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# Study on Comparison of Risk-Return Analysis of Public and Private Sector Banks listed on Bank Nifty

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## Abstract

Risk and Return analysis plays a very important role in individual decision making process. If the investor wishes to earn more return investor should be in the position to accept higher risk. Banking sector is the backbone of the country's economy and this sector has contributed good returns for the investor in the past. The paper concentrates on analysing the performance of twelve nationalised banks listed in NSE in terms of return, risk and beta for the period 1st January 2016 to 31st December 2016. Sector wise portfolio returns are also calculated for the same period, to compare the returns generated by public and private sector banks. This paper analyses the performance of banking sector taking Bank Nifty Index as benchmark. The study is based on secondary data collected from NSE. The data were collected based on the monthly prices of the banking stocks listed in Bank Nifty. The study shows that the shares of Yes bank and Federal bank have given positive returns during the study period. Whereas the return of Axis Bank, Bank of Baroda and Bank of India were negative during the same period. The beta of Bank of India, Canara Bank, Punjab National Bank, State Bank of India, Axis Bank, ICICI Bank and Yes Bank were more than one, indicating that these stocks carry a higher market risk. The reason for choosing monthly prices is to measure the short term fluctuations in the banking stocks due to changes in market factors.

**Keywords:** Beta, NIFTY, NSE, Return, Risk.



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## **INTRODUCTION**

Banks play a very important role in building the economy of an individual as well as nation. In India banking sector forms the lifeline of economic activity for both rural and urban areas. So any changes in stock price of banks will be definitely affect the investment pattern of investor and also affects the economy.

Risk and return go jointly, every investment is subjected to risk to some extent. The best investment is that increases the return by taking minimum risk into consideration. For the purpose of minimizing the risk the market information is necessary. In finance, it is certain that the money supply is insufficient and the investors want to maximize their return. If the investor wishes to maximize their return, risk integrated with it is also higher. Further risk can be classified as systematic risk and unsystematic risk. Systematic risk is one which cannot be eliminated and every investor is required to undergo some amount of systematic risk on a regular basis. Unsystematic risk are those which can be eliminated as it is a company specific risk, an investor can eliminate unsystematic risk by simply avoiding the buying of such stock. It is not possible for any investor to avoid or eliminate systematic risk, however smart or intelligent an investor may be.

The main focus of this study is to analyse the Bank Nifty movement behaviour towards the listed equity stocks of public and private banks. The object of this study is to evaluate the performance of banking stock, with prime focus towards identification of required rate of return and to reveal the risk associated with each particular stock and also to evaluate the portfolio return and risk of public and private banks individually. Study was carried out for a brief period to analyse the performance of listed equity shares with a time frame of 1 year from January 2016 till December 2016.

### **Objectives of the study:**

- To identify the return and risk of public and private banks listed on Bank Nifty.
- To rank the stocks on the basis of returns.
- To compare the performance of each stock against their benchmark index.
- To measure the portfolio return and risk of public and private banks listed on Bank Nifty

### **SCOPE OF THE STUDY:**

- The study is based on 12 securities listed in Bank Nifty in NSE
- The study covers a period of 12 months, i.e. starting from 1<sup>st</sup> January 2016 till 31<sup>st</sup> December 2016.

### **Research Methodology:**

#### **Sources of data:**

The study is based on secondary data collected from NSE website. Data is collected for a period of 12 months (i.e. for 1 Year) from banking stocks listed in Bank Nifty. Additionally the data are also collected from newspaper, websites, journals, books reports by researchers and scholars.

#### **Duration of the study:**

The study covers a period of 1 year (i.e.12 months from. 1<sup>st</sup> January 2016 till 31<sup>st</sup> December 2016 has been considered.

### Limitations of the study:

Only 12 stocks listed on Bank Nifty are considered for the study and the study is conducted only for one year time period.

### Literature review

*Shaini & Mallikarjunappa (2016)*: The author believes that stock market is highly volatile and it is up to the investors to decide how he could make use of the stock market to gain higher returns. According to the author Beta would be very helpful in comparing the relative systematic risk involved in different stocks. In practice investors use Beta to judge the riskiness of each stock. An investor should remember risk is directly related to return and hence he should ensure to keep risk associated proportional to returns. In general it is believed that higher the risk, higher will be the returns, but seeking excessive risk may not be advisable as it does not ensure excessive returns. At a particular level of return, security has its own degree of risk. It is advised that investor should analyse the market on a continuous basis, which in turn would help them pick the right stocks to invest.

*Prathibha & Dinakar (2016)*: The author analysed the risks of 12 banks listed in bank nifty for a period starting from 7<sup>th</sup> December 2015 till 8<sup>th</sup> February 2016. The author found from their research that, all the stocks had negative returns during the study period except Yes bank and Kotak Mahindra bank. The author founded that Yes Bank had given the highest return and the lowest return was given by Punjab National Bank. It was also found that systematic risk was highest for SBI and lowest for Yes bank. The author concluded that the Bank of India and Syndicate Bank where less affected by market risk due the negative beta, while Punjab National bank and Bank of Baroda had the highest market risk.

### ANALYSIS

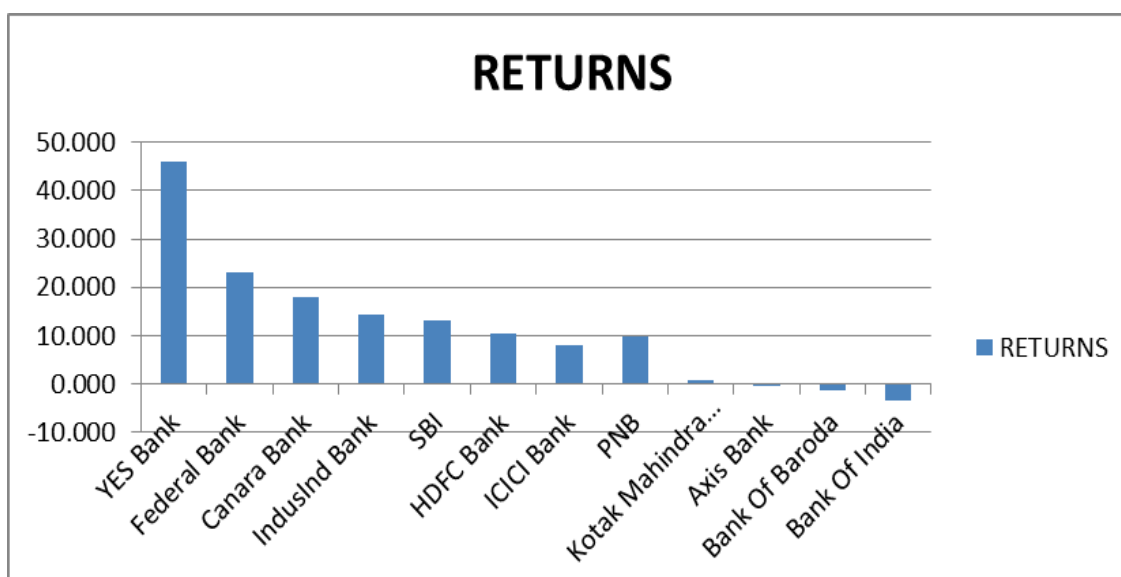
TABLE 1: Stocks listed on Bank NIFTY.

Sl. NO.	BANKS	SECTOR
1	Bank of Baroda	Public Sector
2	Bank of India	Public Sector
3	Canara Bank	Public Sector
4	Punjab National Bank	Public Sector
5	State Bank of India	Public Sector
6	Axis Bank	Private Sector
7	Federal Bank	Private Sector
8	HDFC Bank	Private Sector
9	ICICI Bank	Private Sector
10	IndusInd Bank	Private Sector
11	Kotak Mahindra Bank	Private Sector
12	Yes Bank	Private Sector

**TABLE 2:** Ranking of the banks on the basis of the returns

RANK	BANK	SECTOR	RETURN (%)
1	YES Bank	PRIVATE	46.130
2	Federal Bank	PRIVATE	23.032
3	Canara Bank	PUBLIC	18.012
4	IndusInd Bank	PRIVATE	14.409
5	SBI	PUBLIC	13.017
6	HDFC Bank	PRIVATE	10.399
7	ICICI Bank	PRIVATE	8.000
8	PNB	PUBLIC	9.791
9	Kotak Mahindra Bank	PRIVATE	0.704
10	Axis Bank	PRIVATE	-0.406
11	Bank Of Baroda	PUBLIC	-1.287
12	Bank Of India	PUBLIC	-3.386

**Graph No. 1:** Graph showing returns of the public and private banks according to their ranks (on the basis of the returns)



**INTERPRETATION:**

The above graph shows that the YES bank gave the highest return of 46.130% for the year 2016, where the Bank of India has given the lowest return of -3.386% for the year 2016. All the banks listed in Bank Nifty yields positive returns for the year 2016 except Kotak Mahindra bank, Axis bank, Bank of Baroda and Bank of India.



**TABLE 3:** Table showing standard deviation and Beta of stocks listed on Bank Nifty

Sl. No.	Banks	Sectors	Standard Deviation	Beta
1	Bank of Baroda	Public	8.742	0.47
2	Bank of India	Public	10.289	1.084
3	Canara Bank	Public	12.379	1.497
4	PNB	Public	16.343	1.513
5	SBI	Public	10.179	1.368
6	Axis Bank	Private	8.592	1.128
7	Federal Bank	Private	10.449	0.796
8	HDFC Bank	Private	4.93	0.693
9	ICICI Bank	Private	9.769	1.349
10	IndusInd Bank	Private	6.911	0.944
11	Kotak Mahindra Bank	Private	5.613	0.766
12	Yes Bank	Private	9.422	1.248

#### INTERPRETATION:

The above analysis shows the beta value is highest in case of PNB i.e. 1.513% and Canara Bank i.e. 1.497%, which indicates higher risk. The beta are lower in case of Bank of Baroda i.e. 0.47% and HDFC bank i.e. 0.693%, indicating lower risk, thus if there is an increase in 1% market, the scrip return increases by 0.47% and 0.693%.

#### PORTFOLIO RETURN AND RISK:

An attempt has been made to compare the performance of Bank Nifty index against private and public sector banks which are listed on Bank Nifty to check which sector is doing well during the study period. In order to check the performance at first, the portfolio return and risk of index is calculated, followed by portfolio return and risk of public and private banks. Then, the portfolio return and risk of index is compared with the portfolio return and risk of public and private banks. For the purpose of calculation equal weights are assigned for each stock.

**TABLE 4:** Calculation of Return of Bank Nifty Index (12 stocks, assuming equal weights to all stocks).

BANKS	ANNUAL RETURNS	WEIGHTS	RETURN
Axis Bank	-0.406	0.083	-0.034
Bank Of Baroda	-1.287	0.083	-0.107
Bank Of India	-3.386	0.083	-0.281
Canara Bank	18.012	0.083	1.495
Federal Bank	23.032	0.083	1.912
HDFC Bank	10.399	0.083	0.863
ICICI Bank	8.000	0.083	0.664
Indusind Bank	14.409	0.083	1.196
Kotak Bank	0.704	0.083	0.058
PNB Bank	9.791	0.083	0.813
SBI Bank	13.017	0.083	1.084
Yes Bank	46.130	0.083	3.829
<b>BANK NIFTY RETURN</b>			<b>11.49%</b>

**TABLE 5:** Showing Return and Risk of Bank Nifty Index (12 stocks, assuming equal weightage to all stocks).

<b>RETURN OF BANK NIFTY</b> (Assuming equal weights for all 12 stocks)	<b>11.49%</b>
<b>RISK OF BANK NIFTY</b> (Assuming equal weights for all 12 stocks)	<b>26.13%</b>

**INTERPRETATION:**

From the above table, it is clear that the return of Bank Nifty Index is 11.49% and the risk of the index is 26.13%, when the index return and risk are compared with individual returns of banks then we can see that, Axis bank, Bank of Baroda, Bank of India, HDFC bank, ICICI bank, Kotak Mahindra bank, Punjab National Bank (PNB) have returns less than the index return.

**PORTFOLIO RETURN AND RISK OF PUBLIC SECTOR BANKS:**

**TABLE 6:** Calculation of Portfolio Return of Public sector banks (5 stocks, assuming equal weights to all stocks).

No.	BANKS	ANNUAL RETURNS	WEIGHTS	RETURN
1	Bank Of Baroda	-1.287	0.200	-0.257
2	Bank Of India	-3.386	0.200	-0.677
3	Canara Bank	18.012	0.200	3.602
4	PNB	9.791	0.200	1.958
5	SBI	13.017	0.200	2.603
<b>PORTFOLIO RETURN OF PUBLIC SECTOR BANKS</b>				<b>7.23%</b>

**TABLE 7:** Showing portfolio return and risk of public sector banks (5 stocks, assuming equal weightage to all stocks).

<b>PORTFOLIO RETURN OF PUBLIC SECTOR BANKS</b> (Assuming equal weights)	<b>7.23%</b>
<b>PORTFOLIO RISK OF PUBLIC SECTOR BANKS</b> (Assuming equal weights)	<b>35.23%</b>

**PORTFOLIO RETURN AND RISK OF PRIVATE SECTOR BANKS:**

**TABLE 8:** Calculation of Portfolio return of Private Sector Banks (7 stocks, assuming equal weights to all stocks).

BANKS	ANNUAL RETURNS	WEIGHTS	RETURN
Axis Bank	-0.406	0.143	-0.058
Federal Bank	23.032	0.143	3.290
HDFC Bank	10.399	0.143	1.486
ICICI Bank	8.000	0.143	1.143
IndusInd Bank	14.409	0.143	2.058
Kotak Mahindra Bank	0.704	0.143	0.101
YES Bank	46.130	0.143	6.590
<b>PORTFOLIO RETURN OF PRIVATE SECTOR BANKS</b>			<b>14.61%</b>

**TABLE 9:** showing portfolio return and portfolio risk of private sector banks

<b>PORTFOLIO RETURN OF PRIVATE SECTOR BANKS</b> (Assuming equal weights)	<b>14.61%</b>
<b>PORTFOLIO RISK OF PRIVATE SECTOR BANKS</b> (Assuming equal weights)	<b>23.25%</b>

**TABLE 10:** Summary of all possible portfolio return and portfolio risk

PORTFOLIO	Return	Risk
BANK NIFTY (12 STOCKS)	11.49%	26.13%
PUBLIC SECTOR BANK LISTED ON BANK NIFTY (5 STOCKS)	7.23%	35.23%
PRIVATE SECTOR BANK LISTED ON BANK NIFTY (7 STOCKS)	14.61%	23.25%

**INTERPRETATION:**

From the above table it is clear that the portfolio returns is highest in case of private sector banks i.e., 14.61% when compared to other possible portfolio combination and risk is also lower in case of private sector banks.

**Conclusion:**

The study is based on the analysis of stocks listed on Bank Nifty. This gives an idea to the investors to determine whether he is required to purchase the stocks on the basis of performance of the stock for a given period. A stock with higher beta value is not preferred as it is exposed to higher market risk which cannot be diversified like unsystematic risk, hence such stocks are better to avoid for constructing a portfolio. This study is an attempt to evaluate the returns of banking stocks listed on Bank Nifty and to identify the best stocks to invest and the worst stocks to be ignored. If the investors are ready to take in higher risk for extra return, then

the investors are suggested to invest in stocks like Yes bank and IndusInd bank where the return are higher but investors are also required to check on the risk associated with the stocks that are giving higher returns. The investors who are looking for low risk with moderate return are suggested to invest in HDFC bank. However by constructing a portfolio the investors can minimise the risk of getting lower return. While taking decision, the investor can also consider the fundamental and technical analysis.

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# Shorea Leprosula: Most Commercial Trees to Improve Forest Productivity in Low Land Tropical Forest

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## Abstract

Deforestation rate in Indonesia was 1,8 million ha per year. One of causes it was low productivity of production natural forest: just 0,25 m<sup>3</sup> ha<sup>-1</sup> year<sup>-1</sup> only (compared with teak plantation forest productivity in Jawa island: 8-10 m<sup>3</sup> ha<sup>-1</sup> year<sup>-1</sup>). Natural regeneration and forest plantation were constrained by stand competition and limited of light in the forest floor. Efforts to improve production natural forest productivity was applying the Selective Cutting and Strip Planting (SCSP) system. This system has been had optimum open area (strip) which suitable to maximum growth of Dipterocarp species, especially Shorea spp as most commercial trees in the natural tropical forest. This research aimed to analyze and created modeling of growth and yield of Shorea leprosula plantation in the SCSP system. The research was conducted on research plots of SCSP in logged over – production natural forest of PT Gunung Meranti forest concession, Central Kalimantan Province, Indonesia. Analysis of data used growth modelling for even-aged forest. The result showed that mean annual increment of Shorea leprosula plantation at 2, 11 and 16 year old were 1,06 cm year<sup>-1</sup>; 1,22 cm year<sup>-1</sup> and 1,31 cm year<sup>-1</sup> in diameters, respectively. Based on even-aged forest modelling, the first cycles of Shorea leprosula plantations was 32 year in the 125,14 m<sup>3</sup> ha<sup>-1</sup> of logs (40 cm up of diameters), thereby Shorea leprosula plantations in the SCSP system could improve the natural forest productivity until 262,72 time. The SCSP system with planted Shorea leprosula is very applicable to apply in the logged over-production natural forest to improve forest productivity.

**Keywords:** Selective cutting and strip planting system, Shorea leprosula, growth and yield, productivity.

**Suggested Citation:** Wahyudi (2018), Shorea Leprosula: Most Commercial Trees to Improve Forest Productivity in Low Land Tropical Forest, Journal of Business Management and Economic Research, Vol.2, Issue.1, pp.9-14

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## Introduction

Indonesia is third in the world only Brasilia and Zaire in wide of tropical forest regions and have highest biodiversity too (Whitmore, 1975; Mac Kinnon, et al., 2000). However, the condition of natural forest resources in Indonesia tends to degradate in the quality and quantity along with changed environmental at level of national and also global (Ministry of Forestry, 2008). Deforestation and degraded forest in Indonesia are caused by increasing of resident and wood requirement (Singh, et al. 1995), illegal logging, shifting cultivation, illegal minning, illegal occupation of land, forest fire (Indrawan, 2008), conversion of forest (Saharjo, 2008), and poor forest management (Wahjono and Anwar, 2008).

As comparison, in the year 1990's, logs production in Indonesia are 28 million m<sup>3</sup> coming from 59,6 million ha of production forest. But in the year 2007, logs production decrease become 9,1 million m<sup>3</sup> from 27,8 million ha of production forest only. Deforestation and degraded forest won't be stoped happened if there isn't repair of production forest management system in Indonesia. Some researches of silvicultural system in Indonesia have been conducted since year of 1993 and applying of Selective Cutting and Strips Planting (SCSP) silvicultural system with intensively silvicultural technique has done limited to 25 of forest concessions since year 2005, using species of Dipterocarp specially *Shorea* spp. *Shorea leprosula* is one of Dipterocarp species that recommended to develop in strips area in SCSP system. Afterwards, research on influencing of gap size and slope to increase growth and yield of *Shorea* spp plantation in the SCSP system is very needed to support this system.

Pursuant to the forest function, forest regions in Indonesia are divided into three regions i.e. conservation forest, protection forest and production forest. Production forest can be divided into some forest region, in the form of virgin forest, logged over forest, low potential forest, bushes-scrub, grassland and critical land. Logged over forest and low potential forest can be managed by Selected Cutting and Strips Planting silvicultural system using *Shorea* spp, especially *Shorea leprosula*.

This Research aimed to compile growth and yield modelling of *Shorea leprosula* that is developed in the strips area. Research was expected can be used by stakeholder, specially for user of SCSP system

## 1. Method

Research was executed in the Permanent Sample Plots of Selective Cutting and Strips Planting in the District of Mandau Talawang, Central Kalimantan Province that planted at 2015 (age of 2 years), 2006 (age of 11 years), and 2001 (age of 16 years). Data was collected at 2017.

Measured parameters were dbh and high of *Shorea leprosula* at the moment of aged 2 years, 11 years, and 16 years. Growth and yield of *Shorea leprosula* pattern was formed pursuant to the increment and time (years) functions through polinomial equational (Brown, 1997; Burkhart, 2003) that was:

$$y = c_1 + c_2x + c_3x^2$$

Where: y : diameter (average)

x : time (years)

c<sub>1</sub>,c<sub>2</sub>,c<sub>3</sub> : coefficient

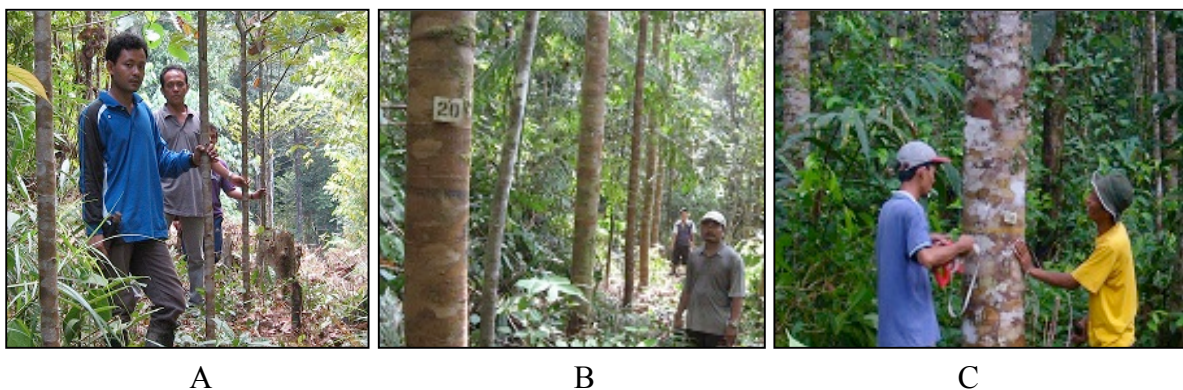
## 2. Result and Discussion

The research result data of *Shorea leprosula* plantation in the Permanent Sample Plots of Selective Cutting and Strips Planting system that aged of 2 years old, aged of 11 years old, and aged of 16 years old which collected at 2017 were showed in Table 1.

**Tabel 1. Mean annual increment of *Shorea leprosula* in the PSP of SCSP at 2, 11, and 16 years old**

Age (year)	Live (%)	MAI	
		Diameter (cm)	High (m)
0	100	0	0
2	84.22	1.06	1.4
11	61.87	1.22	0.94
16	61.21	1.31	0.82

Table 1 showed that diameter mean annual increment (MAI) of *Shorea leprosula* since first time until 16 years old always increasing. MAI of *Shorea leprosula* was 1,36 cm/tahun at 16 years old with 61,21% of live . At the 16 years old, diameter and high of *Shorea leprosula* plantation were 21,22 cm and 13,1 m respectively. Growth and yield of *Shorea leprosula* always increasing until it achieve 30 to 40 cm of its diameters (Wahyudi *et.al.* 2011).



**Fig.1. *Shorea leprosula* plantation in the Selective Cutting and Strips Planting system at 2 years old (A), 11 years old (B) and 16 years old (C)**

Growth and yield of trees in the *even-aged stand forest* different with *uneven-aged stand forests*. Modelling must considered variation coefficient and deviation standard of data. There are phenomena in the field that some plants in the monocultural plantation indicate differentiation of growth level in each species. There are some species which are very fast, fast, slow and very slow in their growing. This phenomena surmounted through tending and thinning periodically.

Growing of plant can be assumed by as time function. Diameter of plant will be big progressively, but periodically growth must be mentioned in the model, so it needed the time series data to create modelling of growth and yield. Therefore, sigmoid curve to draw the growth of yield of *Shorea leprosula* also needed the time series data. Modelling must accommodate all information about species, environment, tending, increment and so on. which was made available and trustworthy of growth and yield to create the modelling that can be justified (Grant et al. 1997; Porte & Bartelink 2001; Vanclay 2001). Pemodelan dapat memudahkan perhitungan yang rumit yang disusun oleh beberapa persamaan dalam waktu bersamaan dengan berbagai simulasi yang kita kehendaki.

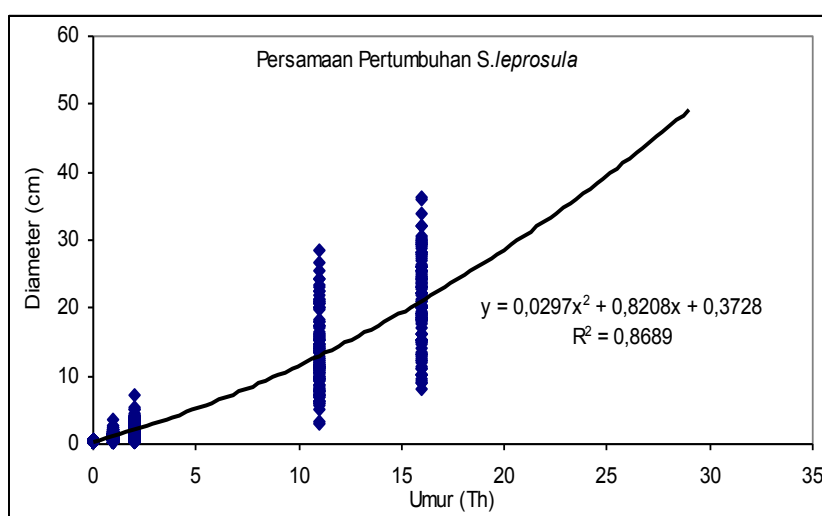
Modelling with using polynomial equation based on increment of *Shorea leprosula* and time functions (Brown 1997; Burkhart 2003) as the following:

$$Y = 0,0297x^2 + 0,8208x + 0,3728 \dots\dots\dots R^2 = 86,89\%$$

dimana y : diameter akhir; x : waktu dalam tahun.

This model predicted that to achieve 50 cm up of diameter average, needed the time during 32 years as showed in Figure 2. Correlation coefficient ( $R^2$ ) of this equations was 86,89% , accordingly, it indicated that this equation can be used to predict growth and yield of *Shorea leprosula* plantation on the Selective Cutting and Strips Planting system.





**Fig. 2. Growth and Yeld of *Shorea leprosula* plantation using modelling of polynomial equation**

Mean production of logs in PT Gunung Meranti (forest concessionaries) as long as 4 years (2007 to 2010) was 22,3 m<sup>3</sup> ha<sup>-1</sup> of logs. Whereas, based on even-aged forest modelling, the first cycles of *Shorea leprosula* plantations was 32 years in the 125,14 m<sup>3</sup> ha<sup>-1</sup> of logs (40 cm up of diameters), thereby *Shorea leprosula* plantations in the SCSP system could improve the natural forest productivity until 262,72 time. The SCSP system with planted *Shorea leprosula* is very applicable to apply in the logged over-production natural forest to improve forest productivity. So, *Shorea leprosula* is most commercial trees to improve "Production Natural Forest" productivity in the tropical forest.

### 3. Conclusion

*Shorea leprosula* plantation in the Selective Cutting and Strips Planting silvicultural system can to improve Production Natural Forest productivity in the tropical low land forest start from 0,25 m<sup>3</sup> ha<sup>-1</sup> to 125,14 m<sup>3</sup> ha<sup>-1</sup> of logs in the 32 years of cutting cycles.

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# Impact Of Corporate Governance On Firm's Financial Performance (A Comparative Study Of Developed And Non Developed Markets)

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## Abstract

The study has been conducted to compare the impact of corporate governance on firm's financial performance between USA (Developed Country) and Pakistan (Developing Country). The corporate governance is measured by Board's Ownership, Effectiveness, Size and Structure, Its Independency, CEO Duality and Board's education and Experience whereas the firm's financial performance is measure by the Return on Asset and Return on Equity. A sample of 100 listed companies from Karachi Stock Exchange of Pakistan and New York Stock Exchange of USA has been investigated to analyze the relationship during the period 01 Jan 2010 to 31 Dec 2015 regarding their comparative firm's financial performance in respect of Corporate Governance. The impact of corporate governance in the 100 listed firms that are taken in the sample from Pakistan and USA were analyzed through collection primary data by floating the questionnaire physically in Pakistan and online for USA. The internal and external performance of firm's for both countries was measured by taking Return on Asset (ROA) and Return on Equity (ROE) as internal performance measure and Market to Book Value Ratio, of Tobin's Q and Marris, for measuring the external performance. From the study it has been found that corporate governance codes are being followed in both countries but it is better in the developed countries. In Pakistan, due to most family owned business there exists some conflicts exists between the corporate governance codes drawn by SECP with their already drawn already set procedure whereas in USA strict Corporate Governance codes are being followed. The variables like Board ownership, Board Education & Experience, effectiveness and CEO Duality has positive relationship with the firm's performance but Board Size has negative correlation. The study also found that there is no relationship between independency of director with firm's performance.

**Keywords:** Corporate Governance, Performance, Tobin's Q, ROA, ROE.



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## **1. Introduction**

After the major scandals of organization giants like Enron and WorldCom, the attention towards the corporate governance started to emerge. Concept of corporate governance was there but it was not implemented to its core due to which these types of scandal emerged. After such scandal, need for corporate governance arises as the shareholder and management are separate and similarly their interest, so a moderator was required in order to fulfil this gap and becomes a bridge between these two. Hence the board of governance was the ultimate solution for this which not only protects the share of interest of shareholders but also control the management of the organization.

In early 17<sup>th</sup> century, the concept of corporate governance doesn't exist. This is because in those days, ownership was divided into small number of people (partnership) who also participate in the operations of the organization. So they can easily control and safeguard their interest.

The concept of corporate governance was first highlighted in academics by Richard Eells in 1960 in his paper "the structure and functioning of corporate polity" where he reveals how agency cost effect the firm's financial resources and how can this be minimized.

Broadly speaking, CG is a relationship between the company's board, management, shareholders and other stakeholders. Talking more specifically and narrow down its concept, a definition given by Shleifer and Vishny (1997), corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment.

From the above definition, it is clear that the prime objective of CG is to protect the interest of shareholders and stakeholders of the company.

In the developed markets, the concept of corporate governance is proven by the studies conducted by the regulators against which they have reported that influenced the importance of corporate governance. These reports are issued by Cadbury Committee (1992), Greenbury Committee (1995), Hampel Committee (1998) and Turnbull Committee (2003). These reports are benchmark for the rest of the world and they follow these reports. These reports have become basis for codes for CG for the rest of the world.

From the above explanation, the importance of corporate governance is now highlighted. When the interest of stakeholders is safeguarded, this will also bring positive change in performance of the organization.

Many empirical study have been conducted which shows the existence of a relationship between corporate governance and firm's financial performance. Talking about developing and developed market, the definition of corporate

governance is different for different countries. Similarly the effect of corporate governance on firm's financial performance also varies from countries to countries. However, corporate governance is more important for emerging markets and less developed market as in developed countries, CG is being followed strictly.

Many empirical studies have been conducted to investigate a relationship between corporate governance and a firm's financial performance in the world. However, similar studies in the context of Pakistan are very rare. The concept of corporate governance in the developed world is not new and it is better implemented and followed there as compared to the developing countries like Pakistan. There are some studies made on CG being a comparative study. Major contribution in this regard given by Dr. ZA Shah (2009), he conducted a research on a comparative study between Pakistan (Developing Country) and US (Developed Country). He investigated corporate governance with the context of Ownership structure, board size and its independence, audit committee independence and CEO Duality. He found a positive relationship between the ownership structure and capital structure. This means more the involvement of the board in the management, more the debt size in the capital structure. The management will be tending to more take more risk in order to gain more return. His study was done during the period 2002 to 2007.

Z.A Shah (2009), S.A Butt (2010), Duc Vo & Thuy Phan (2013) indicated that corporate governance can be measured through these elements: (1) Board's Ownership (2) Board Structure (3) Board Size (4) Independence of Board (5) Independence of Audit Committee and (6) CEO Duality.

In addition, a firm's financial performance is measured by the return on asset, known as the ROA ratio and return on Equity (ROE) for measuring the performance of the companies.

## **2. Objective**

The objective of the study is to investigate how the performance of the firm is effected by the Corporate Governance and what is the relationship that exists between the firm's performance with the Board's Structure, Size, Effectiveness, Education, Experience and Dual position of CEO as CEO of the company as well as the Chairman of the board. The study is the extension to the work of ZA Shah (2009) as it was limited to period 2005 to 2009 for 100 listed companies of Karachi Stock Exchange in Pakistan and 1170 listed companies of New York Stock Exchange in USA. In the current study, the period has been extended from 2010 to 2015 in order to investigate the results of ZA Shah (2009) as it remains same or not as described in the hypothesis.

### **3. Significance of the study:**

The outcomes of the study will be useful in improving the understanding of investors regarding the importance of corporate governance keeping the aspect of Developed and Non Developed economies. The study contributes in the existing literature for the readers and researchers. The study has been made comprehensive by incorporating different aspect of business both from Developing and Non Developing Countries.

### **4. Plan / Organization of the Study:**

Section 1 provides the objectives of study and introduces the research purpose and why Corporate Governance is important in firms. Section 2 contains the literature review; section 3 explains the research methodology used in the analysis; section 4 consists of analysis of data and empirical results. Section 5 endorses the findings and discussion; study is concluded in section 6 and section 7 provides the recommendations upon the findings and implication for the investors.

### **5. Hypothesis:**

Hypothesis relating to each variable relating to the study is given as under:

#### **5.1. Board's Ownership:**

H<sub>1</sub>: There is a positive relationship between the Board's ownership and Firm's Financial Performance.

H<sub>2</sub>: There is a negative relationship between the Board's ownership and Firm's Financial Performance.

#### **5.2. Board's Effectiveness:**

H<sub>1</sub>: There is a positive relationship between the Board's effectiveness and Firm's Financial Performance.

H<sub>2</sub>: There is a negative relationship between the Board's effectiveness and Firm's Financial Performance.

#### **5.3. Board Size and Structure:**

H<sub>1</sub>: There is a positive relationship between the Board's Size & Structure and Firm's Financial Performance.

H<sub>2</sub>: There is a negative relationship between the Board's Size & Structure and Firm's Financial Performance.

#### **5.4. Board's Independence:**

H<sub>1</sub>: There is a positive relationship between the Board's Independence and Firm's Financial Performance.

H<sub>2</sub>: There is a negative relationship between the Board's Independence and Firm's Financial Performance.

### **5.5. CEO Duality:**

H<sub>1</sub>: There is a positive relationship between the CEO Duality and Firm's Financial Performance.

H<sub>2</sub>: There is a negative relationship between the CEO Duality and Firm's Financial Performance.

### **5.6. Board's Education and Experience:**

H<sub>1</sub>: There is a positive relationship between the Board's Education and Experience & Firm's Financial Performance.

H<sub>2</sub>: There is a negative relationship between the Board's Education & Experience and Firm's Financial Performance.

## **6. Delimitation of the Study:**

- The study was delimited 30 listed companies of Karachi Stock Exchange (KSE) of Pakistan and New York Stock Exchange (NYSE) of USA.
- Only the companies which have complete required data available was included in the sample.
- The study was limited between two countries i.e. Pakistan and USA only for Developing and Developed Country respectively.

## **7. Literature Review:**

### **7.1. Corporate Governance:**

The world has faced great failures of many giant firms in the past decade and major scandals were pointed out which results in these failures. On thorough investigations of these failures, this has been revealed that these scandals emerge due to lack of corporate governance practices. This shaken the world's economy and investors and shareholders started to go for precautionary measures which is implementing corporate governance in the firms. They were forced to acknowledge the fact that corporate governance is a best cure in this regard which reduces the risk of shareholders so it requires special attentions for implementing it into the companies (El Mehdi 2007). Hence this aspect has also motivated the researchers to conduct the research on this topic i.e. corporate governance in order to implement in that way so that it may increase the performance of the firm.

Shlifer and Vishney (1997) describe the corporate governance as it assures the shareholders that they will get return on their investment. They emphasized as the corporate governance determines the agency aspect as how shareholders

motivate the managers to give their return to them. Like they pay them extra bonuses and provide different facilities just to safeguard their investment and its return.

Evidence from the past studies have revealed that corporate governance improves the firm's financial performance either it is in developed world or under developed country. Study results of Demsetz (1983), Demsetz & Lehn (1985), and Shleifer and Vishny (1989) shows that those firms where outside directors are present, they show abnormal return on the investment.

Hecht, Benson and Finegold (2007) conducted the study on the relationship between the corporate board and firm's financial performance and found out that the setting up corporate board rules leads to the better performance of the company. Sen (2001) conducted the same study with an objective to create a variable to measure the corporate governance and found that the board mechanism do impact on the performance. Some of the studies show that with weak corporate governance, they also do not perform well, Core, Guay and Rusticus (2004). ZA Shah (2009) conducted a comparative study of corporate governance on firm's financial performance between US (Developed Country) and Pakistan (Underdeveloped Country) and concluded a positive relationship between them.

In the various studies the corporate governance has been measured through different variables which are Ownership of the board, effectiveness of the board, Board size, independence of directors, and duality of CEO and Education along with experience of the board. In order to elaborate the importance of each variable, the literature in this respect is detailed as under:

#### **7.1.1 Board's Ownership**

This aspect is being under discussion for a long time. Several authors / researcher have given various reasons for differences in board ownership. Jensen and Murphy (1990) revealed that board's ownership improves the performance. Brickley et al. (1988) has concluded that the ownership of the board is an encouraging aspect for the board members. This brings their personal interest in the company's matters and they take better decisions which are helpful for other stake holders. There is a positive relationship between board's ownership and firm's financial performance Mehran (1995). Fama and Jensen (1983) declared this aspect as "two-edged knife" which have maximum and optimal benefit and enhancement in firm's financial performance.

#### **7.1.2 Effectiveness of the board:**

Corporate governance provides a way as how to deal with the agency cost and agency problems. In other words, the main objective of corporate governance is



met by dealing with agency problems (Jensen and Meckling 1976). It considers that the objective of management and board are not similar rather it depends upon how much compensation the management gets from the board and from the company so that the interest of shareholders is met. This providing the compensation brings out the solution for any problem arising between the management and shareholders and in this way the shareholders get the confidence on the management and also management safeguard the interest of shareholders. The presence of the board reduces the agency cost (Kee et al (2003) and Hutchinson & Gul (2003).

### **7.1.3 Board Size and Structure:**

As far as the corporate governance is concerned, the structure and size of the board is most important factor to be considered. The board size should not be very large that it costs huge financial burden which is higher than the agency cost nor the board should be too small that it may lead to the biased decisions or weak decisions. Non-executive directors take the efforts and measures in order to ensure that the organization is running effectively and they monitor the performance of the management in order to retain the firm's reputation in the market, Fama & Jensen (1983). Talking about the board size, two schools of thought exist, one says that smaller board size contributes more and better in the best interest of the organization, Pfeffer (1972), Ctg and Coles (2008), whereas other school of thought is of the view that large board size provides the better results and it improves the performance of the organization. As it brings out better and more information from the board members and the decision making is more effective and well informed, Klein (1998), Dalton (1999).

### **7.1.4 Independence of the Board:**

Board's independency is a very important aspect in the corporate governance as when the organization's board is independent they will take better and unbiased decisions as well as the firm will have less financial pressure. Those firms which have their board as an independent one tend to face less financial pressure, Elloumi and Gueyie (2001). Higher number of independent directors in the board in the companies can enhance the decision credibility and objectivity. When there is an independent system existing regarding the board of directors, there would be a transparency in financial statements and value, Chau and Gary (2010). Independency of the board also tends to have better supervision and protection of shareholders' equity increases, Fama & Jensen (1983).

Independent directors also supervise the hierarchy of the management in a better and unbiased way. If the number of independent directors is higher in

the board then dependent board members then the performance of the company enhances, Yonca Ertimura, Fabrizio Ferrib (2010).

#### **7.1.5 Duality of CEO:**

Duality of CEO means that one person is having both responsibilities in the company i.e. CEO and Chairman of the Board. This lead to the highly biased decision and monopoly of a single person arises which tends to have lack of confidence of other board members and as well as the performance of the company also reduces. This creates an imbalance of the power within the firm and the influence of one person in all matters of the organization results in highly biased and ineffective decisions.

Keeping this aspect of duality, much organization has followed this point, that they made their CEO and Board's Chairman, separate and hence moved from duality to a non-duality structure of the organization, Chen, Li and Yi (2008). Duality of the board reduces the supervision and monitory process on the management of the organization, Fama and Jensen, (1983).

#### **7.1.6 Board's Education and Experience:**

The board is the back bone of the organization as it monitors the operations of the management and similarly protects the interest of the shareholders. They also evaluate the management and take decision which is helpful for the organization. It is, therefore, the education level of the board must be better so that they can inspect the current situations and take measures and decisions accordingly. The board must be fully equipped with the knowledge in order to cope up with all matters of the organization. There is utmost requirement of the board to contribution is made from each member and this contribution is then implemented in the enhanced performance of the organization, Nicholson & Kiel, (2004). Suffient professional competency is better and essential of the directors for having better decisions, Forker (1992).

There is a conflict view on the board's experience and firm's financial performance as those members will have higher experience who are of old age so at that age the aggression increases and this results in risky decisions. Also high aged members are not updated with the latest innovations thus this tends to lack of better decisions for the organization, Child (1975). Although there remains a conflict over the board's experience but a sufficient board experience and updated member can take better decisions in the best interest of the organization, Wegge et al (2008).

#### **7.2. Performance of a Firm:**

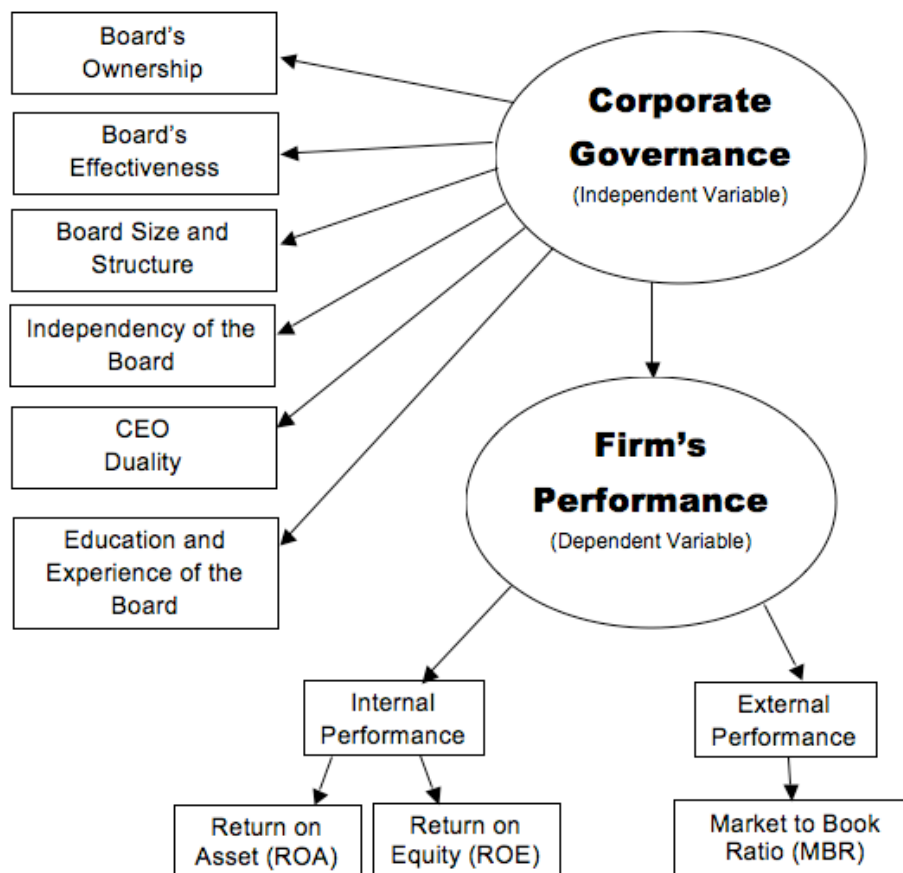
By firm's financial performance, it is referred to as measure the efficiency and effectiveness of organization internal as well external actions / operations. In

today's world, the performance of the organization is considered as the body of the organization because if the performance of a firm is well enough only than its growth would be enhanced. The performance of the firm can be seen from its financial statements which are reported by the company. Herly and Sisnuhadi (2011) stated that if the company is performing well it will support the management for quality disclosure of their operations. In order to get the growth in the organization, it needs to be measure as what the organization is performing currently which will bring out the gap needed to be filled to attain the objectives of the organization.

### 7.2.1 Measuring Firm's Financial Performance:

Basically the success of the firm is measured through its performance which is analysed through different tools and techniques. Many analyst uses different techniques for measuring the financial performance but most of the investors focused on the tool like Return on Equity and Return on Asset in order to ascertain the financial performance of the company, John H, S. Brown and L. Davison (2010).

### 8. Theoretical Framework:



## 9. Research Methodology:

The objective of the study is to measure the effect of corporate governance on Firm's financial performance by making a comparison of Pakistan (Developing Country) and USA (Developed Country). Corporate Governance is measure through Board's Ownership, Effectiveness, Size and Structure, Its Independency, CEO Duality and Board's education and Experience whereas the firm's financial performance is measure by the Return on Asset and Return on Equity for measuring internal performance and Market to Book Ratio (MBR) for measuring external performance of the organization.

### 9.1 Measuring Corporate Governance:

Instrument used for measuring the corporate governance is the questionnaire (given at appendix A) containing closed ended questions asked from Directors, Executives, Managers and Junior Managers of selected organization to gather the primary data for measuring the hypothesis of variables of corporate governance.

### 9.2. Measuring Firm's Financial Performance:

The firm's financial performance is measured through two aspects i.e. Internal Performance and External Performance.

#### 9.2.1 Measuring Firm's Internal Financial Performance:

For measuring the firm's internal financial performance, accounting tools were used i.e. Return on Asset and Return on Equity. ROA is the indicator as what profit the company is earning against its available resources i.e. Assets and ROE term indicates that how much the company is earning to the ratio of investment of shareholders. Both these indicators brings out the internal performance of the company and shows the earning aspect of the company.

$$ROA = \hat{\alpha}_0 + \hat{\alpha}_1 \text{Boardsize} + \hat{\alpha}_2 \text{Board Structure} + \hat{\alpha}_3 \text{CEO Duality} + \hat{\alpha}_4 \text{Board Education} + \hat{\alpha}_5 \text{Board Experience} + \hat{\alpha}_6 \text{Board Ownership} + \hat{\alpha}_7 \text{Board Effectiveness} + \hat{\alpha}_i$$

$$ROE = \beta_0 + \beta_1 \text{Boardsize} + \beta_2 \text{Board Structure} + \beta_3 \text{CEO Duality} + \beta_4 \text{Board Education} + \beta_5 \text{Board Experience} + \beta_6 \text{Board Ownership} + \beta_7 \text{Board Effectiveness} + \beta_i$$

Where  $\hat{\alpha}_0$  and  $\beta_0$  are the constant and  $\hat{\alpha}_i$  &  $\beta_i$  referred to as infinite number of variables.

#### 9.2.2 Measuring Firm's External Financial Performance:

Firm's external financial performance is measure by comparing its market value of share from its book value of the share. Book value of the share is determined by dividing total shareholder equity with total outstanding share. For analyzing Tobin's Q formula / technique of measuring Market to Book Value is used in

which the book value is compared from its market value (the price at which the share is being traded). In order to ascertain the Market to Book Ratio, book value is divided by market value, gives market to book ratio of the company. This MBR identifies that either the share is overvalued or it is undervalued which shows its future direction or movement of the price.

### **9.3 Population Size:**

The population of the study is categorized as under:

- All listed companies of Karachi Stock Exchange (KSE)
- All listed companies of New York Stock Exchange (NYSE)

### **9.4 Sample Size:**

The selected sample from the population of the study on the basis of availability of corporate governance data:

- 30 listed companies of KSE
- 30 Listed companies of NYSE (From the same sector as selected in KSE)

### **9.5 Instrument:**

For collecting information regarding the Corporate Governance, Questionnaire was drafted (Appendix - A). This questionnaire contains closed ended questions and made simplified for better understanding of the respondents.

### **9.6 Data Collection:**

Data from Pakistan obtained by physically floating of the questionnaire in listed companies of Pakistan and for USA, the questionnaire was floated online (due to non-reachable physically). For getting information / data related to the financial firm's performance, financial reports of 30 listed companies of Karachi Stock Exchange and 30 selected companies of New York Stock Exchange were downloaded for the period 2010 to 2015 from their official website. Each financial reports was studied for gathering the information like firm's total assets, equity, number of outstanding shares and book value of the share and compiled in the excel sheet for further analysis. Similarly for obtaining information about the market value of share, it has been obtained from Karachi Stock Exchange and New York Stock Exchange official website of last closing price as on period Dec 2010 to Dec 2015.

## **10. Data Analysis and Results:**

Questionnaire were floated to 50 respondents both for Pakistan and USA against which 45 respondents in respect of Pakistan and 33 respondents gave their comments on the online questionnaire in respect of USA. These responses were then analyzed through excel sheet which showed the following results.

### **10.1 Analysis of Data in respect of Pakistan:**

Pakistan being a developing country investigated in the study and found the data which is analyzed here under:

In the response 33% companies were relating to manufacturing area and the rest were from service industry which mostly includes the banking sector. It has been analyzed there is a direct relationship of Board's ownership with the corporate governance. Similarly direct relationship also exists for effectiveness of the board. This means that those firms who have strong ownership of the board they tend to have better power on the management. In respect of CEO Duality, mixed response has been seen the main reason for this is as the same person holds two position i.e. he is CEO and Chairman of the board at the same time, the person tends to take better decision because of complete interest and have the trust of the shareholders.

Other than the above, corporate governance codes are maintained only in listed companies but only in those who are not family owned business or those in which a family has the management control. Those companies which are owned by family, they tends to follow their own set procedures when corporate governance codes are conflicting with their SOPs.

### **10.2 Analysis in respect of USA:**

Pakistan being a developed country investigated in the study and found the data which is analyzed here under:

21% companies were from manufacturing, 53% companies from service industry and 26% were government owned firms from which respondents responded to the online questionnaire. Being a developed nation and better understanding and implementation of corporate governance codes / rules, this listed organization follow strict corporate governance codes. The entire variable has positive relationship with the firm's performance but Board Size has negative correlation. The reason for this is that if the board size is bigger than it will increase the conflict of interest and delay in the decision process. In order to overcome this aspect, then better qualified and experienced board which contains only the expert relating to all fields of work can take better and quick decisions as compared to the bigger board. Hence due to better alignment of firm's SOPs with Corporate Governance codes of USA, the performance of the firm's is better and sustainable.

### **11. Conclusion:**

The study compares / explores the relationship of corporate governance with firm's performance between the two countries i.e. Pakistan (a developing country) and USA (a developed country).

From the study it has been found that there are some similarities between the two countries which were used for investigation. However, corporate governance codes are being followed in both countries but it is better in the developed countries. In Pakistan, there are mostly family owned business in which they have their own set procedures. When these are in conflict with already drawn CG codes by SECP, these companies follows their own set procedure whereas in USA strict CG codes are being followed. The variables like Board ownership, Board Education & Experience, effectiveness and CEO Duality has positive relationship with the firm's performance but Board Size has negative correlation. The reason for this is that if the board size is bigger than it will increase the conflict of interest and delay in the decision process. In order to overcome this aspect, then better qualified and experienced board which contains only the expert relating to all fields of work can take better and quick decisions as compared to the bigger board.

The study also found that there is no relationship between independency of director with firm's performance. Hence due to better alignment of firm's SOPs with Corporate Governance codes of USA, the performance of the firm's is better and sustainable.

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# Investigation on Entrepreneurship Trends of Tourism Faculty Students

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## Abstract

It has become inevitable to come across with a new service approach, a new idea of business or a new discovery nowadays, so there is a global economy and its supporting platforms for the entrepreneurs to realize their business ideas and plans. In the study, it was aimed to identify the university students entrepreneurial tendency. Thus, "entrepreneurship" was tried to explained through literature review. In application part, the tourism faculty students at Gazi University and Eskişehir Osmangazi University were asked complete questionnaires online. In the questionnaire, it was verified that all of the items that are the results of the factor analysis carried out with "Basic Component Analysis" were collected in one dimension. The Cronbach's alpha reliability coefficient of the reliability scale was found to be 0.90 as the result of the reliability analysis. In the research, arithmetic average, standard deviation, independent t-test and Anova tests were used.

**Keywords:** Entrepreneurship, Tourism Faculty



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## **Introduction**

Entrepreneurship, as the driving force of economic, political and cultural life, increases the level of prosperity in the individual and social sense. The absence of the entrepreneurship culture in Turkey is due to the lack of production powers rather than shortages in the resources. It is not the richness of the natural resources, but the richness of the human resources that is determinant in overcoming the absence of production powers (Gürdoğan, 2008, p. 12).

While the economic value of the physical power of the human has rapidly been decreasing in the information societies, the economic value of intellectual labor has begun to increase at a faster pace (Balaban and Özdemir, 2008, p. 134). Accordingly, concepts such as innovation, taking risks, tolerance to the uncertain conditions, need for success and control center are frequently emphasized. The concept of entrepreneurship has been regarded as a fundamental factor in development and progress in every area (Bozkurt, 2006, p. 94).

Universities raise leaders, who are entrepreneurs and know how to innovate and take risks, and form networks with hundreds of managers rather than forming giant organizations governed by a single person; whether it is an organization in the public or private sector or a voluntary institution (Gürdoğan, 2008, p. 12). Entrepreneurship classes had mainly focused on engineering, business, economics, and etc.; however, today, it is known that entrepreneurship is a subject or lesson that should be given in all levels and branches of education regardless of the branch (Deveci and Çepni, 2015, p. 93).

Entrepreneurship, which has become increasingly important with increasing competition in free market conditions, has been encouraged by the possibilities, trainings and supports provided by the government along with the projects. Today, however, the programs that universities have under the name of entrepreneurship cause the entrepreneurship to emerge as a professional phenomenon and to be evaluated in an institutional structure. With this purpose, the universities organize a variety of activities and trainings, having an important place in the development of entrepreneurship characteristics of individuals.

Today, however, the entrepreneurship rates of the university graduates stay in a low level. While there are numerous causes for that, their self-perception of being insufficient in financial sense and their deficiencies in experience and personal characteristics are the main reasons. (Galloway and Brown, 2002, p. 400).

In order to prevent these reasons; universities must carry out activities related to the sustainability of the entrepreneurship culture and creativity, courses about business development and finance and etc., as well as the special training programs to develop individual skills (Klofsten, 2000, p. 338). To have successful entrepreneurs in a society and to increase the numbers of entrepreneurs, potential entrepreneurs, who have had entrepreneurship training and have the desire to become entrepreneurs should be directed to this field (İşcan ve Kaygın, 2011, p. 276). The purposes at this point are

students' starting their own initiatives and developing the skills of existing entrepreneurs (Rasmussen and Sorheim, 2006, p. 186).

Especially, in Turkey, it is very important to develop the students', who take the step to the university, entrepreneurial aspects and to equip them with the knowledge and skills that they will be able to realize their environments and potentials, change the problems into opportunities, and providing them to be able to take risks by raising them as encouraged people without suppressing their creativity (Titiz, 1999, p. 3).

The purposes of this study were to determine the factors affecting the entrepreneurship tendencies and interests of the university students, and to investigate the effect of demographic characteristics on these factors and to reveal the current dynamic structure. Within the scope of the research, a survey was performed with the students of Gazi University and Osmangazi University Tourism Faculties.

### ***Entrepreneurship***

Entrepreneurship has been one of the topics studied by many theoreticians due to its positive contributions to economic and social life, in every period of human history. The word entrepreneurship is derived from the word entrepreneur, which is based on the French word "enterprise" (Kantur, 2007, p. 133).

The widely known definition of entrepreneurship was first made by Richard Cantillon (Döm, 2008, p. 1). Cantillon explains entrepreneurship by evaluating entrepreneurship on a scientific ground with the ability to take risks; as being the person, who organizes the activities and undertakes the risks due to the uncertainty environment with the purpose of making profit (Hébert and Link, 1988, p. 33).

Since the French economist JB Say, entrepreneurship has been regarded as the fourth factor of production. Thus, the entrepreneurship is included in the classical factors of production, which are labor, capital and nature (Müftüoğlu and Durukan, 2004, 6). In the 18<sup>th</sup> century, Jean Batiste Say states that entrepreneurship emerged as the result of "accepting good or bad chances of production in advance" (Say, 1972, transcribed by Alada, 2001, p. 49). Marshall's concept of entrepreneur defines entrepreneurship as the realization of management activities and the production of goods and services together with the innovations, in the basic sense (Praag, 1999, p. 319; Glancey, 2007, p. 6). In other words, the entrepreneur manages the production processes, coordinates the labor and capital resources by taking the risk of uncertainty (Kılıç and Aydın, 2015, p. 148).

Another person contributing to entrepreneurship literature is Max Weber. Weber defines entrepreneurship in a capitalist structure as "an action based on profit opportunities" and a "person seeking for profit" (Weber, 2015, p. 17-18). Joseph Schumpeter describes the entrepreneur by constructing the definition on the concept of "innovative", as a person who takes risk, innovates and leads this process with the aim of making profit (Arıkan, 2004, p. 7-8, Kızılkaya, 2005, p. 39, Döm 2008, p. 4). Frank Knight, who has made a significant contribution to the theory of entrepreneurship, describes a successful entrepreneur by being successful undertaking the uncertainties and in judicial decision-making, by revealing the difference between risk and uncertainty (Praag, 2007, p. 322).

Since there are different definitions of entrepreneurship, while Schumpeter, Baudeau, Bentham, Schmoller, Sombart, Thünen, and Weber have suggested the entrepreneur as innovative, Say did not approach in the same way (Ripsas, 1998, p. 106; Turan, et al, 2015, p. 922). While Mil, Knight, Hawley, Shackle, Thünen, Mises, Cole and Cantillon emphasized “taking risks” in their discourses, Say, Saint-Simon, Amasa Walker, Francis Walker, Weber, Clark, Davenport, Schumpeter, and Coase stressed “Leadership”, Knight and Cantillon stated “creating opportunities from uncertainties”, Kirzner, Kirchoff and Leibenstein expressed “creating opportunities in the market”, Cole, Cantillon and Say addressed “organizing the business”, Smith stated “capitalist”, Menger, Kynnes and Mises, Marshall and Say highlighted “manager”, Say, Walras, Wieser, Schmoller, Sombart, Weber, Clark, Davenport, Schumpeter, and Coase stressed “organization and coordination”, Cantillon Menger, Marschall, Wieser, Amasa Walker, Francis Walker, Keynes, Kynnes, Mises, Shackle, Cole, and Schultz emphasized “decision-maker” (Hébert and Link 1988, p. 152, Ripsas, 1998, p. 106)

The concept of entrepreneurship, which has been changing and evolving with time, is defined as taking more risks, catching up with innovations, making use of opportunities and realizing all of them (Keleş, et al, 2012, p. 108), creating values that have economical, sociological and psychological revenues and require special effort (Wennekers and Thurik, 1999, p. 7) and a process of deciding on the use of resources by perceiving economic opportunities, revealing new opportunities, presenting ideas to the market, and considering ambiguity and other obstacles together with those, by an individual or via a teamwork Wennekers and Thurik, 1999, p. 46)

In the broadest terms, entrepreneur is the innovative person who determines opportunities and developments in the market, transforms market opportunities and changes into business ideas, takes risks and combines the labor, capital and natural resources, which are production factors, and is able manage an enterprise successfully (Tekin, 2004, p. 4).

As it may be seen, it is not possible to make a single definition of entrepreneurship. The reason for this is that the entrepreneurship is a dynamic structure and it is constantly changing (Bilge ve Bal, 2012, p. 133). However, the common point of the definitions about the entrepreneur is that the entrepreneur is able to see the opportunities that others cannot see and turn them into business ideas, and he/she is prone to take risks (Akat et al, p. 1997, p. 13).

Therefore, not taking risks is not a matter of question in entrepreneurship. However, the biggest mistake that is made in this process is to act individually in environments where innovative thinking does not exist. Entrepreneurship not only involves exposing the new one but also making appropriate investments with little risk by acting together.

The factors that are effective in entrepreneurship have changed in parallel with the characteristics of the current period. With this change, the answers given to the question of who the entrepreneur is and what characteristics he/she should carry have also been differentiated (Arıkan, 2002). For example, the personal characteristics of entrepreneurs are expressed as being open to innovation, prone to risk-taking, creative,

talented and opportunity oriented (Cansız, 2007, p. 28), recognizing the opportunities, motivated for success (Hartman, 1959), having optimism, success, power, honesty (McClelland, 1961), motivated for success, internal control (Durand, 1975), having success, autonomy, aggressiveness, independence, leadership (DeCarlo and Lyons, 1979), being prone to taking risks (Brochous, 1980), having ambition and discipline, motivation for success, (Hisrich and O'Brien, 1981), as the results of various researches (McClelland, 1961; Durand, 1975; DeCarlo and Lyons, 1979; Brochous, 1980; Hisrich and O'Brien, 1981; Gartner, 1988, 51-55).

Despite the fact that the characteristics of an entrepreneur are mentioned in many studies, it is difficult to see and construct a list of features, which is generally accepted in the literature. However, from the personal point of view; ambition for a high success, autonomy and influence, tolerance for uncertainty, high risk-taking tendency, compliance and flexibility, self-respect, self-confidence and opportunism (McClelland, 1961; Brush, 1992; Schein et al., 1996; Schwartz 1997; Hirsch and Brush, 1987; Buttner and Moore, 1997; Cuba et al., 1983; Rosa et al., 1994; Kirzner, 1973, 1979, 1997, 1999, transcribed by , Etemad, 2004, p. 18) can be expressed as the common characteristics of entrepreneurship stated by the scientists who had performed researches in this subject.

Entrepreneurship is a fundamental mechanism in the characteristic of the assurance of the creation and dissemination of prosperity that constitutes the focus of the theory of economy (Gürol, 2000, p. 68). Entrepreneurs constantly encounter with doubt and stress (Kuyan, 2007, p. 41). However, there are many benefits of being an entrepreneur or the entrepreneurship at an individual, institutional, regional, national and international scale (Gürer, et. al, 2014, p. 14) Therefore, entrepreneurship, which is the key to the social structure and development of the society, should be improved by providing the necessary infrastructure in every area.

## **Method**

The purpose of this research is to determine the interests of the university students in entrepreneurship and the level of this interest. The data used in the research were obtained through questionnaires. Sampling method was used to reveal the interests of the Gazi University Tourism Faculty and Osmangazi University Tourism Faculty students in entrepreneurship. In the study, online surveys were conducted on platforms, where the students had been signed up. The final set of samples used in the study consisted of 209 individuals. The questionnaire that was used consisted of two parts. In the first part, there were 9 questions in order to learn the demographic structure of the respondents. In the second part, there were 36 expressions with 5 point likert scale in order to measure the perceptions and attitudes of the participant students regarding entrepreneurship. The answers to the propositions were given from "1. Never" to "5. Very frequently". The propositions used in the questionnaire were taken from the study of Yılmaz and Sünbül named as "development of an entrepreneurship scale for university students" ( Yılmaz and Sünbül, 2009, p. 202-203).

Miller has used the word "entrepreneur" for the companies that have the tendency of taking risk, innovation and being proactive. These sub-dimensions do not explain a variance that is independent from each other, which means that individuals who do

not show the tendency of taking risk, innovation and pro-active behaviors spontaneously, cannot be regarded as entrepreneurs (Covin, et al, 2006, transcribed by Wasti and Fis 2009, p. 143). This study has been evaluated on one dimension in this respect.

In the questionnaire, it was verified that all of the items that are the results of the factor analysis carried out with "Basic Component Analysis" were collected in one dimension. The Cronbach's alpha reliability coefficient of the reliability scale was found to be 0.90 as the result of the reliability analysis. In the research, arithmetic average, standard deviation, independent t-test and Anova tests were used. A statistics program pack was used to analyze the data. The following criteria were developed for the evaluation of the entrepreneurship levels of the students (Yılmaz and Sünbül, 2009, p. 198)

The following criteria were taken as the basis in the evaluation of entrepreneurship scores.

36-64	Very low level of entrepreneurship
65-92	Low level of entrepreneurship
93-123	Moderate level of entrepreneurship
124-151	High level of entrepreneurship
152-180	Very high level of entrepreneurship

## Findings

**Table - 1:** Distribution of the Students about the Variables of University, Class, Graduation, Age, Gender and Entrepreneurship Training

Variables	Categories	N	%
<b>University</b>	Gazi	113	54.1
	Osmangazi	96	45.9
<b>Class</b>	1 <sup>st</sup> Class	21	10
	2 <sup>nd</sup> Class	27	12.9
	3 <sup>rd</sup> Class	71	34
	4 <sup>th</sup> Class	81	38.8
	5 <sup>th</sup> Class and over	9	4.3
<b>Graduation</b>	Regular High School	67	32.1
	Anatolian High School	44	21.1
	Vocational High School	26	12.4
	Anatolian Vocational High School	70	33.5
	Open High School	2	1
	Aged 18-20	51	24.4
	Aged 21-23	138	66



<b>Age</b>	Aged 24-26	15	7.2
	Aged 26-30	4	1.9
	31 and Over	1	0.5
<b>Gender</b>	Female	83	39.7
	Male	126	60.3
<b>Entrepreneurship Training</b>	Yes	89	42.6
	No	120	57.4
<b>Number of People in Family Working as Paid Employees</b>	None	26	12.4
	1	96	45.9
	2	66	31.6
	3	19	9.1
	4	2	1
<b>Variables</b>	<b>Categories</b>	<b>N</b>	<b>%</b>
<b>Number of People in Family Working for Their Own Account</b>	1	67	32.1
	2	23	11
	3	11	5.3
<b>Career Goal</b>	Teacher	48	23
	Academician	38	18.2
	Public Officer	22	10.5
	Private sector	42	20.1
	Own Business	59	28.2
<b>Total</b>		<b>209</b>	<b>100</b>

When the distribution of the students, who participated in the survey, according to the variable of the university they studied, 54.1% of them were from Gazi University and 45.9% of them were from Osmangazi University. In the distribution according to the variable of the class that the students were attending in the Tourism Faculties, where the research was carried out, 10% of them was at 1<sup>st</sup> year; 12.9% of them was at 2<sup>nd</sup> year; 34% of them was at 3<sup>rd</sup> year; 38.8% of them was at 4<sup>th</sup> year; and 4.3% of them was at 5<sup>th</sup> year and above. According to the data regarding the educational institutions that the participant students had been graduated, it was seen that 32.1% of the students were graduated from Regular High Schools, 21.1% of them were graduated from Anatolian High Schools, 12.4% of them were graduated from Vocational High Schools, 33.5% of them were graduated from Anatolian Vocational High Schools, and 1% of them were graduated from Open High Schools.

In the distribution of the variable of ages of the university students, 24.4% of the students were aged between 18 and 20 years; 66% of them were aged between 21 and 23 years; 7.2% of them were aged between 24 and 26 years, 1.9% of them were aged between 26 and 30 years, and 0.5% of them were aged 31 years or older. When the distribution of the variable of the gender of the students participating in the survey was examined, 39.7% of them were identified as females and 60.3% of them were male.

When the distribution according to whether the students participating in the research had entrepreneurship training was examined, 42.6% of them were determined to have previously had entrepreneurship training; and 57.4% of the respondents had not received entrepreneurship training.

When the distribution of the numbers of the paid employees in the families of the students participating in the survey was examined, 12.4% of them had no one in the family, 45.9% had one person, 31.6% had two persons, 9.1% had 3 persons, and 1% had 4 persons in their family. Looking at the distribution of the number of self-employed people in the family of the students participating in the survey, 51.7% 1 person of 32.1%; 11% of 2 people; It is seen that 5.3% of them are 3 persons. In the tourism faculties, where the research was carried out, when the students were asked about their career goals at the end of the university, 23% of them were planning to be a teacher, 18.2% of them were planning to be an academician, 10.5% of them were planning to be a public officer, 20.1% of them were planning to be in the private sector, and 28.2% of them were planning to open their own businesses.

**Table-2:** Difference Analysis between Entrepreneurship Levels and University Variable

University	N	W. Avg	SD	t	p
Gazi University	113	146.115	17.75	0.016	0.609
Osmangazi University	96	139.990	18.59	0.016	0.609

Considering whether there is a differentiation in terms of levels of entrepreneurship regarding the variable of universities of the participating sample group, it was seen that there was no significant difference in the level of 0.05. While the weighted average of Gazi University students was 146.115 and the weighted average of Osmangazi University students was 139.990; it can be stated that the tendency of entrepreneurship is “High Level of Entrepreneurship”, which is between 124-151.

**Table - 3:** Variance Analysis between Entrepreneurship Levels and the Classes of the Students

Class	N	W. Avg.	SD	F	p
1 <sup>st</sup> Class	21	145.619	22.31	0.138	0,968
2 <sup>nd</sup> Class	24	144.185	15.55		
3 <sup>rd</sup> Class	71	142.535	17.98		
4 <sup>th</sup> Class	81	142.988	18.87		
5 <sup>th</sup> Class and over	9	144.111	17.78		

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of their classes, there was no significant difference in 0.05 significance level. The weighted averages of the students were as 145.619 in Class 1; 144.185 in Class 2; 142,535 in Class 3; 142.988 in

Class 4, and 144.11 in Class 5 and over for their entrepreneurship tendencies, and as these averages were between 124 and 151, it can be called as “High Level of Entrepreneurship”.

**Table - 4:** Variance Analysis between Entrepreneurship Level and Graduation Status

<b>Graduation Status</b>	<b>N</b>	<b>W. Avg.</b>	<b>SD</b>	<b>F</b>	<b>p</b>
Regular High School	67	141.761	19.52		
Anatolian High School	44	146.295	19.51		
Vocational High School	26	145.307	15.37	2.754	0.029
Anatolian Vocational High School	70	143.242	16.55		
Open High School	2	105.000	12.72		

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of their graduated high schools, there was a significant difference in 0.05 significance level. The weighted averages of the students were 141.761 for Regular High School; 146.295 for Anatolian High School; 145.307 for Vocational High School; 143.242 for Anatolian Vocational High School, and as these averages were between 124 and 151, it can be called as “High Level of Entrepreneurship”. However, with an average of 105.000, it can be seen that Open High School graduates tend to be in “Moderate Level of Entrepreneurship ”

**Table - 5:** Variance Analysis between Entrepreneurship Level and Age

<b>Age</b>	<b>N</b>	<b>W. Avg.</b>	<b>SD</b>	<b>F</b>	<b>p</b>
Aged 18-20	51	143.960	18.05		
Aged 21-23	138	142.833	18.11		
Aged 24-26	15	150.200	21.16		
Aged 26-29	4	124.750	11.81	1.61	0.173
30 and Over	1	145.000	18.36		

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of their ages, there was no significant difference in 0.05 significance level. The weighted averages of the students were between 143.960 for ages of 18-20 years; 142.833 for ages of 21-23 years; 150.200 for ages of 24-26 years; 124.750 for ages of 27-29 years, and 145.000 for ages of 30 years and above, and as these averages were between 124 and 151, it can be called as “High Level of Entrepreneurship”.

**Table - 6:** Variance Analysis between Entrepreneurship Level and Gender

<b>Gender</b>	<b>N</b>	<b>W. Avg.</b>	<b>SD</b>	<b>F</b>	<b>p</b>
Female	83	145.506	17.54	0.159	0.159
Male	126	141.000	18.80	0.154	

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of their genders, there was no significant difference in 0.05 significance level. The weighted averages of the students were 145.506 for females; and 141.000 for males, and as these averages were between 124 and 151, it can be called as “High Level of Entrepreneurship”.

**Table 7:** Variance Analysis between Entrepreneurship Level and Number of People Working on Their Own Account

People Working on Their Own Account in the Family	N	W. Avg.	SD	F	p
None	108	139.472	18.20		
1 person	67	148.194	17.09		
2 people	23	144.087	19.81	3.710	0,012
3 People	11	149.454	17.60		
4 people	0				

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of the number of people working on their own account, there was a significant difference in 0.05 significance level. The weighted averages of the students were between 124-151 for “None and 1, 2, 3 and 4 people” and it can be said that they are at a “High Level of Entrepreneurship”, and there is no student that has 4 people working on their own account.

**Table - 8:** Variance Analysis between Entrepreneurship Level and Career Goal

Career goal	N	W. Avg.	SD	F	p
Teacher	48	140.229	20.57		
Academician	38	143.394	18.58		
Public Officer	22	137.318	16.79	2.932	0.022
Private sector	48	140.229	20.57		
Own Business	38	143.394	18.58		

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of the career goals, there was a significant difference in 0.05 significance level. The weighted averages of the students were 140.229 for being a teacher; 143.394 for being an academician; 137.318 for being a public officer; 141.000 for being in the Private Sector and 149.610 for being in their own businesses; and as these averages were between 124 and 151, it can be called as “High Level of Entrepreneurship”.

## Results

When the distribution of the students according to the variable of the university they studied was examined within the framework of the research; total of 209 questionnaires were applied to the students, of which 45.9% were from Osmangazi University, 54.1% were from Gazi University. It was aimed to determine entrepreneurship levels of

students in the light of the obtained data. The data obtained in the analyzes, which were performed by comparing with the independent variables;

Considering whether there is a differentiation in terms of levels of entrepreneurship regarding the variable of the universities of the participating sample group, it was seen that there was no significant difference in the level of 0.05. While the weighted average of Gazi University students was 146.115 and the weighted average of Osmangazi University students was 139.990; it can be stated that their tendency is “High Level of Entrepreneurship”, which is between 124 and 151. In the study of Ballı and Ballı (2014), called as “Individual Values and Entrepreneurship Tendencies of University Students”, it is also seen that the students show a high level of entrepreneurship tendency.

A differentiation in entrepreneurship tendencies was not determined in terms of the variable of the class level in which the sample group had been studying. When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of their graduated high schools, a significant difference was observed. It was seen that the entrepreneurship tendency of open high school graduates was low. This data enables us to reach the result that the quality of education affects the entrepreneurship training and its level.

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of their ages, there was no significant difference in 0.05 significance level. Kırılmaz (2013), in the “Research on the Determination of Entrepreneurship and Transformational Leadership Perceptions of Social Entrepreneurs”, could not find a significant difference in the perceptions of entrepreneurship, transformational leadership and social entrepreneurship of the social entrepreneurs, according to the ages, in the way that supports our study.

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of their genders, there was no significant difference in 0.05 significance level. When the entrepreneurship tendency of the students is examined by gender, it is seen that females (145,506) have a higher level of entrepreneurship level than males (141,000).

These results was as, 66.9% (240) of female students and 72.2% (156) of the male students showed high and very high entrepreneurship tendency, according to the findings of Köksal and Penez (2015)'s study named “An Analysis on the Demographic Characteristics and Sector Preferences of Young People with High Tendencies of Entrepreneurship in the Universities”. Today it is seen that women are in a more productive situation and will have a higher share in the economy with national and international supports.

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of the number of people working on their own account, there was a significant difference, in 0.05 significance level. Yüzüak (2010) concluded that having an entrepreneur in the family, educated parents and training of entrepreneurship influences the entrepreneurship tendency, in the study named "Factors Affecting the Entrepreneurship Tendencies of Female Students Who Study at Universities"; and this result also supports our study. At the same time, Duygulu (2008) emphasizes that there is a relationship between the situation where

there are individuals doing their own work in the family and the entrepreneurship attitude of the individual.

In other words, it was observed that the median value of the entrepreneurship level scores was 158.00 for the students who had a family business, and 94.41 for the families without a family business. When the entrepreneurship level scores were evaluated according to Yilmaz and Sünbül's criteria, it was observed that the entrepreneurship levels of the students with family business were "very high" and the entrepreneurship levels of the students without family business were "moderate".

When the differentiation of the entrepreneurial tendencies of the sample group participating in the study was evaluated in terms of the variable of career goals, it is seen that, there was a significant difference. It is observed that the tendency of entrepreneurship of students who want to work in the public sector is lower than those who want to work in the private sector.

The extension of the working sample group and its application to different departments with more universities can be suggested for those who want to do research on the subject.

In addition, it is evaluated that, the fact that the level of entrepreneurship in women is higher than men is quite remarkable. With the help of data obtained from this study, it will be useful to study entrepreneurship levels among university graduates and to determine the characteristics of existing entrepreneurs, as well as performing studies aimed at contributing in the enhancement of entrepreneurship in the society and identifying factors other than financing that prevent entrepreneurship.

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