn less than their male counterparts, while those engaged in food vending generally earn less than vendors of non-food products. A handful of them indicated that they ere somehow able to earn a decent living.

5.7 Reasons for choosing street Vending

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lack of formal employment	178	88.1	88.1	88.1
	Lack of skills	1	0.49	0.49	88.59
	Low entry barriers	16	7.9	7.9	96.49
	Supplement income	5	2.47	2.47	98.96
	Preferred form of employment	2	0.99	0.99	100.0
	Total	202	100.0	100.0	

Table 5.6: What are your reasons for choosing street Vending?

Table 5.6 shows that most of the respondents (88.1%) were involved in street vending because they could not secure formal employment. 88.1% is a huge statistic which clearly shows high levels of unemployment in the country. Only e few respondents were engaged in street vending for other reasons such as lack of skills, low entry barriers and so forth.

6. CONCLUSIONS

6.1. Street vending is characterised by a life of high levels of vulnerability and poverty. The majority demonstrated a life that is relatively insecure. The majority of the respondents (74%) lives in rented accommodation or with family or guardians. Their assets largely consist of household property which most of them are unable to repair or replace, of those who have some kind of household property, it is bare minimum. Such a life as is typified by overcrowding and lack of valuable property is said to be a sign of poverty (Mpofu, 2012).

6.2. Most of the street vendors understudy (84.6%) live on the poverty threshold as they earn below $2 a day. With such a low income, theyare likely to only be able to access government and council health facilities, which are currently saddled with a myriad of challenges among which include overcrowding, lack of medicines, shortage of staff, emergency services as well basic necessities such as running water.

6.3.Street vending is clearly not an “employment of choice” for most people as they are pushed to enter the trade by adverse circumstances surrounding their social and economic well-being. The major one being failure to secure formal employment. This is evidenced by 88.1% of the respondents understudy who cited lack of formal employment as their reasons for participating in street vending.

6.4. If current market conditions for vendors prevail which are characterized by low incomes, persistent raids by local authorities just to mention a few, street vending will by no means be able to help those involved to achieve significant economic sustenance. However, with policy reforms and government support to this sector, street vending can be an important source of economic sustenance.

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The Efficacy of Sustainability of entrepreneurs on long term commitments and tradition : A case of India

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ABSTRACT

Long-term orientation is the tendency to prioritize the long-range implications and impact of decisions and actions that come to fruition after an extended time period. This paper examines the sustainability of entrepreneurs based on long term commitments and respect for tradition. The specific influence of long term commitments and respect for tradition predictors on demographic outcome variables like Age, Gender, Internal Motivation, External motivation, Academic experience and technical experience has been attempted to develop an instrument to measure Hofstede’s cultural dimensions to evaluate its impact on entrepreneur development.

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INTRODUCTION

Long term orientation stands for the fostering of virtues oriented towards future reward in particular perseverance and thrift ***(Soares et al., 2007).*** This refers to how much society values long-standing, as opposed to short term, traditions and values**.** Entrepreneurs with a high long term orientation score, delivering on social obligations and avoiding "loss of face" are considered very important. Entrepreneurs with low long term orientation have Promotion of equality, High creativity, individualism ***(Phillips & Vaughn, 2009).*** Long term orientation refers to a positive, dynamic, and future oriented culture linked with four ‘positive’ Confucian values: ‘persistence (perseverance)’; ‘ordering relationships by status and observing this order’; ‘thrift’; and ‘having a sense of shame’. Short-term orientation, however, represents a negative, static and traditional and past-oriented culture associated with four 'negative' Confucian values: 'personal steadiness and stability'; 'protecting your face'; 'respect for tradition'; and 'reciprocation of greetings, favours and gifts'***(Fang, 2003).*** A High Long- Term Orientation ranking indicates the country prescribes to the values of long-term commitments and respect for tradition and where long-term rewards are expected as a result of today's hard work. A Low Long- Term Orientation ranking indicates the country does not reinforce the concept of a long-term, traditional orientation and people expect short-term rewards from their work. Corporations commit to sustainable innovation for different reasons and with different expectations ***(Ginsburg & Bloom, 2004; Tello & Yoon 2008)***. Sustainability is a way of living that is capable of guaranteeing a continuity of life for all. It is a search for the common good; a way of living in its totality that makes possible the best conditions of life for everyone ***(Pichler, 2012).*** Sustainable entrepreneurship differs substantially from exploration of social entrepreneurship ***(Dees, 2001; Mort et al., 2003)*** which tend to address mission driven, rather than profit driven entrepreneurial endeavours. According to ***(Shane & Venkataraman, 2000)*** entrepreneurship also means the process by which opportunities to create future goods and services are discovered, evaluated and exploited. One characteristic, which is a firm's commitment to long term objectives, might be especially important to the effectiveness of entrepreneurial orientation ***(Covin et al., 2006).*** The long term survival of entrepreneurship is important in the theory of sustaining entrepreneurship, considering that it can lead to permanent job creation, which a critical issue in most developing countries ***(Glancey et al., 1998).*** Entrepreneurs are the key decision makers in organizations; they have a high influence on the formation of the business strategy of the organizations and are responsible to set the roadmap for their firms to move towards their set goals ***(Masurel et al., 2003)***. Sustainability has 'become a multidimensional concept that extends beyond environmental protection to economic development and social equity' ***(Gladwin et al., 1995; Choi & Gray, 2008). (Crals & Vereeck, 2005)*** clearly defined Sustainable Entrepreneurs as for-profit entrepreneurs. ***(Shepherd & Patzelt, 2011***) include the concept of gain as an important aspect of their definition: "Gain is broadly construed to include economic and non-economic gains to individuals, the economy, and society". An individual or company profit is very important to sustain the business itself and can serve to be reinvested in the sustainable goals of the company.

LITERATURE REVIEW

Long term orientation is the salient feature of national cultural values. ***(Zahra, Hayton & Salvato, 2004)*** identified LTO as a dimension of family business culture that can contribute to distinct advantages in family firms. A LTO values extended time horizons and assigns greater importance to the future. Decision makers with a LTO are mindful that the consequences of many of their choices will be realized only after an appreciable delay ***(Miller & Miller, 2006).*** A short-term orientation, by contrast, reflects a concern with the more immediate consequences of decisions and actions involving near-term time horizons. LTO was conceptualized as a forward looking versus present and past looking attributes that is “Future” long term versus a “now” short term view ***(Hofstede, 1991).*** LTO has roots in Confucian values concerning time, tradition, perservance, saving for future, and allowing others to “save face”. The difference between short- and long-term orientations also can be explained by the nature of interim exchange adopted by channel members. Firms with a short-term orientation rely on the efficiencies of market exchanges to maximize their profits in a transaction, whereas firms with a long-term orientation rely on relational exchanges to maximize their profits over a series of transactions ***(Ganesan, 1994).*** Long-term orientation (LTO), defined as the tendency to prioritize the long-range implications and impact of decisions and actions that come to fruition after an extended time period, is a common characteristic of many family businesses ***(Lumpkin et al, 2015).*** The values at the long-term pole of the LTO/STO dimension thrift, hard work and persistence will continue to play a key role in societies’ struggle to escape from poverty ***(Hofstede & Minkov, 2010).*** The long term orientation dimension is closely related to the teachings of Confucius and can be interpreted as dealing with society’s search for virtue, the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view ***(Preda, 2009)*** define long-term orientations as priorities, goals, and most of all, concrete investments that come to fruition over an extended time period, typically, 5 years or more, and after some appreciable delay. Indeed, performance may suffer during the initial years as the firm invests for the future or undertakes initiatives with significant short-term costs. Long-term *priorities* include good stewardship aimed at reducing risk or building up resources ***(Le et al., 2006).***

OBJECTIVES

The broad objectives of the study are:

1. To examine the effectiveness of group welfare & group success on sustainability of entrepreneurs.
2. To identify the impact of organisational policies and respect for tradition on entrepreneurial development.

HYPOTHESIS

The broad hypotheses of the study are:

Ho: *There is a significant impact of group welfare & group success on sustainability of entrepreneurs.*

Ho: *There is a significant impact of organisational policies and respect for tradition on entrepreneurial development.*

RESEARCH METHODOLOGY

An Exploratory Research Design was followed to conduct the study. The present study is based on both the primary as well as on secondary data. The secondary data was collected from published and unpublished business reports, magazines, journals, books, historical studies, articles, state & central government report and internet. The review of literature for this study is completely based on the collection of secondary data. Primary data was collected on the basis of demographic profile by filling the common questionnaire from all the 1500 respondents from different places.

a) Coverage: This Study covers the small and medium scale industries concentrating on the five Small and Medium Scale Industries sector (Agro products, Textile & Hosiery products, Food products & Beverages, Electronic & Electrical) on which the study is focused. I have selected Uttarakhand (Dehradun, Haridwar, Haldwani, Udham singh Nagar), Delhi, NCR, Haryana (Kurekshetra, Panipat, Rohatak), Punjab (Amritshar, Jhalandar, Ropad) on the basis of concentration of Industries. The units were selected by using the stratified random Sampling technique. The sample size of study is 1500 units. The study covered the period from 2011 to 2013.

(b) Data Collection: The study is based on both the primary as well as secondary data. The primary data was collected on the basis of questionnaires administered to various small & medium scale industries in the study area. Two schedules has been prepared and pre-tested before administering these units. The information was sought from the entrepreneurs regarding their long term orientation and respect for tradition factors that influence the emergence of entrepreneurship in their respective geographical area who deal in Agro products, Textile & Hosiery products, Food products & Beverages, Electronics & Electrical. The secondary data was collected from published and unpublished records and reports of the Government and various articles from the journals.

ANALYSIS AND INTERPRETATION

Multiple regression modeling is used to examine how the multiple attributes of the predictor variable long term commitment & respect for tradition are related with the outcome demographic factors. Once the information is obtained how the predictor variables are related with the dependent variable it can be used to make much more powerful and accurate predictions about why things are the way they are.

Model-1								Model-II						
Dependent Variable	Age							Gender						
Test of Independence by Durbin-Watson test	2.013							2.048						
Outliers	Min. -2.916 & max. 2.959							Min. -1.051 & max. 2.379						
R Square Value	.144							.110						
F value of the model	41.812							30.889						
Significance	0.000 @ d.f. (regression 6), (residual 1493)							0.000 @ d.f. (regression 6), (residual 1493)						
Predictors (Independent Variables)	Un standardized Coefficients		Standardized Coefficients			co linearity statistics		Un standardized Coefficients		Standardized Coefficients			co linearity statistics	
	B	Std. Error	Beta	t	Sig.	Tolerance	VIF	B	Std. Error	Beta	t	Sig.	Tolerance	VIF
(Constant)	3.656	.109		33.411	.000			1.032	.018		58.620	.000		
GROUP WELFARE IS MORE IMPORTANT THAN INDIVIDUAL REWARD	-.142	.027	-.150	-5.249	.000	.707	1.415	-.029	.004	-.196	-6.762	.000	.707	1.415
POLICIES SHOULD BE SAME FOR ALL	.162	.035	.148	4.593	.000	.550	1.819	.061	.006	.351	10.667	.000	.550	1.819
CENTRALIZATION OF AUTHORITY KEY TO YOUR BUSINESS SUCCESS	.080	.016	.135	5.117	.000	.823	1.215	.007	.003	.072	2.658	.008	.823	1.215
GROUP SUCCESS IS MORE IMPORTANT THAN INDIVIDUAL SUCCESS	-.189	.036	-.163	-5.310	.000	.608	1.645	-.044	.006	-.240	-7.658	.000	.608	1.645
REASONS FOR CHOICE	-.090	.013	-.183	-7.063	.000	.858	1.166	-.012	.002	-.158	-5.988	.000	.858	1.166
IMPORTANCE OF RESPECT FOR TRADITION	-.239	.034	-.187	-7.108	.000	.827	1.209	.021	.005	.105	3.907	.000	.827	1.209

Model I is To test the hypothesis that Age is a dependent variable of six predictors, Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition. Model II is to test the hypothesis that Gender is a dependent variable of six predictors, Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition.

Tests for multicollinearity indicate very low value of VIF & Tolerance for Model I & II hence no multicollinarity has assumed for the independent variables (Variance Inflation Factor VIF is well below upper threshold limit 10 & Tolerance value above .10). The test of independence is satisfied as the value of Durbin-Watson is equals to 2.013 & 2.048 which lie in between 0-4. Outliers Standard Residual should lie between (-3.3 to +3.3) for (Minimum to Maximum). The Standard Residual result lie between the internal i.e., minimum is -2.916, -1.051 and maximum is 2.959, 2.379 which results in no outliers. The predictors contribute around 14.4% & 11% of variance in the outcome variable. **B** weight explains the relationship between Age and Gender with each predictor variable. The positive value reflects the positive relationship between the predictor and outcome whereas a negative coefficient represents a negative relationship.

Base Regression Model I
*Age = 3.656 - .142 * Group welfare is more important than individual reward - .162* Policies should be same for all +.080* Centralization of authority key to your business success - .189* Group success is more than individual success - .090* reasons for choice -.239* Importance of respect for tradition.*

Base Regression Model II
*Gender = 1.032 - .029 * Group welfare is more important than individual reward + .061* Policies should be same for all +.007* Centralization of authority key to your business success -.044* Group success is more than individual success - .012* reasons for choice +.021* Importance of respect for tradition.*

Results of the regression analysis for Model I & Model II provided full confirmation for the research hypothesis. Each of the Beta coefficients has an associated standard error indicating to what extent these values would vary across different samples, and these standard errors are used to determine whether or not Beta coefficients differ significantly from zero. Model I Beta coefficients for the predictors Group welfare is more important than individual reward, $\beta = -.150$, $t = -5.249$, $p < .05$; Policies should be same for all, $\beta = .148$, $t = 4.593$, $p < .05$; Centralization of authority key to your business success, $\beta = .135$, $t = 5.117$, $p < .05$; Group success is more than individual success, $\beta = -.163$, $t = -5.310$, $p < .05$; reasons for choice $\beta = -.183$, $t = -7.063$, $p < .05$; and Importance of respect for tradition $\beta = -.187$, $t = -7.108$, $p < .05$ were found to be significant. Model II Beta coefficients for the predictors Group welfare is more important than individual reward, $\beta = -.196$, $t = -6.762$, $p < .05$; Policies should be same for all, $\beta = .351$, $t = 10.667$, $p < .05$; Centralization of authority key to your business success, $\beta = .072$, $t = 2.658$, $p < .05$; Group success is more than individual success, $\beta = -.240$, $t = -7.658$, $p < .05$; reasons for choice $\beta = -.158$, $t = -5.988$, $p < .05$; and Importance of respect for tradition $\beta = .105$, $t = 3.907$, $p < .05$ were found to be significant.

Model-III								Model-IV						
Dependent Variable	**Internal Motivation**							**External Motivation**						
Test of Independence by Durbin-Watson test	**2.330**							**2.278**						
Outliers	**Min. -2.258 & max. 2.466**							**Min. -2.092 & max. 1.918**						
R Square Value	**.183**							**.270**						
F value of the model	**55.692**							**92.123**						
Significance	**0.000 @ d.f. (regression 6), (residual 1493)**							**0.000 @ d.f. (regression 6), (residual 1493)**						
Predictors (Independent Variables)	**Un standardized Coefficients**		**Standardized Coefficients**			**co linearity statistics**		**Un standardized Coefficients**		**Standardized Coefficients**			**co linearity statistics**	
	B	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**	**B**	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
(Constant)	2.998	.122		24.519	.000			.329	.122		2.697	.007		
GROUP WELFARE IS MORE IMPORTANT THAN INDIVIDUAL REWARD	-.185	.030	-.170	-6.117	.000	.707	1.415	.105	.030	.091	3.468	.001	.707	1.415
POLICIES SHOULD BE SAME FOR ALL	.378	.039	.303	9.605	.000	.550	1.819	.398	.039	.302	10.122	.000	.550	1.819
CENTRALIZATION OF AUTHORITY KEY TO YOUR BUSINESS SUCCESS	-.152	.018	-.223	-8.646	.000	.823	1.215	.239	.017	.333	13.676	.000	.823	1.215
GROUP SUCCESS IS MORE IMPORTANT THAN INDIVIDUAL SUCCESS	.073	.040	.055	1.844	.065	.608	1.645	.304	.040	.217	7.644	.000	.608	1.645
REASONS FOR CHOICE	-.029	.014	-.051	-2.010	.045	.858	1.166	-.099	.014	-.165	-6.917	.000	.858	1.166
IMPORTANCE OF RESPECT FOR TRADITION	-.378	.038	-.259	-10.052	.000	.827	1.209	.196	.038	.127	5.222	.000	.827	1.209

Model III is To test the hypothesis that Internal motivation is a dependent variable of six predictors, Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition. Model II is to test the hypothesis that External Motivation is a dependent variable of six predictors, Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition.

Tests for multicollinearity indicate very low value of VIF & Tolerance for Model I & II hence no multicollinarity has assumed for the independent variables (Variance Inflation Factor VIF is well below upper threshold limit 10 & Tolerance value above .10). The test of independence is satisfied as the value of Durbin-Watson is equals to 2.330 & 2.278 which lie in between 0-4. Outliers Standard Residual should lie between (-3.3 to +3.3) for (Minimum to Maximum). The Standard Residual result lie between the internal i.e., minimum is -2.258, -2.092 and maximum is 2.466, 1.918 which results in no outliers. The predictors contribute around 18.3% & 27% of variance in the outcome variable. **B** weight explains the relationship between internal motivation and external motivation with each predictor variable. The positive value reflects the positive relationship between the predictor and outcome whereas a negative coefficient represents a negative relationship.

Base Regression Model III
*Internal Motivation = 2.998 - .185 * Group welfare is more important than individual reward + .378* Policies should be same for all -.152* Centralization of authority key to your business success + .073* Group success is more than individual success - .029* reasons for choice -.378* Importance of respect for tradition.*

Base Regression Model IV
*External Motivation = .329+ .105 * Group welfare is more important than individual reward + .398* Policies should be same for all +.239* Centralization of authority key to your business success +.304* Group success is more than individual success - .099* reasons for choice +.196* Importance of respect for tradition.*

Results of the regression analysis for Model III & Model IV provided partial and full confirmation respectively, for the research hypothesis. Each of the Beta coefficients has an associated standard error indicating to what extent these values would vary across different samples, and these standard errors are used to determine whether or not Beta coefficients differ significantly from zero. Model III Beta coefficients for the predictor Group success is more than individual success, $\beta = .055$, $t = 1.844$, $p = .065$ was found insignificant. On the other hand, remaining predictors Group welfare is more important than individual reward, $\beta = -.170$, $t = -6.117$, $p < .05$; Policies should be same for all, $\beta = .303$, $t = 9.605$, $p < .05$; Centralization of authority key to your business success, $\beta = -.223$, $t = -8.646$, $p < .05$; reasons for choice $\beta = .055$, $t = 1.844$, $p < .05$; and Importance of respect for tradition $\beta = -.259$, $t = -10.052$, $p < .05$ were found significant. Model IV Beta coefficients for all the predictors Group welfare is more important than individual reward, $\beta = .091$, $t = 3.468$, $p <.05$; Policies should be same for all, $\beta = .302$, $t = 10.122$, $p <.05$; Centralization of authority key to your business success, $\beta = .333$, $t = 13.676$, $p <.05$; Group success is more than individual success, $\beta = .217$, $t = 7.644$, $p <.05$; reasons for

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choice β = -.165, t = -6.917, p <.05; and Importance of respect for tradition β = .127, t = 5.222, p <.05 were found to be significant.

Model-V								Model-VI		
Dependent Variable	Academic Experience							Te		
Test of Independence by Durbin-Watson test	2.104									
Outliers	Min. -2.454 & max. 2.084							Min		
R Square Value	.121									
F value of the model	34.116									
Significance	0.000 @ d.f. (regression 6), (residual 1493)							0.000 @ d.f.		
Predictors (Independent Variables)	Un standardized Coefficients		Standardized Coefficients	t	Sig.	co linearity statistics		Un standardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta			Tolerance	VIF	B	Std. Error	Beta
(Constant)	2.756	.107		25.786	.000			2.476	.099	
GROUP WELFARE IS MORE IMPORTANT THAN INDIVIDUAL REWARD	-.118	.026	-.129	-4.468	.000	.707	1.415	-.166	.025	-.194
POLICIES SHOULD BE SAME FOR ALL	.140	.034	.133	4.052	.000	.550	1.819	.114	.032	.115
CENTRALIZATION OF AUTHORITY KEY TO YOUR BUSINESS SUCCESS	-.005	.015	-.009	-.338	.735	.823	1.215	.000	.014	-.002
GROUP SUCCESS IS MORE IMPORTANT THAN INDIVIDUAL SUCCESS	-.404	.035	-.361	-11.605	.000	.608	1.645	.221	.032	.211
REASONS FOR CHOICE	-.019	.013	-.040	-1.531	.126	.858	1.166	-.034	.012	-.076
IMPORTANCE OF RESPECT FOR TRADITION	.233	.033	.189	7.098	.000	.827	1.209	-.394	.031	-.341

Model V is To test the hypothesis that Academic Experience is a dependent variable of six predictors, Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition. Model VI is to test the hypothesis that Technical Experience is a dependent variable of six predictors, Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition. Tests for multicollinearity indicate very low value of VIF & Tolerance for Model I & II hence no multicollinarity has assumed for the independent variables (Variance Inflation Factor VIF is well below upper threshold limit 10 & Tolerance value above .10). The test of independence is satisfied as the value of Durbin-Watson is equals to 2.104 & 2.344 which lie in between 0-4. Outliers Standard Residual should lie between (-3.3 to +3.3) for (Minimum to Maximum). The Standard Residual result lie between the internal i.e., minimum is -2.454, -1.795 and maximum is 2.084, 1.915 which results in no outliers. The predictors contribute around 12.1% & 13.5% of variance in the outcome variable. **B** weight explains the relationship between Academic and Technical Experience with each predictor variable. The positive value reflects the positive relationship between the predictor and outcome whereas a negative coefficient represents a negative relationship.

Base Regression Model V

*Academic Experience = 2.756 - .118 * Group welfare is more important than individual reward + .140* Policies should be same for all -.005* Centralization of authority key to your business success - .404* Group success is more than individual success - .019* reasons for choice -.233* Importance of respect for tradition.*

Base Regression Model VI

*Technical Experience = 2.476 - .166 * Group welfare is more important than individual reward + .114* Policies should be same for all +.211* Group success is more than individual success - .076* reasons for choice -.341* Importance of respect for tradition.*

Results of the regression analysis for Model V & Model VI provided partial confirmation for the research hypothesis. Each of the Beta coefficients has an associated standard error indicating to what extent these values would vary across different samples, and these standard errors are used to determine whether or not Beta coefficients differ significantly from zero. Model V Beta coefficients for the predictors Centralization of authority key to your business success, $\beta = -.009$, $t = -.338$, $p = .735$ and reasons for choice $\beta = -.040$, $t = -1.531$, $p = .126$ were found insignificant while other predictors Group welfare is more important than individual reward, $\beta = -.129$, $t = -4.468$, $p < .05$; Policies should be same for all, $\beta = .133$, $t = 4.052$, $p < .05$; Group success is more than individual success, $\beta = -.361$, $t = -11.605$, $p < .05$ and Importance of respect for tradition $\beta = .189$, $t = 7.098$, $p < .05$ were found significant. The best fitting model VI for predicting Technical Experience is a linear combination of Group welfare is more important than individual reward, $\beta = -.194$, $t = -6.769$, $p < .05$; Policies should be same for all, $\beta = .115$, $t = 3.554$, $p < .05$; Group success is more than individual success, $\beta = .211$, $t = 6.836$, $p < .05$; reasons for choice $\beta = -.076$, $t = -2.912$, $p < .05$ and Importance of respect for tradition $\beta = -.341$, $t = -12.892$, $p < .05$ were found significant except Centralization of authority key to your business success, $\beta = -.002$, $t = -.057$, $p = .954$ was found insignificant.

CONCLUSION

The long term survival of entrepreneurship is important in the theory of sustaining entrepreneurship, considering that it can lead to permanent job creation. Sustainability has ‘become a multidimensional concept that extends beyond environmental protection to economic development and social equity'. This paper examines the sustainability of entrepreneurs based on long term commitments and respect for tradition. Multiple regression modelling was used to examine the significance of predictors (Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition) on outcome variables Age, Gender, Internal Motivation, External motivation, Academic experience and technical experience. When we consider the impact of age on predictors we came across the conclusion that all predictors are significant. It seems that the independent variables such as group welfare, policies, centralization of authority, group success, and reasons for choice and respect for tradition are accepted in majority by the age group of 35-44 years. There is a significant impact of predictors: Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, Group success is more than individual success, reasons for choice and Importance of respect for tradition on gender for sustainability of entrepreneurs based on long term commitments. There is a positive impact of predictors: Group welfare is more important than individual reward, Policies should be same for all, Centralization of authority key to your business success, reasons for choice and Importance of respect for tradition except Group success is more than individual success on internal motivation for long term orientation. There is a significant impact of predictors: group welfare, policies, centralization of authority, group success, and reasons for choice and respect for tradition on external motivation. When we consider the impact of predictors on academic experience it seems that Group welfare is more important than individual reward, Policies should be same for all, Group success is more than individual success and Importance of respect for tradition has a significant impact on academic experience except Centralization of authority key to your business success and reasons for choice which has not significant impact. Lastly, there is a positive and significant impact of predictors: group welfare, policies, group success, and reasons for choice and respect for tradition on technical experience but has not significant impact on centralization of authority. The independent variables are considered on the basis of sustainability of entrepreneurs based on long term commitments and respect for tradition. It is analysed through the study that almost all variables shows positive and significant relationship except the few which shows that the study sustainability of entrepreneurs based on long term commitments and respect for tradition is favourable. However, the concept can vary from one country to other country.

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Perceived Usefulness (PU) and Perceived Ease Of Use (PEOU) as Key Drivers of Mobile Banking Adoption. A Case of Zimbabwe

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ABSTRACT

The traditional brick and mortar buildings labeled "Banks" are fast becoming a historical notion being replaced by electronic, paperless and virtual money. Globalisation has ushered a new era resulting in availability of mobile phones to the larger populace of the world despite physical location. Mobile networking has created a platform that has seen acquisition of mobile phones which in turn has accorded billions of people Self Service Technologies (SST). These services know no boundaries. This paper seeks to explore two determinant variables of the Technological Acceptance Model (TAM) which have become major variables in the implementation of mobile banking projects. Perceived Usefulness (PU) and Perceived Ease of Use (PEOU) are arguably the cornerstones if mobile banking is to be successfully implemented, and hence adopted, in these financial services sector advancements. This Paper seeks to hypothetically explore the argument that PU and PEOU have the greatest impact on the implementation of mobile banking projects when considered in relation to other factors. The case of the mobile banking situation in Zimbabwe will be explored.

ARTICLE INFO

Keywords: Self Service Technologies, Technological Acceptance Model, Perceived Usefulness, Perceived Ease of Use

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INTRODUCTION

Globalisation, which opened doors to new modes of doing businesses such as E-commerce, has opened access to massive Shared Technologies (ST) across the globe (Govender and Sihlali, 2014). These technological innovations have been identified to contribute to the distribution channels of commercial activities, banks not being spared; and these electronic delivery channels are collectively referred to as internet banking in the banking sector. The evolution of banking technology has been driven by changes in distribution channels as evidenced by Automated Teller Machine (ATM), Mobile banking, Tele-banking, PC-banking and most recently Internet Banking (Chang, 2003 and Gallup Consulting, 2008). This has been wide spread in the whole world and Africa was not spared, particularly in Zimbabwe.

Internet Banking in Zimbabwe figures released by the Reserve Bank of Zimbabwe (RBZ), Governor Gideon Gono in November 2010 showed that cumulative total of mobile and internet transactions amounted to four hundred and fifty seven thousand (457 000) valued at US$193 million were processed from January to November 2010 (Reserve Bank of Zimbabwe Bulletin, 2010). Of these transactions mobile banking transactions amounted to 99 percent and other payments 1 percent. According to the *Monetary Policy* for January 2012 the Governor further pointed out that mobile banking constitutes 30% of the total retail values. During 2011, internet values increased significantly by 132% to US$ 532 million from US$ 230 million in 2010.

Mobile banking was introduced in Zimbabwe in early 2003 at a very small scale. Concomitantly volumes increased from 85 thousand in 2010 to 196 thousand in 2011(GSMA, 2014). These figures proved that mobile banking is taking over the market. Figure 1 below clearly illustrates the fact that mobile banking technology has penetrated the African market extensively. The African continent is one of the world's poorest regions with most of the population residing in rural areas with very little access to modern conveniences, especially financial services. The main thrust of the implementation of these mobile banking projects has been to reach the so-called 'unbanked' population.

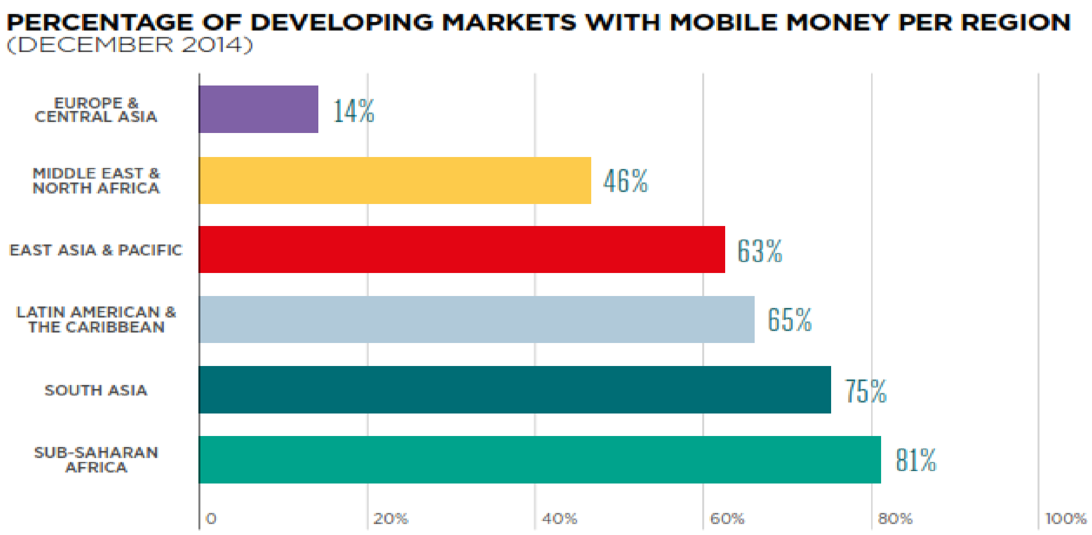

Fig 1: Mobile Banking Markets Worldwide

Source: GSMA Discussion Paper: Smart Phones And Mobile Money

Standard (2004) argue that private banks were the early adopters of mobile banking while the public banks are also beginning to use the same banking facility. Mobile banking in Zimbabwe is concentrated mainly in the commercial banks and a few building societies which specialise on retail banking. According to the Reserve Bank of Zimbabwe (RBZ) Monetary Policy Statement (2015:21), there are 19 operating institutions, comprising 14 Commercial banks, 1 Merchant bank, 3 Building Societies and 1 Savings bank, in Zimbabwe of which almost 50% of them provide mobile banking services. Some commercial banks, notably, First Banking Corporation, Merchant Bank of Central Africa and Commercial Bank of Zimbabwe are currently the leading banks to have introduced mobile banking for a limited range of services such as access to account inquiries; funds transfers and loan applications.

According to Jeong and Yoon (2013) mobile banking is the latest and most advanced service and is the new trend among banking services consumers. The transformation from the traditional banking to mobile banking in Zimbabwe has been tremendous**.** Chishamba (2010) propounded that, at basic level, mobile banking can be defined as the setting up of a web page by a bank to give information about its products and services. At an advanced level, it involves provision of facilities such as accessing accounts, transferring funds, and buying financial products or services online using a computer, tablet or any mobile phone, thus transactional online banking. Mobile banking helps consumers in conducting fast and convenient financial transaction activities.

According to Yu (2013) despite the numerous perceived benefits for customers, the actual usage of mobile banking has been moving at a fast rate reaching people in remotest areas not anticipated before and thus activities are shifting from formal banking sector to private mobile banking service providers without much to do with the original banking culture.

The traditional branch based retail banking system is still a prime method of conducting banking transactions in Zimbabwe even though due to bank-runs, most banks have been seen closing shop and consumer traffic to the bank is dwindling at a faster rate. Gone are the days when most clients rely on visiting the banking hall to do their transactions in Zimbabwe save for the civil servants, who not by their choice but because of government which is trying to create business for banks are forcing them to receive their salaries from the banks.

According to Chitungo and Munongo (2013) mobile banking was taken over by mobile network providers for the convenience of service provision in Zimbabwe. Unlike anywhere else in Africa where service providers could be any corporate, in Zimbabwe, mobile service providers had access to software that provided mobile banking services since they were owners of mobile service provision companies. The largest mobile banking service provider, Econet Wireless Zimbabwe, enjoyed the technological advancement as it was the trend setter, whereby it enjoyed the lion share of the mobile banking consumers in Zimbabwe. This was soon short-run with introduction of fierce competition from other mobile service providers like Telecel and TelOne.

Chishamba (2010) and Dube et al, (2009) argue that mobile banking in Zimbabwe has been extended to bill payments, buying airtime, retail purchases, money transfers and checking account balances. The use of mobile banking has seen the majority of people in towns as well as in rural areas being active participants in financial activities with networks clamouring to setup receivers and boosters everywhere in rural areas. This has seen the integration of money movements whereby the urban people, where larger percentages of cash have been concentrated shifting also to rural areas which proportionately increased financial inclusivity of people in rural remote areas being able to transact on daily basis in lieu with urban folks (GSMA, 2014).

According to Saltan (2009) mobile banking is likely to be offered to more than 61% of the world population and in Zimbabwe the effects are evident. According to GSMA(2014) report, 2.5 billion people in the developing world have no access to formal financial services. Traditional banking structures face great challenges in trying to reach the 'unbanked' population, especially the market in the remote areas of any country. Consequently, these consumers are excluded from the activities of the formal economy. However, this same population does have access to a mobile phone and can therefore gain access to mobile banking technologies. The gist of this paper is to hypothetically argue the major influencing variables of the implementation of mobile banking service projects in Africa and particularly in Zimbabwe.

STATEMENT OF THE PROBLEM

If more than 61% of the world population is going to be using mobile banking then mobile banking projects should be increased (Kim and Kang, 2012). However, what does the implementation of mobile banking projects consider most as effective determining variables? Herein the original model of the Technological Acceptance Model come into play: perceived usefulness and perceived ease of use. These variables are isolated here as the major components of the Self Service Technologies applicable on the mobile phones and its therefore essential to determine the extent of their influence on the implementation of mobile banking projects.

OBJECTIVES

The objectives of this study are:

- To investigate the impact of PU on the implementation of mobile banking projects
- To investigate the impact of PEOU on the implementation of mobile banking projects
- To investigate the impact of other variables (excluding PU and PEOU) outlined in the extended forms of TAM on the implementation of mobile banking projects
- To explore the extent to which PU and PEOU influence mobile banking projects' ability to impact financial inclusion
- To explore the role of mobile banking in being a custodian of paperless money

MAJOR QUESTIONS

- To what extent does PU influence the implementation of mobile banking projects?
- What is the extent of the impact of PEOU on the implementation of mobile banking projects?
- How far do the other factors enshrined in the TAM impact mobile banking projects?
- To what extent are mobile banking projects financially inclusive?
- Is mobile banking taking over the role of traditional banks as a custodian of paperless money?

RELATED LITERATURE

Africa is the largest user of mobile banking technologies in the world. Mobile banking is fast becoming the 'be-all-and-end-all" of banking in this digitally dependent age. Mobile banking technology is opening the doors of the financial services sector to former marginalised groups in the economy, especially the so-called 'unbanked' population that resides mostly in the rural areas of the African continent. However implementation of these mobile banking projects has to be cognisant of the fact that consumers take a variety of factors into consideration before taking up mobile banking technology.

Mobile Banking

According to Safeena *et al* (2011) mobile banking is a subset of electronic banking but it uses mobile telecommunications networks. The GSMA(2014:10) defines mobile banking as a service "…that relies heavily on a network of transactional points outside bank branches and ATMs that make the service accessible to the unbanked and under banked people….the service must also offer an interface for initiating transactions for agents and/or customers that is available on basic mobile devices…". This paper will therefore exclude those mobile banking services that serve as an alternative channel to access traditional banking services such as Mobile Moola, Textacash and other mobile banking services offered by traditional banks in Zimbabwe. Hence the focus will be on mobile banking as offered by mobile telecommunications providers.

The Technology Acceptance Model (TAM) and Mobile Banking

TAM is the most widely used and widely acknowledged model for technology adoption known to researchers. Safeena et al (2011) attest that it is commonly agreed in academic circles that the model is valid in predicting individuals' acceptance of new technologies. The model has two main components: perceived usefulness (PU) and perceived ease of use (PEOU).

Technology Acceptance Model (TAM) is becoming difficult to ignore as a tool to test the adoption of technology in the extant literature, which has been proposed by Davis (1989). Principally the model has been widely used to test customers' intention to accept or decline the use of any particular technology and in this case mobile banking adoption (Pikkarainen *et al,* 2004). The TAM is an adaptation of the Theory of Reasoned Action (TRA) (Ajzen and Fishbein, 1980) specifically tailored for modelling user acceptance of new information technology (Davis, 1989). TRA suggested that social behaviour is motivated by an individual's attitude towards carrying out that behaviour.

Perceived Usefulness (PU) and mobile banking

Davis (1989) propounded that decision to use new technology is determined by the extent to which a person believes that it is cost effective in providing goods and services compared to current methods. Perceived usefulness is also defined as the degree to which a person believes that using a particular technology will enhance his performance or boost his or her job performance (Davis, 1989). Perceived usefulness is also one important variable of Technological Acceptance Model (Araujo and Araujo, 2003; Noteberg et al, 2003). There are two main types of perceived usefulness and these are grouped as intended and unintended rewards (Lee, 2008). Lee (2008) propounded that the intended rewards are the immediate and tangible rewards that consumers enjoy using mobile banking services such as lower transaction fees, high deposit rates and opportunity to prizes among others. The unintended rewards on the other hand being those benefits that are tangible and tough to measure such as services that allow customers to perform banking transactions anywhere in the globe. Therefore if consumers perceive mobile banking to be useful, then they are more likely to adopt mobile banking. Empirical studies on TAM also suggested that perceived usefulness has a positive effect on the adoption of technology (Yiu et al, 2007).

Perceived ease of use (PEOU)

Perceived ease of use is the level at which a potential consumer of a technology believes a technology or a potential system is effortless as propounded by David *et al* (1989, cited in Pikkarainen *et al*, 2004). Davis *et al* (1989) on the other hand explained "perceived usefulness" to be the level at which potential user of a technology perceived the use of technology will enhance his or her performance. Perceived ease of use refers to the degree to which a person believes that using a particular system would be free of effort (Dholakia and Dholakia, 2004). Previous researches provide evidences of the significant influence of perceived ease of use on usage, either directly or indirectly through its effect on perceived usefulness (Agarwal and Prasad, 1999; Davis et al, 1989; Venkatesh and Morris, 2000).

Thus, Davis (1989) defines PU as the extent to which an individual believes that the use of a particular system enhances personal job performance. PEOU refers to how easy the system is to use; that is, the use of the system will be free of effort. These two factors are widely acknowledged to greatly influence individuals' intention to adopt new technology (Chitungo and Munongo, 2013). The TAM has been extended to consider other factors that influence technology adoption. Other authors such as Chung and Kwon (2009) and Riquelme and Rios (2010) suggest that there are other factors that affect mobile banking adoption such as perceived risk, social norms, demographic factors and financial cost.

Though later research has indeed shown that other factors come into play when considering what influences the adoption of mobile banking technology (Matieson, (1991) it is widely accepted that PU and PEOU have the influence in the adoption of new technologies mainly mobile banking (Chitungo and Munongo, 2013). By construct therefore, these two variables are likely to have the greatest impact on the implementation of mobile banking projects.

Benefits of mobile banking technology

Mobile banking provides numerous benefits to both the customer and the service provider (Pikkarainen et al, 2004). Time, convenience and cost savings have been found to be other factors underlying mobile banking acceptance (Polatoglu and Ekin, 2001; Black et al.2002). Several studies have analysed consumer adoption and growth of mobile banking but few have detailed the major variables like PU and PEOU as major influence on mobile banking acceptance and implementation of these projects. Although mobile banking offers a variety of benefits to banks as well as to customers, majority of consumers are still to use mobile banking services. This situation might have been brought about by many reasons such as security issue among others (Mols et al., 1999). Hence, there is need to ensure adequate security in order to raise the confidence of consumers to use mobile banking.

Mobile Banking Implementation Models

In Zimbabwe, a communication service provider plays the major role in the provision of mobile banking services. Whilst banks are offering both internet banking and mobile banking or a service which combines both, there is much activity by communication service providers like Econet, Telecel and Netone, the later being a governmental entity while the other two, Econet and Telecel, are private organisations.

The largest organisation to introduce mobile banking through telecommunications infrastructure in Zimbabwe was Econet. The concept started with a few customers and a few shops involved but with wide acceptance Econet introduced Ecocash, which became a widely accepted technology with use almost everywhere including people paying for their daily transport in taxis and in shops (http://www.econet.co.zw/about-us/history). One only needs basic communication devices to have paperless money and to pay for virtually anything. Taxis and market owners and even farmers became agents of Ecocash. Everyone, everywhere was being included, Ecocash becoming one of the most financially inclusive mobile banking structure ever active in Zimbabwe. Soon, there was introduction of Telecash from Telecel and then another from Netone. Today, banks are following suit.

The Zimbabwean Mobile banking model is as below:

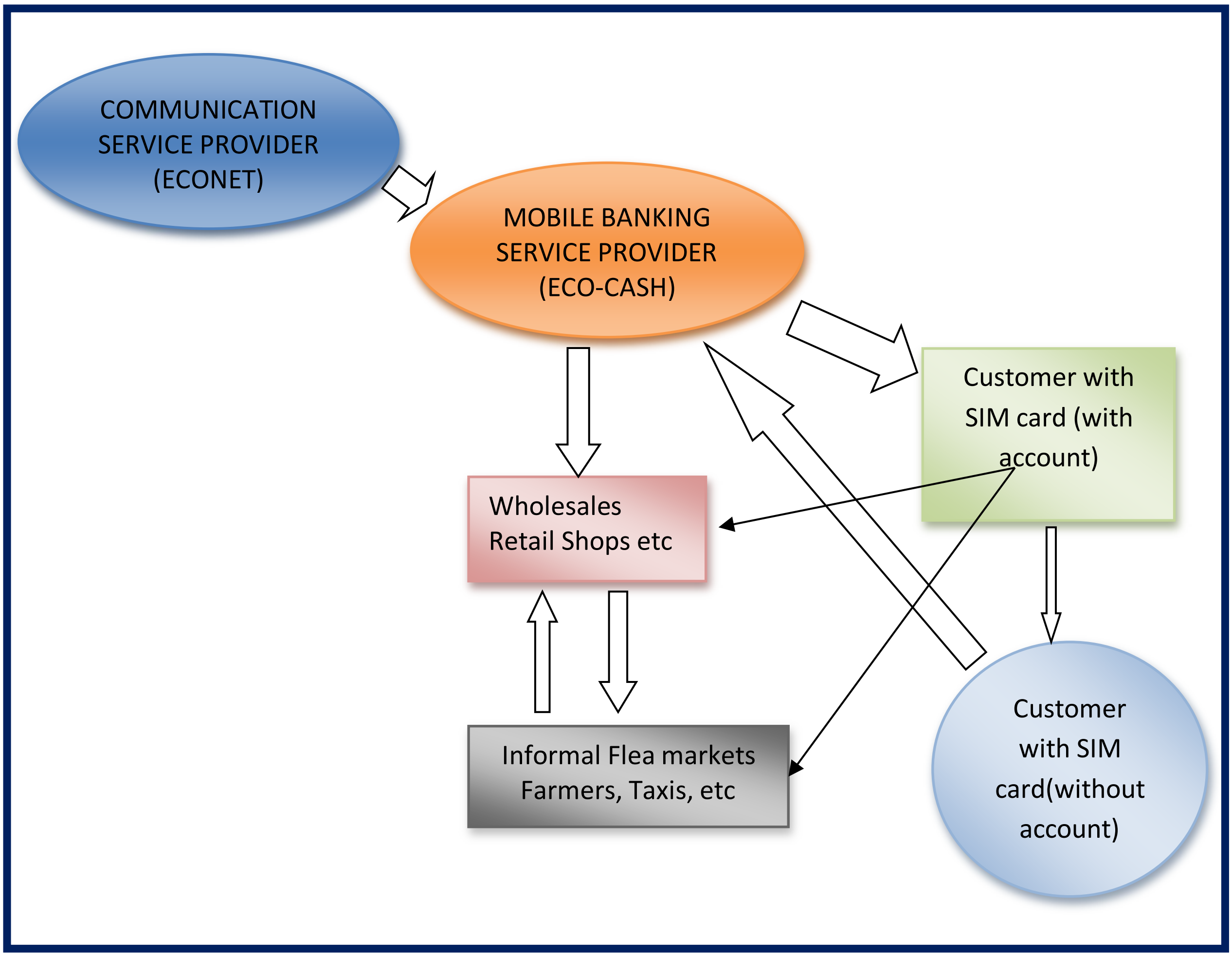

Figure 2: Zimbabwe Mobile Banking Model

Source: Author's own

MATERIALS AND METHODS

Design

This paper used a descriptive design according to McNabb, (2004) to gather data that describes events and then organizes, tabulates, depicts, and interpret the data.

The researchers looked at the population of the mobile banking sector in Masvingo Province, thus, the mobile telecommunications providers and consumers of their services. However, the researchers conveniently decided to carry their study with specifically the largest telecommunications service provider operating in Masvingo City: Econet's Ecocash.

Sample Design

The method which was mainly used was Purposive Non-probability sampling. The sample was taken to be a true representative of the entire population and the results derived, enabled the researchers to draw reasonable conclusions from the data with a sample size of 350.

Table 1 The Sample Constitution

Respondents	**Number**
Mobile banking service users (Ecocash)	200
Ecocash Agents	50
Ecocash non users	100
Total	**350**

Data Collection Methods and Instruments

The instruments used to collect data included questionnaires and interviews. These tools were used to collect data from both people with influence on implementation of mobile banking projects, thus, the workers at Econet, Ecocash agents and users who are account holders, of mobile banking services as well as non-users who are not account holders but receive mobile banking services from account holders.

RESULTS AND DISCUSSION

Response Rate

A sample size of 350 people was chosen: The table below presents the respective response rate for each target group and the overall response rate as well.

Table 2: Response rate from the chosen sample

Target group	**Questionnaires/Interviews**	**Actual Response(s)**	**Response rate (%)**

Mobile banking service users (Ecocash)	200	147	73.5
Ecocash Agents (Account Holders)	50	40	80
Ecocash non users (Without Account)	100	63	63
Total	**350**	**250**	**71.4**

Source: Raw data

Distribution by Age

Table 3: Showing Respondents by Age

Age	Number of Respondents	Percentage %
Below 20	10	4
21-30	115	46
31-40	75	30
41-50	35	14
51-60	10	4
61 +	5	2
Total	250	100%

Source: Raw Data

The above table demonstrates different age groups of mobile banking users and non users. In this regard, more responses were received by researchers from younger age groups. The researchers believe that the reason of this is the growing interest of young people in the internet and technology and generally in products that offer convenience. According to the survey findings, 46% of the respondents were from the 21-30 age group, 30% respondents were from 31-40 age groups, 14% of respondents were from 41-50 age group, 4% of respondents were from 51-60 age group and 2% of respondents were from 61 + age group.

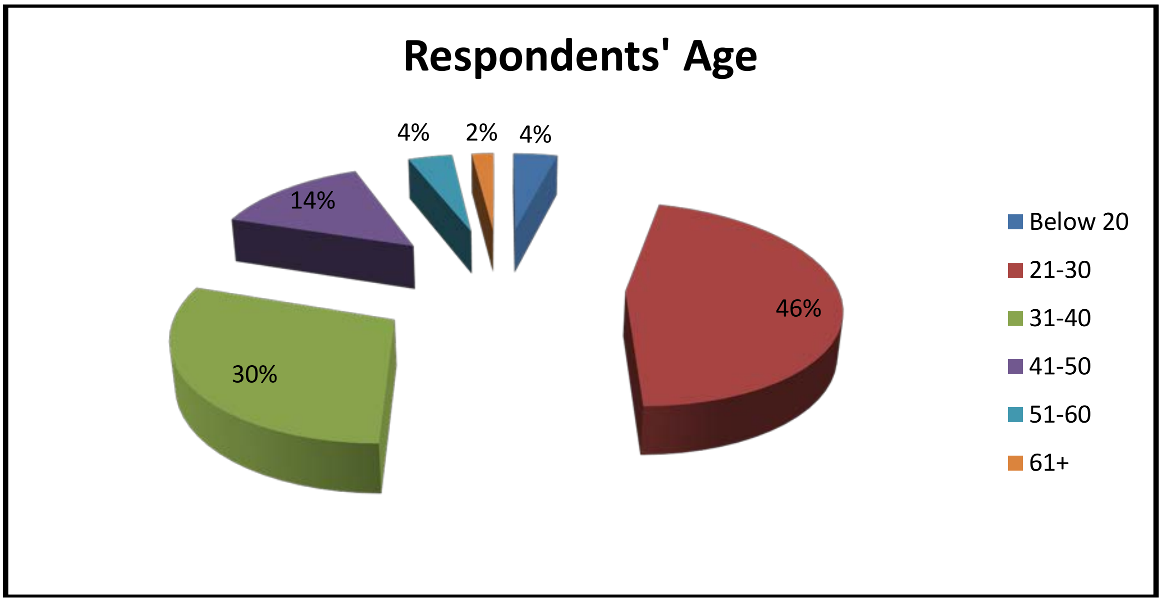

Figure 3: Pie chart showing distribution of respondents by age
Source: Raw Data

Perceived Ease of Use

According to the data collected from the survey as shown in the graph above, 83% (53% strongly agreed; 30% agreed) of the respondents believed that perceived ease of use of mobile banking services is important in the implementation of mobile banking projects. However, only 17% of the respondents thought differently. This is illustrated below:

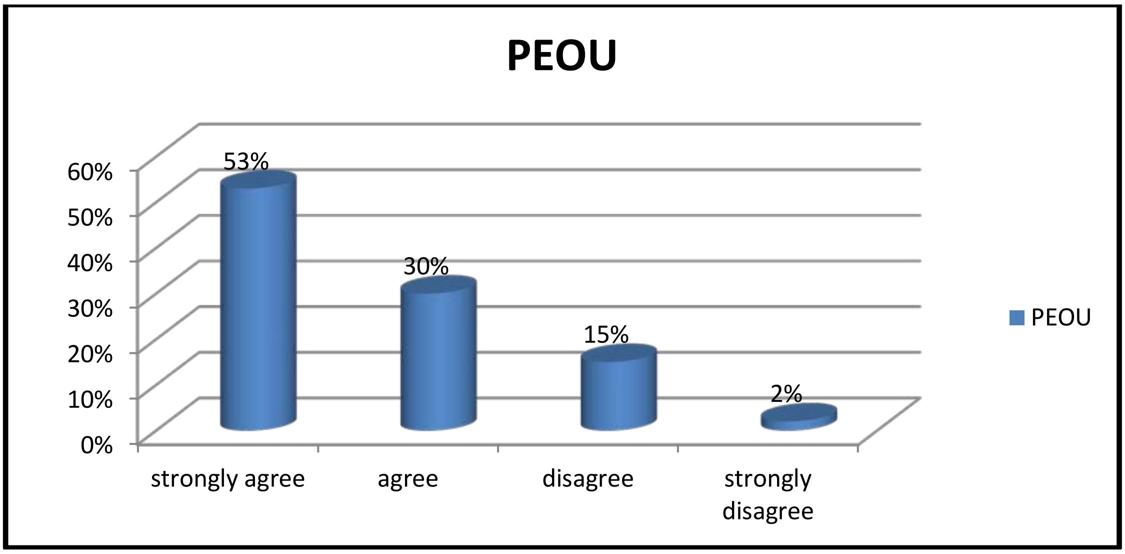

Figure 4: Perceived Ease of Use's impact on implementation of mobile banking projects

Source: Raw Data

The survey results show that perceived ease of use is a very important and central aspect in the adoption of mobile banking projects. This shows that for mobile banking services to be adopted by majority of the population it should be effortless.

Perceived Usefulness

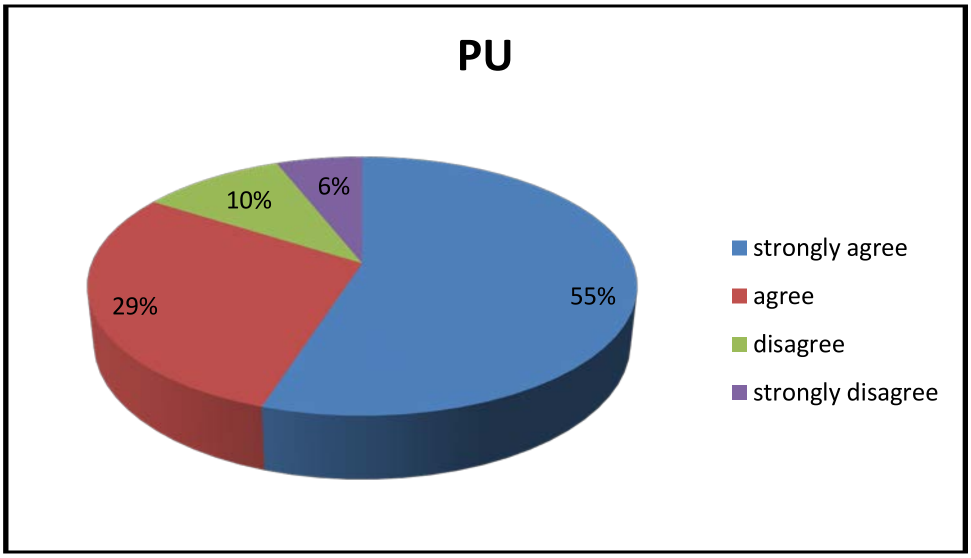

Figure 5: Perceived Usefulness' impact on implementation of mobile banking projects

Source: Raw Data

The graph above shows that 137 of the 250 respondents, thus 55% of the respondents, strongly agree that percieved usefulness can inspire them to adopt mobile banking hence positively affecting the implementation of mobile banking projects. In addition, 29% of the respondents agreed to this, showing that if mobile banking services are perceived to enhance someone's performance they can attract client to use these services. The researchers have reached to this conlusion since 84% of the responses gathered from the field show that clients are enticed by the usefulness of the services rendered resulting in the adoption of the service. Only a small number(16%) of respondents had a different view.

Having taken into consideration that majority of the respondents viewed percieved usefulness being a necessary factor to consider in relation to the implementation of mobile banking projects, the researchers can safely conclude that percieved usefulness can positively influence implementation of mobile banking projects.

Other Factors (Social Norms, Perceived Risks, Relative Advantages, Personal Innovativeness, Costs)

Respondents were asked to rank the various factors that may have a bearing on their adoption of mobile banking services. Chitungo and Munongo (2013) found that these other factors do have a significant impact on respondents' aptitude to adopt mobile banking technology. The focus of this paper is to ascertain whether or not, in spite of these other factors, perceived usefulness and perceived ease of use have the greatest impact on the implementation of mobile banking projects.

Table 4: Impact of the Various Factors Affecting Implementation of Mobile Banking Projects

Variable	**RANK**	**Strongly Agree(%)**	**Agree(%)**	**Disagree (%)**	**Strongly Disagree (%)**
Perceived Usefulness (PU)	1	55	29	10	6
Perceived Ease Of Use (PEOU)	2	53	30	15	2
Perceived Risks (PR)	3	41	28	20	11
Relative Advantages (RA)	4	38	32	15	15
Costs (C)	5	35	25	10	25
Social Norms (SN)	6	22	13	30	35
Personal Innovativeness (PI)	7	15	20	40	25

Source: Raw Data

The table above shows that PU and PEOU are the two variable that have the greatest impact on the implementation of mobile banking projects. The other factors are considered after them. Perceived risk ranks third, relative advantages(4), costs (5), social norms (6) and lastly personal innovativenes. This is in line with the results obtained by Chitungo and Munongo (2013).

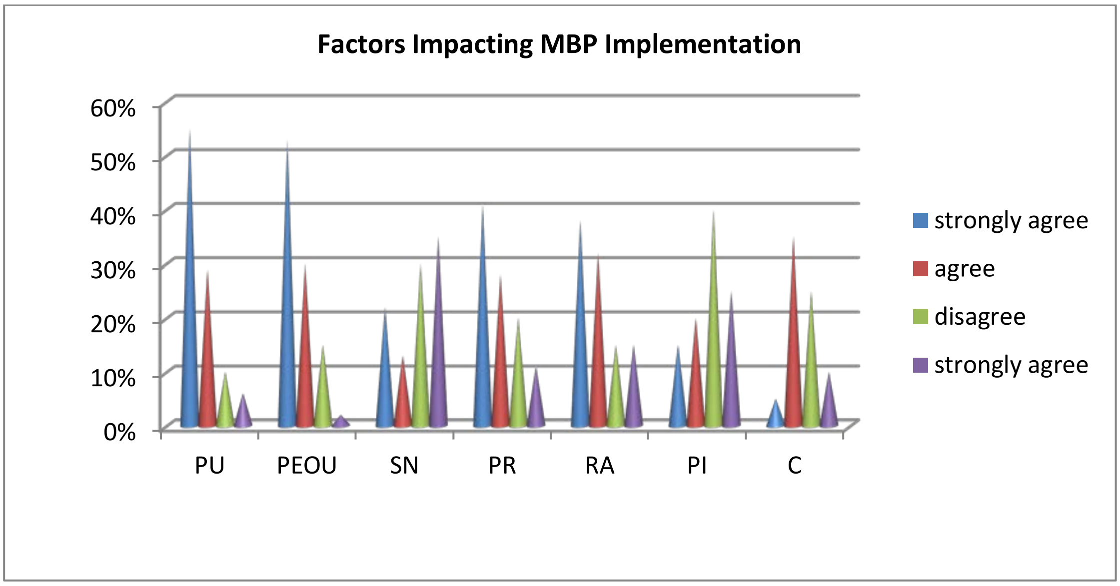

Figure 6: Ranking of Various Factors affecting Mobile Bank Projects Implementation

Source: Raw data

CONCLUSIONS

The research was carried out to know about the most important factors that influence the adoption of mobile banking projects in Zimbabwe. After reviewing various articles concerning mobile banking projects adoption, the information gathered shows that different articles and authors considered a number of factors that are critical in the implementation of mobile banking projects. However, among these different articles, some of the factors were cited repeatedly by different authors considering them as the most important factors regarding mobile banking projects implementation. From research findings it can be concluded that intention to adopt mobile banking project implementation is positively influenced by perceived usefulness and perceived ease of use respectively.

On the basis of these factors, questionnaire was designed and interviews were conducted in Masvingo to collect the data. In this regard 100 responses were collected from people in this city. The research results were mainly investigated on the basis of two concepts of Technological Acceptance Model thus, perceived ease of use and perceived usefulness since both are important in the adoption of information system. The results from the research shows that mobile banking website should be easy to use and appealing as it helps in the adoption of mobile banking, which is supported by Loonam and O'Loughlin (2008) and Poon (2008), whereas poor navigation and poor design of the website creates difficulty in the usage of the service, which is against perceived ease of use and is mostly avoided by customers.

The other most important factor is perceived usefulness which comes in several dimensions. In this case, we consider quality of information on the mobile banking software on mobile phones, according to the research results simple and understandable information helps customers to perform mobile banking easily. However, with the help of clear, simple and understandable information, customers can perform transactions easily, so it reflects ease of use. Moreover, customers can also make right financial decisions on the basis of such information, which is the usefulness of the site. The findings regarding information quality are also supported by Poon (2008) that such information reflects ease of use and also helps in the adoption of mobile banking projects.

RECOMMENDATIONS

To the Mobile Banking Sector/Service Providers

Mobile Banking Services is becoming the most acceptable mobile technology today in the whole world. It is imperative that the banking sector should adopt mobile banking projects to keep abreast with modern times. Besides convenience, perceived usefulness and perceived ease of use have been found to be major variables of technological acceptance that they should consider on implementation of mobile banking projects which they should take also into consideration.

Banks/Service Providers must also emphasize the convenience that mobile banking can provide to people, such as avoiding long queue, in order to motivate them to use it, they must also emphasize the cost saving that online can provide to the people, such as reduce transaction cost by use of mobile banking. Customers always prefer advanced technology but sometimes lack the knowledge about how to access such technologies. The fact that people have positive perceptions about mobile banking should be treated with great value. This is because one bad experience can result in customer discontinuation of the banking service (Jun and Cai, 2001).

The banks/service providers should also ensure that the software to be used on mobile phones are designed well and to avoid a situation of slow downloading of pages and ensure that customers are able to find what they require, and avoid loss of possible repeated visits due to negative experience in the beginning. Banks/service providers should also ensure that clear, simple and understandable information is available on their sites since it helps customers perform mobile banking transactions easily, which is the perceived ease of use (PEOU), since they will not face any challenges when accessing these services. Moreover, clear, simple and understandable information will be ‘useful’ for customers as well, which is the perceived usefulness (PU), because such information can help customers in making right financial decisions. Hence, clear, simple and understandable information is related to both key beliefs of Technology Acceptance Model (TAM) that is perceived ease of use (PEOU) as well as perceived usefulness (PU) and can help in the adoption of mobile banking projects.

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