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# Recruitment And Selection Criteria Of NMB Bank PLC Branches In Mbeya Region: An Assessment Of Influence On Performance In Financial Institutions In Tanzania

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## Abstract

The paper assessed the contribution of recruitment and selection criteria on the performance of financial institutions in Tanzania, particularly NMB branches in Mbeya Region. The influence of education qualifications, work experience, and job related skills on the performance of NMB banks was also examined. A mixed approach adopted in a case study design was employed with questionnaires and semi structured interviews used as survey instruments; probability sampling was employed to select a representative sample from each stratum, from which a sample size of 100 bank staff that informed the study was obtained. Descriptive statistical methods were adopted to analyze data obtained from respondents, while SPSS version 20 and excel Microsoft application were used to process data. Results indicate that job related skills have a significant influence on organization performance as evidenced by a correlation coefficient of 0.666, education levels similarly influence organisational with a correlation coefficient of 0.661 and so does employee work experience with a coefficient value of 0.487. It is therefore recommended as per findings that banks should sufficiently apportion part of the organisational budget to employee retention and training programs to enhance their performance.

**Keywords:** Recruitment, Selection, and Performance



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## **Introduction**

### **Background to the Problem**

In the last decade, organizations especially in Africa have been hit with the undisputable fact that the realisation of a competitive advantage significantly lies in human resources (Boxall, 2007). According to Wright and Snell (1991), human resource is the backbone and the most imperative organizational asset as it manipulates all other resources to function according to stipulated plans in an effort realize organizational goals.

It is recommended that proper staffing is critical if firms are to establish and retain a competitive advantage through strategic recruitment and selection (Wright and Snell, 1991). According to Rue and Byars (2004), recruitment is a process that involves seeking and attracting potential personnel for job vacancies and selection. On the other hand, Rue and Byars (2004), defined selection as the process of choosing from among available applicants, the individuals who are most likely to successfully execute a job. The process is dependent on proper human resource planning and recruitment. Only when an adequate pool of qualified candidates is available can the selection process function effectively. Selection is one of the most important functions of HRM because wrong employee selection enormously hampers organizational performance (Dessler, 2005).

Recruitment and Selection are major HRM functions that provide a solid foundation for HRM practices and its integration to business is critical to organizational performance (Dressler, 2005). Huselid (2005) notes that, the success of both public and private sector organisations mostly depends on the effective and efficient use of recruitment and selection processes, considering that staffs transform organizational visions and missions into reality. Thus, the objectives of any organization can only be realized through the effective co-ordination of organizational human resources.

In Tanzania, the recruitment and selection processes of most financial institutions are poorly conducted thus undermining performance (Mboma, 2006). Despite of the existing guidelines, effective recruitment, and selection in the country is challenged by recruitment on the basis of 'technical know who' as opposed to the much recommended 'technical knowhow' (Mboma, 2006). Shangali (2009) stresses that, despite the continuous improvement in adherence to the rules, regulations and procedures, governing merit based recruitment by the Appointing Authorities and employers, non-compliance on the part of some Appointing Authorities and employers particularly to rules, regulations, and procedures remains existent.

## **Literature Review**

### **Educational Qualifications and Organizational Performance**

The extent to which organizations perform or achieve organizational objectives is a function of staff competence (Kasika, 2015). An employer selecting from a pool of job applicants desires candidates with the right abilities and attitudes to enhance organizational performance (Ivancevich, 2004). As such, employers hire and strategically place people in various positions based on educational qualifications with the expectation of exquisite performance (Kasika, 2015). One of the most common cost-effective ways to screen for desirable abilities is by using educational qualifications as a surrogate for the measures of such abilities (Ivancevich, 2004). A positive relationship has been established between educational qualifications and employee performance (Gede and Lawanson, 2011).

The higher the educational level, the more are the effects of education on job performance skills. As such, peoples' ability to understand and use advanced technology is determined by the level

of their education. Educated workers tend to be more responsive in receiving instructions, executing new tasks and easily adapt new technology thus, increasing their ability to innovate and improve job performance (Kasika, 2015). However, the main factors that may impede the positive effects of educational qualifications on job performance at the workplace include; quality of the work environment, organizational structure, and processes, a mismatch of employee post assignments with their qualifications and lack of an incentive system.

### **Work experience and Organizational Performance**

Gede and Lawanson (2011), concur that work experience is imperative to the enhancement of employee performance. Giniger et al (1983) additionally found that it leads to employees' stability, desirable work attitude, mature judgment, and reduced negative work behaviours like absenteeism. Experienced employees possess internalized beliefs, values, and job expectations unique to their occupations, which results in effective socialization (Ivancevich, 2004). It is also noted that employees with experience assess their weaknesses more realistically (Hausman, Crow and Sperry, 2000). Knowledge and skills gained from previous related work experience improve employees' productivity, self-efficacy, response time to work-related challenges and hence leads to enhanced work Performance (Beyer and Hannah, 2002). Controversy however, organizations must have a rational basis for defining "relevant experience" considering that not all previous experiences are equally good predictors of performance on a given job (Ivancevich, 2004).

### **Job Skills and Organizational Performance**

Hogan and Warrenfelz (2003) defined work skills also known as job skills as competencies and behaviours that involve direct interaction such as communicating and establishing functional relationships with others. This skill includes working as a team to complete a project or solve a problem, facilitating group interactions, leading and listening to others. According to Dessler (2005), a significant amount of research studies have examined the skills and qualities employers value most in job applicants and most studies establish that; education qualifications, work experience, communication and job skills are the most frequently identified qualities.

Gist, Stevens and Baveta (1991) found that many complex tasks in organizations require job skills which include communication, teamwork, problem solving, initiative, planning, learning and technology use, they further established that direct confrontation, and conflict resolution, can be solved by applying knowledge and skills gained from prior related work experience. Furthermore, Kersley et al (1997) highlights that most employees fail because of inadequate job skills, and the inability to communicate with colleagues. Rastogi (2000) found a link between job skills and better organizational performance, higher productivity and profitability. Moreover, relevant job skills were found to increase organizational productivity while reducing conflicts. On the contrary, insufficient job skills lead to various managerial performance dilemmas such as turnover, lack of commitment, absenteeism and sabotage (Carmeli, 2003).

### **Methodology**

A mixed method approach in a cross sectional descriptive study design was adopted. This design facilitated the description of the role of education qualifications, work experience and job skills as they relate to bank employee performance. Probability sampling methods were used to draw a sample of 100 bank employees from the population. Data were collected using structured questionnaires and semi structured interviews. Descriptive statistics were used to analyze data collected from respondents and SPSS version 20 and excel Microsoft application

was used to process data. Relationships between variables were established using correlation coefficient statistical calculations.

**Results**

**Demographic Information**

**Respondents’ gender**

Since it was imperative to obtain data from both genders, both female and male NMB bank employees informed the study and gender statistics are as shown on Table 1 below.

**Table 1 Gender of respondents**

|        | Frequency | Percent |
|--------|-----------|---------|
| Male   | 67        | 67.0    |
| Female | 33        | 33.0    |
| Total  | 100       | 100.0   |

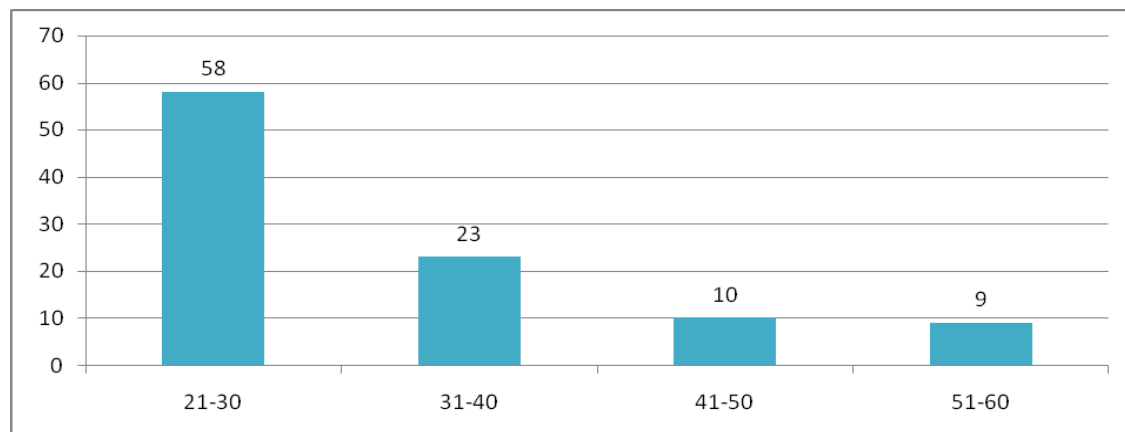
**Source: field data (2017)**

As depicted on table 1 above, out of the 100 respondents who informed the study, the majority 76(76%) were male while the minority 33 (33%) were female. This depicts that male employees are the majority in NMB banks in comparison to their female counterparts.

**Respondents’ age**

Figure 1 below shows respondents’ age categories particularly those who filled in questionnaires that assessed the contribution of Recruitment and Selection criteria on performance of Financial Institutions in Tanzania

**Figure 1: Age of respondents**



**Source field data (2017)**

As presented on Figure 1 above, 58% of respondents ranged in the age category 21-40, 23% were in the category 41-65, 10% were aged 41-50 while 9% were aged 51-60. These findings imply that the majority of NMB employees are relatively young adults with minimal experience, although more likely to explore with new technology.



### Respondents' education levels

In order to determine the influence of education level on employee job performance in NMB bank, respondents' education levels were established and findings are as depicted on table 2 below:

**Table 2 Respondents' education levels**

|                   | Frequency | Percent |
|-------------------|-----------|---------|
| Bachelor level    | 65        | 65.0    |
| Master level      | 7         | 7.0     |
| Diploma level     | 14        | 14.0    |
| Certificate level | 14        | 14.0    |
| Total             | 100       | 100.0   |

**Source: field data (2017)**

As shown on table 2 above, 65% of respondents are bachelor degree holders; 14% are diploma and certificate holders, while 7% masters' degree holders. This implies that the majority of employees at NMB bank are first-degree holders, which is sufficient for effective job performance in the bank and as Ruzevicius (2006) puts it, the quality of knowledge and level of education has a significant positive impact on job performance.

### Respondents' work experience

The distribution of respondents in reference to their tenure of service was also established and findings are as shown on Table3 below.

**Table 3 Respondents work experience**

|                           | Frequency | Percent |
|---------------------------|-----------|---------|
| Less than five years      | 61        | 61.0    |
| Between five to ten years | 19        | 19.0    |
| Above ten years           | 20        | 20.0    |
| Total                     | 100       | 100.0   |

**Source: field data (2017)**

As shown on table 3 above, 61% of respondents have less than 5 years of work experience while 19% have at least 10 years of work experience. Finally, 20% have worked for NMB for over 10 years. This implies that while the majority of NMB employees have limited work experience, which may affect their work performance, the bank also has a sufficient number employees with at least 10 years of work experience and above that can be resourcefully used as mentors for their counterparts with limited experience.

**The contribution of academic qualifications to NMB employee performance**

To assess the role of academic qualification on the performance of NMB employees, several questions were posed and respondents were required to state their agreement, disagreement or neutrality in reference to posed statements and findings are as indicated on Table 4 below;

**Table 4: The contribution of academic qualifications to NMB employee performance**

|  | <b>Strongly Disagree</b> | <b>Disagree</b> | <b>Neutral</b> | <b>Agree</b> | <b>Strongly Agree</b> |
|--|--------------------------|-----------------|----------------|--------------|-----------------------|
|  | Percentage (Frq)         | Per (Frq)       | Per (Frq)      | Per (Frq)    | Per (Frq)             |
| Mastery of work can only be obtained from highly educated employees  | 29(29.0)                 | 10(10.0)        | 14(14.0)       | 27(27.0)     | 20(20.0)              |
| Possession of work skills increases the quality of work  | 1(1.0)                   | 3(3.0)          | 12(12.0)       | 52(52.0)     | 32(32.0)              |
| Ability to work independently increases when employees have the right qualification                        | 7(7.0)                   | 4(4.0)          | 14(14.0)       | 42(42.0)     | 33(33.0)              |
| Employees' ability to understand and use advanced technology is determined by the level of their education | 2(2.0)                   | 4 (4.0)         | 35(35.0)       | 47(47.0)     | 12(12.0)              |
| Highly educated employees are the source of innovative ideas   | 2(2.0)                   | 29(29.0)        | 14(14.0)       | 21(21.0)     | 34(34.0)              |
| Educated employees are the source of competitive advantage   | 8(8.0)                   | 4(4.0)          | 34(34.0)       | 34(34.0)     | 20(20.0)              |
| Educated workers tend to be more responsive in receiving instructions and perform new tasks easily         | 4(4.0)                   | 18(18.0)        | 17(17.0)       | 32(32.0)     | 29(29.0)              |
| Service diversification is the outcome of employees who are highly educated                                | 20(20.0)                 | 11(11.0)        | 14(14.0)       | 27(27.0)     | 28(28.0)              |

**Source: field data (2017)**

Table 4 above indicates that 47% of respondents agreed that mastery of work can only be obtained through highly educated workers, 84% of respondents concur that possession of work skills increases the quality of work; 75% agree that the ability to work independently increases when employees have appropriate qualifications. Moreover, 59% of respondents agreed with the statement “*Employees ability to understand and use advanced technology is determined by the level of their education*”.

Furthermore, 55% agreed that highly educated employees are the source of innovative ideas while 54% agreed that competitive advantage could only be achieved through highly educated employees. Moreover, 61% agree that educated workers tend to be more responsive in receiving instructions and performing new tasks easily. Lastly, 55% of respondents agreed that service diversification is attributed to highly educated employees.

**The contribution of work experience to NMB employee performance**

To assess the role of work experience on the performance of financial institutions, several questions were posed and respondents were required to state their agreement, disagreement or neutrality in reference to posed statements and findings are as indicated on Table 5 below;

**Table 5 Role of work experience on the performance of NMB**

|  | <b>Strongly agree</b> | <b>agree</b> | <b>Neutral</b> | <b>Disagree</b> | <b>Strongly disagree</b> |
|--|-----------------------|--------------|----------------|-----------------|--------------------------|
|  | Percentage (Frq)      | Per (Frq)    | Per (Frq)      | Per (Frq)       | Per (Frq)                |
| Experienced employees the source of innovative ideas   | 55(55.0)              | 30(30.0)     | 8(8.0)         | 2(2.0)          | 5(5.0)                   |
| High level of experience increases the chances of providing quality services   | 49(49.0)              | 36(36.0)     | 11(11.0)       | 1(1.0)          | 3(3.0)                   |
| Experienced employees meet deadlines   | 24(24.0)              | 18(18.0)     | 38(38.0)       | 14(14.0)        | 6(6.0)                   |
| Experience promotes employee confidence and allows staff to work under minimum supervision   | 30(30.0)              | 52(52.0)     | 5(5.0)         | 8(8.0)          | 5(5.0)                   |
| The level of creativity and innovation which leads to the invention of new products and services can be obtained through experienced employees | 31(31.0)              | 13(13.0)     | 46(46.0)       | 2(2.0)          | 8(8.0)                   |

**Source: field data (2017)**

As depicted on table 5 above, 85% of respondents agreed that experienced employees are the source of innovative ideas and increased chances of quality service provision, 42% agreed that experienced employees meet deadlines while 85% agreed that, work experience improves employees’ confidence and allows staff to work under minimum supervision. Finally, 46% of respondents agreed that the high level of creativity and innovation, which leads to the invention of new products and services, could be achieved through experienced employees.

**The contribution of job skills on NMB employee performance**

This study sought to determine the influence of job skills on NMB employee performance and findings are as indicated on Table 6 below:

**Table 6: The contribution of job skills on NMB employee performance**

|   | Strongly agree   | agree     | Neutral   | Disagree  | Strongly disagree |
|---|------------------|-----------|-----------|-----------|-------------------|
|   | Percentage (Frq) | Per (Frq) | Per (Frq) | Per (Frq) | Per (Frq)         |
| Job skills enable employees to solve problems   | 43(43.0)         | 47(47.0)  | 6(6.0)    | 0(0.0)    | 4(4.0)            |
| Job skills determine employees ability to perform efficiently and improves their pro-activity | 38(38.0)         | 27(27.0)  | 29(29.0)  | 4(4.0)    | 2(2.0)            |
| Job skills facilitate quality and accurate work   | 44(44.0)         | 35(35.0)  | 13(13.0)  | 4(4.0)    | 0(0.0)            |
| Job skills increase confidence, assertiveness, courage and results to higher productivity     | 40(40.0)         | 19(19.0)  | 27(27.0)  | 14(14.0)  | 0(0.0)            |
| Employees with appropriate skills are better team players and communicators                   | 37(37.0)         | 42(42.0)  | 14(14.0)  | 3(3.0)    | 4(4.0)            |

**Source: field data (2017)**

As portrayed on table 6 above, 90% of respondents agree that the possession of appropriate job skills enhances employees' problem solving abilities, 65% agree that job skills determine employees' ability to perform tasks accordingly and also enhances pro-activity. Moreover, 79% agree that job skills facilitate quality and work accuracy, 59% concur that job skills increase confidence, assertiveness, courage and higher productivity. Lastly, 79% of respondents agree that Employees with appropriate skills are better team players and communicators.

**The influence of recruitment and selection criteria on the performance of NMB branches**

The researcher sought to determine the significance of the influence each recruitment and selection criteria had on NMB employee job performance therefore, the spearman correlation test was used to determine the strength of each variable.

$$\gamma = \alpha + \beta_1 \text{Education qualification} + \beta_2 \text{Work experience} + \beta_3 \text{jobskills} + \varepsilon$$

**Table 7 Correlations output on the influence of recruitment and selection criteria on performance**

|                |      | PERF                    | EQ     | WE     | JS    |        |
|----------------|------|-------------------------|--------|--------|-------|--------|
| Spearman's rho | PERF | Correlation Coefficient | 1.000  | .044   | .070  | .266** |
|                |      | Sig. (2-tailed)         | .      | .661   | .487  | .007   |
|                |      | N                       | 100    | 100    | 100   | 100    |
|                | EQ   | Correlation Coefficient | .661*  | 1.000  | .119  | .493** |
|                |      | Sig. (2-tailed)         | .044   | .      | .240  | .000   |
|                |      | N                       | 100    | 100    | 100   | 100    |
|                | WE   | Correlation Coefficient | .487   | .119   | 1.000 | .207*  |
|                |      | Sig. (2-tailed)         | .070   | .240   | .     | .039   |
|                |      | N                       | 100    | 100    | 100   | 100    |
|                | JS   | Correlation Coefficient | .666** | .493** | .207* | 1.000  |
|                |      | Sig. (2-tailed)         | .007   | .000   | .039  | .      |
|                |      | N                       | 100    | 100    | 100   | 100    |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Findings as presented on table above 7 indicate that job skills have a significant positive influence on organizational performance as evidenced by a correlation coefficient of 0.666, followed by education levels with a correlation coefficient of 0.661 and finally employee work experience with a coefficient value of 0.487.

### Conclusion

Conclusively therefore, it can be safely put that appropriate work related skills among NMB employees in Mbeya region branches positively influence employee performance as; employee skills enhance their problem solving skills, renders employees proactive, facilitates quality and accuracy in the work executed. Appropriate employee skills also result to greater assertiveness, confidence, productivity, teamwork, and improved interpersonal communication among workers.

Work related experience has a significant positive influence on employee performance as it leads to; employee innovativeness, quality service provision, prompt execution of tasks, the ability of the employee to work with greater autonomy, and improved creativity. Finally, there is a positive significant relationship between work employees' academic qualifications and their work performance at NMB bank as academic qualification enhances; mastery and quality of work, the ability to work under minimal supervision, operation of advanced technology, responsiveness in receiving constructive feedback, thus enabling the bank to gain a competitive advantage.

Recommendations as per findings suggest that organisations especially banks like NMB Mbeya branch should device appropriate retention strategies so as to combat employee turnover and nurture vast resourceful experience among employees. Priority should also be geared towards facilitating employee professional training programs, as this will enhance their skills resulting to greater quality of services offered thus facilitating NMB in gaining a competitive edge.

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# Alternate Healthcare Systems and Their Utilization with Special Reference to Kanniyakumari and Tirunelveli Districts of Tamil Nadu, India

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## Abstract

In India, the modern medicine (Allopathy) has almost replaced the Traditional system of medicines (AYUSH) and the private healthcare sector has grown by leaps and bounds at the cost of the public sector. This study is conducted mainly to analyse the standout features of different healthcare systems and the factors that influence their usage and to suggest ways and means of strengthening them. Among the two systems of medicine, Allopathy is ranked first, the most utilized system of healthcare, in both the districts and among the two major healthcare providers, the private sector is much preferred to the public sector. The utilization of a service is highly influenced by the income and the education of the respondents. Allopathy is preferred as it provides fast relief from illness while AYUSH is preferred as it has zero side effects. Public hospitals are preferred as medicines are free and private hospitals are preferred as doctors' care for patients is excellent. Location and distance also have some influence on the preference for the healthcare providers. The main reason for the poor performance of public healthcare sector, which is in a dilapidated condition, is the utter negligence of it by governments.

**Keywords:** Alternate Healthcare Systems



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## **Introduction**

There are two healthcare systems, Allopathy, which is called the modern or the English and AYUSH (Ayurveda, Yoga & Naturopathy, Unani, Siddha and Homeopathy), which is called the Traditional or the Indian. The modern system of healthcare pervades every nook and cranny of the world and in India; it has almost replaced the Indian system of medicine. These systems of medicine are provided by both public sector and private sector institutions. Public sector ownership is divided between central and state governments, and municipal and local governments. In India, due to malfunctioning or non-functioning of the public sector, the private sector has grown in leaps and bounds. At the time of independence, the share of modern medical care provided by private sector was only 8 per cent. Now, 80 per cent of all out-patient care and 60 per cent of all in-patient care is provided by it (Ministry of Health and Family Welfare 2010 in Nandraj 2012). Thus, vast changes have occurred in the healthcare systems functioning in the world. Utilization of a system of healthcare and of a service provider is influenced by many factors. As it is the fountain duty of researchers to highlight different factors that influence the utilization of healthcare systems and healthcare service providers, this article aims at attaining this broad objective.

## **Objectives**

The specific objectives of this study are:

1. To highlight factors those influence the usage of healthcare systems.
2. To understand to what extent allopathy is preferred to the Indian healthcare system.
3. To know why people approach private healthcare providers rather than public healthcare providers.
4. To find out the reasons why the public healthcare sector fails to attract people though where healthcare services are provided free of cost.
5. To suggest ways and means to strengthen the various healthcare systems, particularly the public healthcare delivery system.

## **Hypotheses**

The hypotheses framed for testing the reliability of data are:

1. There is no strong preference to a particular healthcare system.
2. Income has no role play in the preference for a healthcare system and a healthcare provider.
3. The preference for a healthcare system and a healthcare provider is not influenced in any way by education of the respondents.
4. The usage of a healthcare provider is not influenced by the distance of a healthcare institution.

## **Review of Literature**

There are only very few studies on the two systems of healthcare but a number of studies on the preference of individuals to a particular healthcare institution. It is viewed that people prefer private hospitals to public hospitals due to poor performance of public sector healthcare institutions and the reasons for the poor performance is very low public spending. Sundararaman et al (2016) report that the growth of the central government's spending in real terms on public health between 2004-'05 and 2009-'10 was 13.65 per cent, but it plummeted to - 0.31 per cent between 2010-'11 and 2014-'15. All these have immediate adverse effect on the availability and quality of public healthcare services and have forced many people to go to



private hospitals and this has even resulted in impoverishment of many families. This was endorsed by Nagpal (2014); Bansod and Sarang (2014) Jackson et al (2013); Prasad and Raghavendra (2012); Reddy (2012); Husain (2011); Baru et al (2010); Meeta and Rajivlochan (2010); Kanmony in Kanmony (Ed) (2009); Murty in Lahiri (Ed) (2006); Preker in Prekar and John (Ed) (2005); Rajagopal (2004); Banerjee et al (2004).

Varshney and Aparna (2011) point out that the high cost of modern medicine compelled people to switch over to herbal medicine as nowadays it is gaining importance. According to Husain (2011) AYUSH plays a pivotal role in delivering healthcare services. As there is manpower shortage in rural areas, the NHRM seeks to revitalise AYUSH practitioners as the alternative for allopathic medical staff for certain kinds of chronic ailments and digestion and related illnesses. Prasad and Cyril in Kumar J. V et al (ed) (2010) observe that the Traditional systems of medicine are undoubtedly emerging as very close substitutes to the modern medicines and India has a large number of AYUSH hospitals. Hence it is the utmost necessity of researchers to find out the causes for this state of affairs.

### **Methodology**

The present study is mainly based on primary data. The primary data have been collected from 400 households belonging to two districts of south Tamil Nadu, - Kanniyakumari and Tirunelveli. A village panchayat has been selected from each of the four taluks of Kanniyakumari district and, as there are 13 taluks in Tirunelveli district first of all four taluks were selected, then a village panchayat has been selected from each taluk at random. Thus, four village panchayats have been selected from each district and from each village panchayat, 50 households have been selected at random - first five wards then 10 households have been chosen from each ward. In total, 400 sample households have been selected for an intensive study by following multi-stage sampling procedure. With the help of a scientifically prepared schedule, necessary information has been collected from the selected households. With the help suitable tools, data have been processed, analysed and presented.

### **DATA ANALYSIS**

This section deals with the analysis of data by applying the most appropriate tools of analysis. Garrett Ranking and correlation and Regression analysis are the most commonly used analytical tools. In this article, all these are made use of to make the study scientific.

### **Utilization of Healthcare Systems**

People of ill-health may take either self-medication or approach doctors for medicine. To get medicine they may approach either Allopathy doctors or AYUSH doctors. The details regarding the usage of the two healthcare systems in different regions of Kanniyakumari district are presented in table 1.

**TABLE – 1:Usage of Healthcare Systems in Kanniyakumari**

| Area of the Respondents | No. of Respondents |             | Total |
|-------------------------|--------------------|-------------|-------|
|                         | Allopathy          | Traditional |       |
| Vilavancode             | 21                 | 29          | 50    |
| Thovalai                | 41                 | 9           | 50    |
| Kalkulam                | 48                 | 2           | 50    |
| Agasteeswaram           | 33                 | 17          | 50    |
| <b>Total</b>            | 143                | 57          | 200   |

*Source:* Primary Data

From the above table, it is clear that the utilization of the Traditional system of medicine is the maximum in Vilavancode taluk with 29 respondents using it. In other taluks, it is very limited in number. In Tirunelveli district, only 46 respondents have utilized the Traditional system of medicines and all others used Allopathy. These details about Tirunelveli are available in table 2.

**TABLE – 2: Usage of Healthcare System in Tirunelveli**

| Area of The Respondents | No. of Respondents |             | Total |
|-------------------------|--------------------|-------------|-------|
|                         | Allopathy          | Traditional |       |
| Sivagiri                | 46                 | 4           | 50    |
| Sangarankovil           | 32                 | 18          | 50    |
| Alangulam               | 40                 | 10          | 50    |
| Nanguneri               | 36                 | 14          | 50    |
| <b>Total</b>            | 154                | 46          | 200   |

*Source:* Primary Data

The preference for a particular type of medical system depends on many factors such as the cost of treatment, the period taken for curing and the financial and educational soundness of persons and so on. The preferences given to different systems of healthcare by the respondents are ranked by applying the Garrett Ranking method and are presented in the following table.

**TABLE – 3: Ranking of Healthcare Systems by the Respondents**

| Systems \ Districts | Kanniyakumari |      | Tirunelveli |      |
|---------------------|---------------|------|-------------|------|
|                     | Score         | Rank | Score       | Rank |
| Allopathy           | 78.52         | 1    | 79          | 1    |
| Ayurveda            | 55.45         | 4    | 54.175      | 4    |
| Yoga & Naturopathy  | 40.17         | 5    | 38.025      | 5    |
| Unani               | 35.04         | 6    | 36.76       | 6    |
| Siddha              | 59.24         | 2    | 59.055      | 2    |
| Homeopathy          | 58.72         | 3    | 58.085      | 3    |

*Source:* Calculated from Primary Data

It is noticeable from the above table that Allopathy occupies the first place in both the districts with a score of 79. The second rank goes to siddha with a score of 59.24. It is followed by homeopathy, ayurveda, yoga and naturopathy and unani in order in both the districts. It means that among the different healthcare systems, Allopathy is the most preferred system of medical care. From the above three tables, it is easy to infer that the first hypothesis that ‘there is no strong preference to a particular healthcare system’ is not valid.

However, the number of households using the Indian system is more in Kanniyakumari district than in Tirunelveli district. The reasons for this state of affair may be two. They are: the first is that Ayurveda and Siddha have been in practice in Kanniyakumari district as it was a part of the then Travancore state, the present Kerala state, where these two systems are very popular. The second reason is that Ayurveda and Siddha medicines are available proportionately in more number of hospitals in Kanniyakumari than in Tirunelveli. In Kanniyakumari, there are 34 PHCs with AYUSH medicines against 36 PHCs of the modern medicine while in Tirunelveli, it is only 64 against 92 PHCs with Allopathy facility.

In the demand side, the utilization of a healthcare system is highly influenced by factors such as educational and economic attainment of individuals. Hence, it is worthwhile to discuss these factors one by one.

### Monthly Household Income and the Utilization of Healthcare Systems

Income decides not only the standard of living and the status of individuals in the society but also their preference for a commodity or service. Usually rich people prefer quality services though their prices are high. The income-wise distribution of the respondents and their utilization of the two systems of medicine and service providers of Kanniyakumari district is given in table 4. The details for Tirunelveli district are presented in table 5.

**TABLE – 4: Incomewise Distribution of the Respondents and Their Utilization in Kanniyakumari**

| Income (in INR) \ Services | Allopathy | Traditional | Total | Public | Private | Total |
|----------------------------|-----------|-------------|-------|--------|---------|-------|
| ≤ 3000                     | 3         | 1           | 4     | 1      | 3       | 4     |
| 3001 – 5000                | 22        | 10          | 32    | 13     | 19      | 32    |
| 5001 – 7000                | 23        | 16          | 39    | 18     | 21      | 39    |
| 7001 – 9000                | 29        | 15          | 44    | 18     | 26      | 44    |
| 9001 – 11000               | 22        | 6           | 28    | 11     | 17      | 28    |
| 11001 –13000               | 6         | 1           | 7     | 2      | 5       | 7     |
| 13001 –15000               | 15        | 2           | 17    | 7      | 10      | 17    |
| 15001 –17000               | 2         | 4           | 6     | 1      | 5       | 6     |
| 17001–19000                | 6         | 0           | 6     | 1      | 5       | 6     |
| 19001–21000                | 3         | 0           | 3     | 0      | 3       | 3     |
| 21001–23000                | 3         | 0           | 3     | 0      | 3       | 3     |
| 23001–25000                | 2         | 0           | 2     | 0      | 2       | 2     |
| 25001–27000                | 1         | 0           | 1     | 0      | 1       | 1     |
| ≥27001                     | 6         | 2           | 8     | 1      | 7       | 8     |
| <b>Total</b>               | 143       | 57          | 200   | 73     | 127     | 200   |

*Source:* Primary Data

The average household income in Kanniyakumari is 10,349.34 INR and in Tirunelveli, it is 7797.36 INR and the overall average income is 9073.35 INR. It indicates that 40.5 per cent of the surveyed households' monthly income is more than the overall average income of `9073 in Kanniyakumari, while it is only 23 per cent in Tirunelveli district. The Gini coefficient for Kanniyakumari is 0.52 and 0.56 for Tirunelveli. It means that in comparison with Kanniyakumari district, Tirunelveli has more income inequality. The income-wise preference for a medical system in Kanniyakumari district shows that though there is general preference to the Allopathy system of medicine, it is high among the high income groups. Out of the 23 respondents with the income of more than 17000 INR, 21 (91.3%) prefer the Allopathic system of medicine. Of the remaining 177 respondents with less than 17000 INR, 122 (68.93%) persons prefer the Allopathic system of medicine. As far as the health providers are concerned, there is strong preference for private healthcare providers. Of the 200 persons surveyed, 127 persons prefer private healthcare institutions to public healthcare institutions. Income-wise distribution of the respondents shows that rich people prefer private healthcare providers while poor people prefer public healthcare providers. Of the 23 respondents with more than 17000 INR, only two (8.70%) prefer public institutions. On the other hand, of the 177 respondents with less than 17000 INR, 71 (40.11%) prefer public healthcare.

**TABLE – 5: Incomewise Distribution of the Respondents and Their Utilization in Tirunelveli**

| <b>Income (in INR) \ Services</b> | <b>Allopathy</b> | <b>Traditional</b> | <b>Total</b> | <b>Public</b> | <b>Private</b> | <b>Total</b> |
|-----------------------------------|------------------|--------------------|--------------|---------------|----------------|--------------|
| ≤ 3000                            | 12               | 2                  | 14           | 11            | 3              | 14           |
| 3001 – 5000                       | 22               | 7                  | 29           | 15            | 14             | 29           |
| 5001 – 7000                       | 52               | 19                 | 71           | 37            | 34             | 71           |
| 7001 – 9000                       | 34               | 6                  | 40           | 19            | 21             | 40           |
| 9001 – 11000                      | 15               | 3                  | 18           | 5             | 13             | 18           |
| 11001 –13000                      | 10               | 3                  | 13           | 2             | 11             | 13           |
| 13001 –15000                      | 8                | 1                  | 9            | 1             | 8              | 9            |
| 15001 –17000                      | 0                | 1                  | 1            | 0             | 1              | 1            |
| 17001–19000                       | 1                | 0                  | 1            | 0             | 1              | 1            |
| 19001–21000                       | 0                | 1                  | 1            | 0             | 1              | 1            |
| 21001–23000                       | 0                | 1                  | 1            | 0             | 1              | 1            |
| ≥23001                            | 0                | 2                  | 2            | 0             | 2              | 2            |
| <b>Total</b>                      | 154              | 46                 | 200          | 90            | 110            | 200          |

*Source:* Primary Data

In Tirunelveli district, the Traditional system of medicine is not so popular and so the utilization is also very limited. The number of respondents in the low income group is higher and in the high income group, it is lower in Tirunelveli district in comparison with Kanniyakumari district. Hence, in Tirunelveli, more number of persons utilizes public hospitals than in Kanniyakumari. Of the 200 persons surveyed, 90 families prefer private healthcare institutions to public healthcare institutions in Tirunelveli against only 73 in Kanniyakumari. Specifically speaking, rich people utilize more of private healthcare providers while poor people utilize more of public healthcare. For example, all the six respondents with more than 15000 INR utilize private healthcare institutions. On the other hand, of the 194 respondents with less than 15000 INR, 94 (53.61%) prefer public healthcare. It is obvious from the last two tables that people’s preference in general is towards private healthcare providers.

#### **Education of the Respondents and the Utilization of Healthcare Systems**

Social status of an individual is decided by many factors, such as education, income, and occupation. Education is universally regarded as an instrument of improving the quality of individuals and polishing the character of oneself. Better the education, greater will be the availability of social and economic opportunities. Education has also some influence on the consumption behaviour of individuals including the demand for healthcare services. The matters available in the following table support the already established fact that higher educational qualification is positively associated with higher demand for healthcare services. People of good educational background are health conscious and so they spend more on healthcare. The educational status of the respondents and their preference for the healthcare systems and healthcare providers are portrayed in table 6:

**TABLE – 6: Educational Status of the Respondents and Their Utilization in Kanniyakumari**

| <b>Category</b><br><b>Education</b> | <b>Allopathy</b> | <b>Traditional</b> | <b>Total</b> | <b>Public</b> | <b>Private</b> | <b>Total</b> |
|-------------------------------------|------------------|--------------------|--------------|---------------|----------------|--------------|
| <b>Illiterate</b>                   | 6                | 1                  | 7            | 1             | 6              | 7            |
| <b>Primary</b>                      | 52               | 11                 | 63           | 24            | 39             | 63           |
| <b>High School</b>                  | 53               | 28                 | 81           | 30            | 51             | 81           |
| <b>Higher Secondary</b>             | 18               | 11                 | 29           | 14            | 15             | 29           |
| <b>Graduate</b>                     | 5                | 1                  | 6            | 1             | 5              | 6            |
| <b>Professional</b>                 | 5                | 4                  | 9            | 1             | 8              | 9            |
| <b>Technical</b>                    | 4                | 1                  | 5            | 2             | 3              | 5            |
| <b>Total</b>                        | 143              | 57                 | 200          | 73            | 127            | 200          |

*Source:* Primary Data

The above table projects that in Kanniyakumari district the preference for a particular healthcare system is not associated with their educational qualifications. Of the nine respondents with professional qualification, five take Allopathy medicine while four prefer Traditional medicine. There are 29 persons with higher secondary qualification. Of them, 18 prefer Allopathy and the remaining make use of the Traditional system. On the other hand, highly qualified persons prefer private healthcare providers to public healthcare providers. For example there are six graduates and nine professionals. Of them only two, one from each group, prefer public hospitals and the remaining 13 prefer private hospitals. In Tirunelveli also highly qualified persons prefer the private sector to the public sector but they prefer Traditional system of medicine to the modern system of medicine. Of the nine graduates or professionals or technicians seven (78%) prefer the Indian medicine and eight (89%) prefer private healthcare institutions. It means that in Tirunelveli, highly qualified persons are well aware of the standout features of the Traditional system. The respondents' preference related to Tirunelveli district according to their qualification is illustrated in table 7:

**TABLE – 7: Educational Status of the Respondents and Their Utilization in Tirunelveli**

| <b>Category</b><br><b>Education</b> | <b>Allopathy</b> | <b>Traditional</b> | <b>Total</b> | <b>Public</b> | <b>Private</b> | <b>Total</b> |
|-------------------------------------|------------------|--------------------|--------------|---------------|----------------|--------------|
| <b>Illiterate</b>                   | 24               | 6                  | 30           | 18            | 12             | 30           |
| <b>Primary</b>                      | 77               | 22                 | 99           | 46            | 53             | 99           |
| <b>High School</b>                  | 44               | 10                 | 54           | 22            | 32             | 54           |
| <b>Higher Secondary</b>             | 7                | 1                  | 8            | 3             | 5              | 8            |
| <b>Graduate</b>                     | 2                | 3                  | 5            | 1             | 4              | 5            |
| <b>Professional</b>                 | 0                | 3                  | 3            | 0             | 3              | 3            |
| <b>Technical</b>                    | 0                | 1                  | 1            | 0             | 1              | 1            |
| <b>Total</b>                        | 154              | 46                 | 200          | 90            | 110            | 200          |

*Source:* Primary Data

There is negative relation between income and the preference for the Traditional system (- 0.14, which is significant at 5% level) and income and the preference for the public healthcare institutions (- 0.20, which is significant at 1% level). However, correlation between Traditional and education is 0.12 [insignificant] and between public hospitals and education is - 0.025,[insignificant] in Kanniyakumari district. The different values for Tirunelveli districts, which are: -0.16, -0.28, 0.18 and -0.19, are significant at 1% level. It means that the second hypothesis that 'income has no role to play in the preference for a healthcare system and a

healthcare provider is rejected and the third hypothesis that ‘preference for a healthcare system and a healthcare provider is not influenced by education’ is rejected for Tirunelveli but accepted for Kanniyakumari district. To understand the contribution of each factor, multiple regression models are constructed and presented below for the two districts separately.

The multiple regression equations formed for Kanniyakumari district for the preference for the system of medicine is given below:

$$P = f(X_1 X_2), P = \text{Preference}, X_1 = \text{Education}, X_2 = \text{Income},$$

$$P_{(A)} = 0.24^* + 0.14^{**}X_1 - 0.17^* X_2 \quad R^2 = 0.042^*, F = 4.31^*$$

$$P_{(P)} = 0.50^* + 0.00^{NS} X_1 - 0.20^* X_2 \quad R^2 = 0.04^{**}, F = 4.00^{**}$$

The details for Tirunelveli district are given below:

$$P_{(A)} = 0.02^{NS} + 0.14^{NS}X_1 - 0.11^{NS} X_2 \quad R^2 = 0.043^*, F = 4.42^*$$

$$P_{(P)} = 0.75^* + 0.10^{NS} X_1 - 0.24^* X_2 \quad R^2 = 0.08^*, F = 9.05^*$$

$P_{(A)}$  = Preference for Allopathy,  $P_{(P)}$  = Preference for Public hospitals

\*= significant at 1% level \*\*= Significant at 5% level & NS= not significant.

All the calculated  $R^2$  values are significant, but in percentage term all are very small; only four to eight per cent. It means that the identified factors’ contribution is very small and so there are some other reasons that influence the usage of healthcare systems and providers.

#### Other Reasons for Utilizing a Particular System

Apart from income and education, there are some other reasons to utilize a particular type of medicine or hospital. The various other reasons for using the modern or the Traditional medical care system as indicated by the respondents are presented in tables 8 and 9. However, fast relief is the major reason for utilizing Allopathy medicine and the important reason for utilizing the Traditional healthcare systems is zero side effects. No one reports that the modern medicine is cheap but two respondents report that the Indian medicine is cheap.

TABLE – 8: Reasons for Preferring Modern Healthcare Systems

| Reasons                            | Districts     |             |
|------------------------------------|---------------|-------------|
|                                    | Kanniyakumari | Tirunelveli |
| Fast Relief                        | 74            | 87          |
| Nearby                             | 15            | 23          |
| No Diet Restriction                | 6             | 5           |
| Neat and Clean                     | 3             | 2           |
| Care with Patience                 | 2             | 3           |
| Fast Relief and Nearby             | 18            | 23          |
| Nearby and Neat and Clean          | 5             | 5           |
| Fast Relief and Care with Patience | 4             | 6           |
| <b>Total</b>                       | <b>127</b>    | <b>154</b>  |

Source: Primary Data

**TABLE – 9: Reasons for Preferring Traditional Healthcare Systems**

| Reasons                                | Districts | Respondents   |             |
|--|-----------|---------------|-------------|
|  |           | Kanniyakumari | Tirunelveli |
| No Side-effects                        |           | 30            | 26          |
| Nearby                                 |           | 1             | 0           |
| Fast Relief                            |           | 3             | 8           |
| Low Cost                               |           | 0             | 2           |
| Fast Relief, No Side-effects           |           | 12            | 10          |
| No Side-effects, Nearby & Low Cost     |           | 8             | 0           |
| Fast Relief, No Side-effects, & Nearby |           | 3             | 0           |
| <b>Total</b>                           |           | <b>57</b>     | <b>46</b>   |

Source: Primary Data

#### Utilization Of Public Healthcare

In the public healthcare centres, treatment is available free of cost and so usually the poor and the marginalised make use of these centres. The other reasons for preferring public hospitals are listed out in table 10. Among the other reasons, free of cost is the dominant reason.

**TABLE – 10: Reasons for Utilizing Public Healthcare Systems**

| Reasons                                  | Districts | Respondents   |             |
|--|-----------|---------------|-------------|
|  |           | Kanniyakumari | Tirunelveli |
| Free of Cost                             |           | 29            | 60          |
| Care with Patience                       |           | 4             | 0           |
| Nearby                                   |           | 3             | 4           |
| Fast Relief                              |           | 0             | 1           |
| Free of Cost & No Diet Restriction       |           | 14            | 7           |
| Free & Care with Patience                |           | 9             | 6           |
| Free and Nearby                          |           | 6             | 3           |
| Free of Cost & for Poisonous Infections  |           | 2             | 4           |
| Nearby & No Diet Restriction             |           | 2             | 1           |
| Free, Care with Patience and Fast Relief |           | 2             | 4           |
| Care with Patience & No Diet Restriction |           | 1             | 0           |
| Free, Care with Patience & Nearby        |           | 1             | 0           |
| <b>Total</b>                             |           | <b>73</b>     | <b>90</b>   |

Source: Primary Data

#### Reasons for Utilizing Private Healthcare

Poor people prefer public healthcare while rich people prefer private healthcare. It means that income is the deciding factor in the preference of healthcare providers. However among the

other reasons for utilizing private healthcare institutions in both the districts is that in private hospitals, patients are given utmost care. The details are presented in table 11:

**TABLE – 11: Reasons for Utilizing Private Healthcare Institutions**

| Reasons                                | Districts | Respondents   |             |
|--|-----------|---------------|-------------|
|  |           | Kanniyakumari | Tirunelveli |
| Fast Cure                              |           | 13            | 10          |
| Care with Patience                     |           | 49            | 33          |
| Nearby                                 |           | 18            | 11          |
| Non-availability of Others/ Medicines  |           | 3             | 11          |
| Neat & Clean                           |           | 1             | 3           |
| Fast cure & Care with Patience         |           | 18            | 14          |
| Fast cure & Nearby                     |           | 3             | 5           |
| Care with Patience & Nearby            |           | 2             | 7           |
| Care with Patience, Neat & Clean       |           | 9             | 10          |
| Nearby & Convenient                    |           | 4             | 2           |
| Nearby & Neat and Clean                |           | 1             | 0           |
| Fast cure, Care with Patience & Nearby |           | 2             | 3           |
| Fast Cure & Neat and Clean             |           | 4             | 1           |
| <b>Total</b>                           |           | <b>127</b>    | <b>110</b>  |

*Source:* Primary Data

#### **Distance and Usage of a Particular System of Health Care**

Accessibility of healthcare facility is an important factor in availing it. People usually make use of the sources of medical care which are available very near to them as travelling to a distant place consumes not only money and time but also creates unnecessary tension. However, there are individuals, who prefer to visit a particular medical care centre though it is located at a distance, if they feel that the treatment provided in that centre is good. Hence, information about the distance to the medical care institution that they usually visit has been collected from the respondents. The details of distance in the selected four taluks of each district are presented in tables 12 and 13:



**TABLE – 12:** Distancewise Utilization of Healthcare Systems

| Distance (in Km)   |              | ≤ 3 | 4 – 8 | 9 – 13 | 14 – 18 | 19+ | Total |
|--------------------|--------------|-----|-------|--------|---------|-----|-------|
| Kanniyakumar<br>i  | Allopathy    | 17  | 75    | 28     | 22      | 1   | 143   |
|                    | Indian       | 14  | 25    | 14     | 4       | 0   | 57    |
|                    | <b>Total</b> | 31  | 100   | 42     | 26      | 1   | 200   |
| Tirunelveli        | Allopathy    | 64  | 69    | 8      | 10      | 3   | 154   |
|                    | Indian       | 15  | 17    | 6      | 7       | 1   | 46    |
|                    | <b>Total</b> | 79  | 86    | 14     | 17      | 4   | 200   |
| <b>Grand Total</b> |              | 110 | 186   | 56     | 43      | 5   | 400   |

Source: Primary Data

**Table – 13:** Distancewise Utilization of Healthcare Providers

| Distance (in Km) |              | ≤ 3 | 4 – 8 | 9 – 13 | 14 - 18 | 19+ | Total |
|------------------|--------------|-----|-------|--------|---------|-----|-------|
| Kanniyakumari    | Public       | 11  | 38    | 18     | 6       | 0   | 73    |
|                  | Private      | 20  | 62    | 27     | 15      | 1   | 127   |
|                  | <b>Total</b> | 31  | 100   | 42     | 26      | 1   | 200   |
| Tirunelveli      | Public       | 39  | 36    | 7      | 8       | 0   | 90    |
|                  | Private      | 40  | 50    | 7      | 9       | 4   | 110   |
|                  | <b>Total</b> | 79  | 86    | 14     | 17      | 4   | 200   |
| <b>Total</b>     |              | 110 | 186   | 59     | 43      | 5   | 400   |

Source: Primary Data

It is obvious from the above tables that nearly 71.50 per cent of the respondents from Kanniyakumari and 77 per cent from Tirunelveli district have made use of modern medicine and the remaining have used Traditional medicine. In Kanniyakumari district nearly 64 per cent of the respondents have preference for private health care providers, while in Tirunelveli district it is only 55 per cent. In Kanniyakumari district, on an average, a public health care centre is available within four kilometres and a private clinic is available within three kilometres and in Tirunelveli district, the respective distances are 5 and 4.67 kilometres. However a few respondents make use of a distant centre as they feel that the treatment given in that centre is good. In some areas, people have visited public hospitals even though they are far away. In Agasteeswaram taluk, six households have made use of public hospitals though they are 14 - 18 km away. On the other hand, out of 15 respondents having public hospitals with a distance less than three kilometres, only seven have made use of public healthcare. In Kalkulam taluk, no one has made use of public hospitals though a public hospital is available within three kilometres. In Vilavancode taluk, two households have public hospitals within three kilometers, but both did not use the service of the public hospitals. The average distance travelled by the respondents in taking medical treatment is calculated. It is a maximum of 10.94 km in Vilavancode taluk of Kanniyakumari district, and the minimum distance is 3.14 km in Alangulam taluk of Tirunelveli district. The overall average distance travelled by the respondents to get healthcare in Kanniyakumari is 7.68 km while it is only 6.04 km in Tirunelveli. It means that people are ready to travel even distant places where quality medical

care is available. Hence, the fourth hypothesis that 'the usage of a healthcare provider is not influenced by the distance of a healthcare institution' is accepted.

The main reason for not preferring public sector hospitals, where medical care is provided free of cost, is the indifferent attitude of healthcare professionals. Public sector medical professionals are neither willing to work in rural areas nor do have enough time to heed to the patients' problems. In many health centres there is paucity of manpower and facilities. In India, public health is one of the most neglected sectors, particularly in rural areas. The healthcare services in rural areas are very low and even this meagre healthcare service is not available in remote rural areas.

In India as on the 31<sup>st</sup> of March 2015, the shortfall of sub-centres is 35145, primary health centres (PHC) is 6556 and community health centres (CHC) is 2316. The shortfall of doctors in PHCs is 2225 and that of specialists in CHCs is 17525. There is also shortfall in health workers, health assistants and nursing staff. The shortfall of female health workers in sub centres (SCs) is 3934 and that of male health workers is 98027 and there are 7335 SCs without female health workers and 72742 SCs without male health workers. The shortfall of female health assistants is 12448 and that of male health assistants is 15513. The shortfall of nursing staff is 12953. There are 43695 SCs without regular water supply and 39295 SCs without electricity connection. Among the PHCs functioning in India, 1886 have no water supply and 1220 have no power supply. The average number of rural population covered by a SC is as large as 5473, by a PHC is 33323 and by a CHC is 155463. The average number of villages covered by a SC is 4.21, by a PHC is 25.61 and by a CHC is 119.50. The rural area covered by a SC is 20.47 km, by a PHC is 124.63 km and by a CHC is 581.45 km (Rural Health Statistics 2014-'15).

The other facilities available are also very limited. It is observed that only 38 per cent of all PHCs have all the critical staff and 34 per cent have facilities for delivery and postnatal care, three per cent have safe abortion facilities, 8 out of 10 have no obstetrician (CEHAT Report in Sharma 2004). Further, on an average day, 40 per cent of primary healthcare workers in India are not at work i.e., absent from work (Goel 2010). Though Tamil Nadu has enough SCs, PHCs and CHCs, there is shortfall of doctors, specialists, health workers and health assistants. There are 961 PHCs without lady doctors. The shortfall of specialists as on the 31<sup>st</sup> of March 2015 is 1540, i.e., all specialist posts are vacant since 2012. The shortfall of female health workers is 1030, male health workers 6422, female health assistants 515 and there are 1912 SCs without male health workers. The average rural population covered by a SC is 4276, by a PHC is 27195 and by a CHC is 96700.

### **Suggestions**

If proper awareness is created among people about the standout features of the Traditional system of medicine and if due government support is provided to both the Traditional system and public healthcare providers, then they will recover from all their illnesses and help all sections of people to avail all the needed healthcare facilities. Following policy implications may set right the lacunae existing in the Indian healthcare system and in the public healthcare sector.

The Traditional medicine is preferred for its zero/low side effect. A medicine with low side effect should be preferred to medicines of high side effect if there is no difference of cost, but only by a few households utilized it. As discussed earlier comparatively it is more popular in Kanniyakumari district than in Tirunelveli district as the former has more number of healthcare centres of the Traditional system. Hence, steps should be taken not only to start more healthcare centres of the Traditional system or to make available Traditional medicines in every public sector healthcare centres but also to popularise it among people. As the present government is

taking steps to popularise yoga, it is gaining importance throughout the world. In this way, other Traditional systems treatment should be popularised.

Even though medical treatment is free in government hospitals, people utilize more of private hospitals than the public hospitals. The main reason for not preferring them is that there patients are poorly treated. In other words, people are reluctant to go to public hospitals due to lack of care and due to the lethargic attitude of health workers. Further, rural people are not well educated to read prescriptions and names of medicines. The details of treatment and the means of taking of medicines are not properly informed in public hospitals whereas all these are very specific in private hospitals. In the dog-eat-dog world, everyone is for making money. Health workers serving in government hospitals are also no exception to this. But healthcare requires selfless, devoted, service minded and sincere persons. Hence, there is a necessity to train them in such a way that they feel that they are the people to serve the society. It is necessary to treat patients with utmost care and patience.

Another reason for not utilizing public hospitals is that the facilities available there are not up to the mark. Rural people have no hardship in getting healthcare services, if enough facilities are available there. However, in India, public healthcare sector is the most neglected one and is in a dilapidated condition. In many PHCs, the facilities available are very limited and there is lack of staff, medicines, tools and equipments, wards, beds and even water and electricity. This is one of the reasons why people do not prefer government hospitals. Steps should be taken to change this situation

As discussed earlier, many posts including those of general doctors and specialists are vacant in public hospitals. The number of created post is low in comparison with the world's average and even the created posts are not filled in. The WHO norm is 23 health workers per 10000 persons. Hence, it is of utmost necessity to improve the availability of human resources such as doctors, CHWs or ASHAs, BRHCs (Bachelor of Rural Healthcare) nursing staff. Today the doctor population ratio is only 0.5:1000 and this should be increased to 1:1000. In the same way nurses, ASHAs and other health workers should also be increased. For that many medical colleges and other training institutes should be initiated and steps should be taken to start these institutions in areas where it is of utmost necessity. There are wide disparities in the availability of medical institutions. For example, the medical college population ratio is 1:11.5 million in Bihar while it is only 1:1.5 million in Karnataka and Kerala. This disparity should be levelled by following suitable policies.

The reason for non-availability of facilities in public hospitals is less allotment of fund to public healthcare sector. The public expenditure on health sector should be enhanced to 2.5 per cent of GDP before the end of the 12<sup>th</sup> plan. At present it is only 1.09 per cent. In due course it should be increased to at least 5 per cent; it is 17 per cent in the USA. This may reduce considerably the out-of-pocket spending on healthcare from the present level of 67 per cent and bring down impoverishment of households.

Primary health centres are the main sources of getting free medical treatment and so every facility required by rural people should be there. Hence, the allotment of funds to PHCs should be enhanced to at least 70 per cent of the total healthcare expenditures. Though primary healthcare is the backbone of the public healthcare system, the secondary and tertiary care should not be neglected. Hence, the secondary and tertiary care should be strengthened and steps should be taken to increase the bed capacity to at least 2 functional beds per 1000 population. The global average of beds is 2.9 per 1000 population.

There is wide disparity between rural areas and urban areas in the availability of healthcare facilities. Majority of the population lives in rural areas but only meagre health services are

available there. In the study area also there are few healthcare centres and people have to travel a long distance to visit a good healthcare centre. This problem should also be rectified. To attain equality among areas, the state has to transfer resources according to the requirements.

The efficiency of the working of public healthcare sector is low and the quality of healthcare services available in public hospitals is very poor. To attain efficiency and quality, the attitude of healthcare providers should be changed and they should be patient-friendly. Poor patients approach public hospitals only due to their financial inability, but the unfavourable situations in public hospitals force them to knock the door of private hospitals.

It is reported by many health economists that contractors are more effective in delivering quality care and in the coverage of services than the existing government system. Contracting for health service delivery has a number of attractive features; focusing on results, flexible, less corruption, constructive competition, improved absorptive capacity, better distribution of health workers, and managerial autonomy. It is believed that contracting with non-governmental organisations or other non-public entities improves both coverage and quality of care. If possible, health services can be provided through contract system. In improving healthcare facilities public-private partnership can be encouraged.

From all the discussions carried out above, it is clear that the Indian system of medicine is not being utilised like Allopathy and people are reluctant to visit public sector hospitals. Getting treatment in private healthcare institutions leads to very high out-of-pocket expenditure and impoverishment of families. It may reduce the consumption of healthcare services. Less healthcare service usage may have its own impact on the health of people. Quality healthcare should be made available to all, irrespective of economic and educational status, caste, religion and area. Then the proverb 'Health is Wealth' will have the real meaning.

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# Economic Growth And Capital Market Development In Nigeria An Appraisal

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## Abstract

This paper appraised the responsiveness of economic growth to capital market development in Nigeria. Specifically, the study sought to, (i) determine the impact of market capitalization on Real Gross Domestic Product (RGDP) (ii) ascertain the effects of value of shares traded in the capital market on Real GDP and (iii) find out whether the total number of issues in the capital market impact on RGDP in Nigeria. The researchers adopted time series data from 1995-2016 which were drawn from Central Bank of Nigeria Statistical bulletin and stock exchange review reports. The analysis of data was done using descriptive statistics and ordinary least square (OLS) regression Technique. The result of the study shows that market capitalization was found to have negative relationship with Real Gross Domestic Product (GDP) in Nigeria. The study also reveals that there is limited contribution of the capital market to the development of industrial sector. The study recommended that there should be improvement on the declining market capitalization by encouraging investors to invest in the sector.

**Keywords:** Capital Market, Value of Shares, GDP, Number of stock issued and Ordinary Least Square (OLS)



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## **INTRODUCTION**

Globally, the important of capital market as an efficient channel of financial intermediation has been recognized by the researchers and policy makers as a primary determinant of economic growth of any nation (Oluwatosin, Adekanye and Yusuf, 2013). The capital market is the segment of the financial system which facilitates the channeling of long-term funds from surplus to deficit economic units thereby stimulating capital formation and socio-economic development.

The introduction of Structural Adjustment Program (SAP) in Nigeria resulted in significant growth of the financial sector and the privatization exercise which exposed investors and companies to the significance of the stock market. The liberalization of capital market led tremendous changes with respect to volume, number of deals and value of securities traded as well as the number of securities listed in the market, yet there are concerns on its impact at the macro-economic level.

Again the capital market was instrumental to the initial twenty-five Banks that were able to meet the minimum capital requirement of N25 billion during the banking sector consolidation in 2005. The stock market has helped government and corporate entities to raise long term capital for financing new projects, and expanding and modernizing industrial/commercial concerns (Oladipo and Tunde, 2013)

Oluwatosin, Adekanye and Yusuf (2013) infer that the capital market has undergone tremendous reforms in recent years. Among these is the introduction of Central Securities Clearing System (CSCS), an automated clearing, settlement and delivery system aimed at easing transactions and fostering investors' confidence in the market. Equally important is the linking of performance information on the Nigerian Stock Exchange to Reuters International System in order to disseminate relevant market information to subscribers. However, poorly functioning capital markets typically are illiquid and expensive which deters foreign investors. Illiquid and high transactions costs also hinder the capital raising efforts of larger domestic enterprises which pushed them to foreign markets.

The capital market effectively started operations in Nigeria on 5th June, 1961 under the provision of the Lagos Stock Exchange Act 1961, which transformed into the Nigerian Stock Exchange in December 1977 as a result of the review of the Nigerian financial system (CBN, 2007). The Securities and Exchange Commission (SEC) was established in 1979 through the SEC Act 1979, to regulate the capital market, but it commenced actual operation in 1980. It took over regulatory functions from Capital Issues Commission, which was established in 1973. Since then, various forms of financial instruments have been issued in the capital market by new and existing business to finance product development, new projects or general business expansion.

The Nigerian Stock Exchange provides the essential facilities for companies and government to raise money for business expansion and development projects through investors who own shares in corporations for the ultimate benefit of the economy. The Nigerian Stock Exchange was also established to increase the rate of capital formation in the economy, to bring currency in circulation in banking sector and to enhance the effectiveness of the country's monetary policy and to expand the market (NSE, 2006).

It is obvious therefore that finance is an essential ingredient in the stimulation of economic growth and development. In the light of the foregoing therefore, this research study focuses on the investigation of the responsiveness of economic growth to capital market development of Nigerian, 1995-2016.



### **Statement of the Problem**

The impact of the global financial crisis affected the exchange performance in Nigeria. In the same vein, the number of deals increased from 10,199 in 1981 to peak at 49,029 in 1992, before falling to 40,398 in 1993. It later rose significantly to 3,535,631 in 2008, and declined by -50.8 per cent to 1,739,365 in 2009. The growth in the market also manifested in the phenomenal increase in market capitalization, from N5.0 billion to N7,030.8 billion in 2009, over ten-fold jump. The phenomenal growth notwithstanding, the market capitalization represents only 28.0 per cent of the GDP, compared with 167.1 per cent for South Africa, 50.7 per cent for Zimbabwe and 130.0 per cent for Malaysia, (CBN, 2007). This shows that the potentials and prospects for growth in the Nigerian market are bright.

The linkage between capital market performance and economic growth has often generated strong controversy among analysts based on their study of developed and emerging markets (Kolapo and Adaramola, 2012). The determination of the growth of an economy depends on how efficiently the capital market performs its allocative function of capital. As the stock market mobilizes savings, concurrently it allocates a larger proportion of it to the firms with relatively high prospects as indicated by its rate of returns and level of risks (Alile, 1997).

Nevertheless, there is abundant evidence that most Nigerian businesses lack medium and long-term capital. The business sector has depended mainly on short-term financing such as overdrafts to finance even long-term investment. Based on the maturity matching concept, such financing is risky. All such firms need to raise an appropriate mix of short- and long-term capital which in other will have an impact to the economy (Edame and Okoro, 2013). In the light of the above mentioned facts, the study aimed at appraising the responsiveness of economic growth to capital market development of Nigerian (1995-2016).

### **Objectives of the Study**

The broad objective of this study is an appraisal of the effect of capital market on the growth of Nigerian economy. The specific objectives include to:

- Determine the effect of market capitalization on real Gross Domestic Product (GDP).
- Ascertain the effects of value of shares traded in the capital market on real GDP.
- Determine whether the total number of issues in the capital market impact on real GDP.

### **Research Questions**

- What are the effects of market capitalization on real GDP?
- To what extent has the value of shares traded in the capital market affects real GDP?
- To what extent has total number of issues in the capital market impact on real GDP?

## **REVIEW OF RELATED LITERATURE**

### **Conceptual Framework**

#### **Concept of Capital Market**

Capital market is defined as the market where medium and long term finance are bought and sold (Akingbohugo, 2006). Capital market offers varieties of financial instrument that enable economic agents to pool, price and exchange risk. Through assets with attractive yields, liquidity and risk characteristics, it encourages savings in financial form. This is very essential for government and other institutions in need of long term funds (Nwankwo, 2011). According to Al-Faki (2009), the capital market is a network of specialized financial institutions, series of

mechanisms, processes and infrastructure that, in various ways, facilitate the bringing together of suppliers and users of medium to long term capital for investment in socio-economic developmental projects". Emekekwe (2016) stated that capital market provides facilities for transfer of medium and long term funds to various economic units.

### **Historical Development of the Nigerian Capital Market**

The activities and trading in this market is managed by the Nigerian Stock Exchange (NSE) which evolved in 1977 from the Lagos Stock Exchange, established in June 5, 1961. As at end of 2009, there were ten trading floors of the NSE. The Lagos branch serves as the head office of the exchange, Enugu, Ibadan, Onitsha, Kaduna, Kano, Port Harcourt, Yola, Benin and Abuja were the other branches of the exchange (Oladipo and Tunde, 2013).

Each branch has a trading floor, which creates opportunities for buying and selling of securities. Other than these, there are institutions such as the Securities and Exchange Commission (SEC), which is the regulatory authorities and was established in 1979, issuing houses, Investment Advisers, Portfolio Managers, Investment and Securities Tribunal (IST), the stock broking firms, registrars and other operators. The interactions among these players influence the width and depth of the market. Prior to 1980s, trading in the market was weak, attributable mainly to low level of information dissemination and awareness.

However, with the level of computerization and availability of corporate information, the market becomes more efficient with major indicators reflecting remarkable growth. Since the 1980s, most of the market indicators including all-share value index, number of deals, market capitalization, total value of shares traded and turnover ratio have recorded significant increases. (Oladipo and Tunde, 2013).

The improvements could be attributed to the establishment of the Second-tier Securities Market (SSM) in 1985; the deregulation of interest rates in 1987, the privatization programme of government owned companies, enhancement in market infrastructure and requirements, innovations; as well as the banking sector reform. These developments have culminated in unprecedented growth of both the primary and secondary markets (Ozurumba and Chigbu, 2013). Some of the major securities traded on the exchange during the period under review included, government development stocks, industrial loans/preference shares and equities. From 100.00 in 1984, the all-share value index on the exchange rose to 57,990.22 in 2007, but declined by -64.1 per cent to 20.827.17 in 2009 as some quoted banks were involved in merger/acquisitions in the recapitalization exercise in the banking sector, while those that were unsuccessful were de-listed from the exchange. . The growth and development of the capital market in Nigeria can be traced to 1946 with the floating of N600,000 (more than 300,000 pounds sterling) worth of government stocks. However, an organized market for the secondary trading of issued stocks was lacking. In 1959, following the establishment of the Central Bank of Nigeria (CBN) a year earlier, a N4million (2million pounds sterling). Federal government of Nigeria development loan stock was issued in line with its role of fostering economic and financial development. The stock market has helped government and corporate entities to raise long term capital for financing new projects, and expanding and modernizing industrial/commercial concerns (Nwankwo, 1991)

### **Market Capitalization**

MCAP or market cap/ market capitalization represents the aggregate value of a company or stock. It is obtained by multiplying the number of shares outstanding by their current price per share. For example, if XYZ company has 15,000,000 shares outstanding and a share price of \$20 per share then the market capitalization is  $15,000,000 \times \$20 = \$300,000,000$ . Generally, the U.S.

market recognizes three market cap divisions: large cap (usually \$5 billion and above), mid cap (usually \$1 billion to \$5 billion), and small cap (usually less than \$1 billion), although the cutoffs between the categories are not precise or fixed. Found at [http://www.investorwords.com/2969/market\\_capitalization.html#ixzz5757L7Gh](http://www.investorwords.com/2969/market_capitalization.html#ixzz5757L7Gh)

Market capitalization is one of the best measures of a company's size. Also known as market cap, market capitalization is the total market value of a company's outstanding shares of stock. For example, you may have heard **Apple** referred to as "the most valuable company in the world." That's because Apple currently has the highest market cap of any publicly traded company.

A company can issue new shares of stock to increase its market capitalization. Note that a stock split won't affect a company's market capitalization, even though it will increase the total shares outstanding. The reason is that when stocks are split, their individual prices are split by the same proportion. If a company has 30 million shares outstanding worth \$10 each, after a 2-for-1 split, it will have 60 million shares outstanding worth \$5 each. Either way, the product of that company's shares outstanding multiplied by its stock price will be the same, or so its market cap will not change.

## **ECONOMIC GROWTH**

Economic growth means an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Economic growth is a process by which a nation wealth increases over time. The most widely used measures of economic growth is the rate of growth in a country's total output of goods and services gauged by the gross domestic product (GDP)

Economic growth can also be refers to as the increase of per capita gross domestic product (GDP) or other measures of aggregate income, typically reported as the annual rate of change in the real GDP. Economic growth is primarily driven by improvement in productivity, which involves producing more goods and services with the same inputs of labour, capital, energy and materials (Gbadamosi, 2017)

## **The Roles of the Nigerian Capital Market**

Emekekwe (2009) categorized the role of the Nigerian Capital Market into three major headings namely:

- The Pooling Function.
- Facilitating Capital Formation.
- Risk Reduction Function

### **The Pooling Function**

The capital market through its agencies like banks, insurance companies etc pools the resources of the economic surplus units and channel them to economic deficit units who will then put such funds to productive use. Ugwuanyi (2013) states that capital market provides access to finance for new and small companies and encourage institutional development in facilitating the setting up of Nigeria's domestic funds, foreign funds and venture capital funds.

### **Facilitating Capital Formation**

Emekekwe (2009) stated that in disbursing the resources that they have pooled together, the capital market through its agencies ensures that the funds are given to those economic units that will utilize the funds judiciously so as to increase their capital stock. To that effect, the

economic units receiving the pooled resources have increased their capital stock hence financial institutions facilitate capital formation.

### **Risk Reduction Function**

Through its resource pooling (savings) function acting as conduit pipe to channel those resources to savings deficit economic units, the financial institutions diversify ways for existing resources to meet with competing needs. This diversification process of resources reduces risk inherent in investment. With all the above enumerated roles of the Nigerian capital market however, attainment of such goals is not feasible without the pivotal role of the Nigerian Stock Exchange. The Nigerian capital market without the Nigerian stock exchange is like an automobile without fuel to propel it.

### **Theoretical Framework**

The study adopted the Growth Theories as propounded by Adam Smith (1776), - The theory enquired into the Nature and causes of the Wealth of Nations which did not give a well-defined meaning of theory of development but the leading theme has been that of economic growth.

The Smith theory believes that if individuals are left free to seek for the maximization of their own personal wealth, the aggregate wealth of the economy will also be maximized. This theory assumes that institutional, political and natural factor remain unchanged. For economic growth to take place the main factor is labour, with division of labour there will be an improvement into the productivity of labour. This is because there will be an increase in the skill of every worker. Our interest is capital accumulation which is the pride of place in the Smith theory; he regarded capital accumulation as a necessary condition for economic growth and development. It is belief that the higher the rate of savings in the economy the more the investment that will be made (Adam Smith, 1776).

### **Empirical Review**

The first comprehensive study on the relationship between capital market development and economic growth, according to Levine (1997), was undertaken by the World Bank Research Group. They investigated the compatibility of stock market development with financial intermediaries and economic growth and concluded that stock market development is positively correlated with the development of financial intermediaries and long term economic growth. Obstfeld (2015) identifies risk diversification, through internationally integrated stock markets, as another vehicle through which stock markets can raise resources and affect growth.

In Romania, Brasoveanu, et al (2015) studies the correlation between capital market development and economic growth for the period 2000 to 2016. The result indicates that capital market development is positively correlated with economic growth by way of feed-back effect. Bolbol, Fatheldine and Omaran (2015), indicates that capital market development has contributed to the economic growth of Egypt.

Adamu and Sanni (2015), examine the roles of the stock market on Nigeria's economic growth, using Granger-causality test and regression analysis. They discovered a one-way causality between GDP growth and market turnover. They also observed a positive and significant relationship between GPD growth and market turnover ratios. The authors advised that government should encourage the development of capital market since it has a positive effect on economic growth.

Kareem, Sanni, Raheem, and Bakare (2013) employed multiple regressions to estimate the functional relationship between money supply, inflation, interest rate, exchange rate and stock prices. Their study revealed that the relationship between stock prices and the macroeconomic

variables are consistent with theoretical postulation and empirical findings in some countries. Though, they found that the relationship between stock prices and inflation does not agree with some other works done outside Nigeria.

## METHODOLOGY

### Research Design:

The study adopted an *ex-post facto* research design. *Ex-post facto* is mostly used in a study where it is not possible or acceptable to manipulate the characteristics of the variables under study. The use of descriptive statistics is necessary as the data set is entirely quantitative and requires the use of analytical and statistical techniques. In view of the above, this study adopted Augmented Dickey Fuller (ADF) test for the unit root test in order to attain stationarity. The Engle-Granger and Johansen's Co integration was conducted to ascertain if there is a long run relationship among the variables. The Parsimonious Error Correction modeling was adopted to correct for shocks and innovations, decomposing them into short run and long run impacts.

### Nature and Sources of Data

The data for the work is annualized time series which consist of mainly secondary data. The study covers 1995 to 2016. The data are accessed from the Central Bank of Nigeria databank and statistical Bulletin various issues. Nigerian Stock Exchange (NSE) fact books, Security and Exchange Commission (SEC) market Bulletins and relevant journals. The choice of the period 1995 to 2016 was informed by the availability of data in the form detailed enough to allow for robust analyses

### Model Specification

The model of this study is based on the Classical Linear Regression Model of Brooks (2014). An econometric analysis of which Economic Growth proxies RGDP is the dependent variable while the independent/ explanatory variables are market capitalization, value of shares traded and total new issues. The model is shown as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \dots + \beta_n X_n + U_t \quad \text{-----} \quad 3.1$$

Where;

Y = Dependent variable

X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub>-----X<sub>n</sub> = the explanatory or independent variables

B<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>-----β<sub>n</sub> = the coefficient of the parameter estimate or the slope

U<sub>t</sub> = Error or disturbance term

### In relating this to the study;

$$RGDP = f(MCAP, TNI, VLT) \quad \text{-----} \quad 3.2$$

Relating it in econometric form and the variables log linearised, it will appear thus;

$$LRGDP = \beta_0 + \beta_1 \ln MACP + \beta_2 \ln TNI + \beta_3 \ln VTS + \dots + U_t \quad \text{-----} \quad 3.3$$

Where;

LnRGDP = Real Gross Domestic Product

LnMCAP = Market Capitalization

LnTNI = Total New Issues

LnVTS = Value of Transactions (Government and Industrial securities)

Ut = Disturbance /Error term

$\beta$  = Intercept

$\beta_1 - \beta_3$  = Coefficient of the Independent Variables.

A priory expectation: It is expected that  $\beta_1 - \beta_3 > 0$

Note: All variables are in their natural logarithm form

## **PRESENTATION DATA AND ANALYSIS**

### **Presentation of Data**

Table 4.1 shows the GDP, Market Capitalization, Total New Issue, Value of Transactions in Nigeria from ( 1995-2016)

| <b>Year</b> | <b>GDP</b> | <b>MACP</b> | <b>T N I</b> | <b>VTS</b> |
|-------------|------------|-------------|--------------|------------|
| 1995        | 267.37     | 16.3        | 67.37        | 3.23       |
| 1996        | 265.38     | 23.1        | 69.38        | 2.24       |
| 1997        | 271.37     | 31.2        | 33.06        | .49        |
| 1998        | 374.83     | 47.5        | 26.36        | .80        |
| 1999        | 275.45     | 66.3        | 21.61        | .99        |
| 2000        | 281.41     | 180.4       | 44.25        | 1.84       |
| 2001        | 293.75     | 285.8       | 58.58        | 6.98       |
| 2002        | 302.02     | 281.9       | 108.75       | 10.33      |
| 2003        | 310.89     | 262.6       | 150.18       | 13.57      |
| 2004        | 312.18     | 300.0       | 120.38       | 14.07      |
| 2005        | 329.18     | 472.3       | 172.08       | 28.15      |
| 2006        | 356.99     | 662.5       | 371.98       | 57.68      |
| 2007        | 433.21     | 764.9       | 612.84       | 58.90      |
| 2008        | 477.53     | 1,359.3     | 180.10       | 113.80     |
| 2009        | 527.58     | 1,925.9     | 195.40       | 223.90     |
| 2010        | 561.93     | 2,900.1     | 552.80       | 254.70     |
| 2011        | 595.82     | 5,120.9     | 707.40       | 468.60     |
| 2012        | 634.66     | 13,294.6    | 1935.08      | 2083.42    |
| 2013        | 672.21     | 9,563.0     | 1509.23      | 2375.61    |
| 2014        | 717.00     | 7,030.8     | 700.34       | 684.04     |
| 2015        | 776.30     | 11,200.0    | 1428.25      | 787.58     |
| 2016        | 656.34     | 10,790.2    | 1902.3       | 704.78     |

**Sources:** CBN Statistical and Capital Market Bulletin Various Issues, 2017

**Data Analysis and Discussion of Results**

**ADF Unit Root Test:**

**Table 4.2: Result of Unit Test Analysis**

| S/N | Variables | ADF t-stat | 5% critical value | Order of Integration | Trend          |
|-----|-----------|------------|-------------------|----------------------|----------------|
| 1   | GDP       | -8.307644  | -2.307644         | 1(1)                 | With intercept |
| 2   | MACP      | -3.253225  | -2.957110         | 1(1)                 | With intercept |
| 3   | TNI       | -5.363889  | -2.957110         | 1(1)                 | With intercept |
| 4   | VTS       | -3.457620  | -2.960411         | 1(1)                 | With intercept |

**Source:** E-view 9 computation

Table 4.2 shows the presentation of ADF Unit root test of stationarity of the time series variables. The result shows that all the variables are 1(1) order of integration, where the absolute values of the t-test exceeded the 5% values

**Table 4.3: Result of Johansen Co-integration**

| <b>Series: GDP, MACP, TNI, VTS</b>                  |             |           |                |        |
|---|-------------|-----------|----------------|--------|
| <b>Lags interval (in first differences): 1 to 1</b> |             |           |                |        |
| Hypothesized  |             | Trace     | 0.05           |        |
| No. of CE(s)  | Eigen value | Statistic | Critical Value | Prob** |
| None*   | 0.702716    | 88.87634  | 69.81889       | 0.0007 |
| At most 1*  | 0.541468    | 51.27122  | 47.85613       | 0.0231 |
| At most 2   | 0.353137    | 27.09972  | 29.79707       | 0-0992 |
| At most 3   | 0.237142    | 13.59546  | 15.49471       | 0.0947 |

Trace test indicates 2 co-integrating eqn. (s) at 0.05 level of significance

Table 4.3 was used to estimate the Johansen co-integration to establish a long run relationship of the variables. The result indicates the presence of two (2) co- integrating equations at 5% level of significance. The trace statistic values of 88.87 and 51.27 exceed the 5% critical values of 69.81 and 47.85 which show that co-integration exists.

**Error correlation model**

Table 4.4: Result of Error Correlation Modeling

Dependent Variables: (GDP)

Method: Least Squares

Date: 20/02/2018

Sample (adjusted): 1995 2016

Included observations: 30 after adjustments

| Variables          | Coefficient | Std.Error             | t-Statistic | Prob.     |
|--------------------|-------------|-----------------------|-------------|-----------|
| C                  | -0.061247   | 0.533758              | -0.114747   | 0.9095    |
| D(MACP)            | -2.380328   | 1.534956              | -1.550747   | 0.1331    |
| D(TNI)             | -1.681851   | 4.326397              | -0.388742   | 0.7006    |
| D(VTS)             | 0.112023    | 2.522207              | 0.044415    | 0.9649    |
| ECM(-1)            | -0.840410   | 0.192910              | -4.356477   | 0.0002    |
| R-Squared          | 0.437049    | Mean dependent var    |             | -0.028437 |
| Adjusted R-square  | 0.328789    | S.D. dependent var    |             | 3.675407  |
| S.E. of regression | 3.011167    | Akaike info criterion |             | 5.209893  |
| Sum squared resid  | 235.7452    | Schwarz criterion     |             | 5.484718  |
| Log likelihood     | -77.35829   | Hannan-Quinn criter   |             | 5.300990  |
| F-statistic        | 4.037041    | Durbin-Watson stat    |             | 2.023053  |
| Prob(F-static)     | 0.007623    |                       |             |           |

Table 4.4 presents the result of the error correction model analysis. The F-statistic indicates that all the explanatory variables are jointly significant in determining the dependent variables, with the probability of the F-ratio that falls below 5 percent (0.05). The coefficients for the individual t-statistic indicate that all our variables of focus; Gross domestic Product (GDP), Market Capitalization (MACP), Total New Issues (TNI) Value of Transactions (VTS) are statistically significant at 5 percent level of significance, since their *p* value is less than 0.05.

The model is dynamic since the ECM coefficient is well behaved. It is negative, but it is statistically significant. This indicates that the speed of adjustment from the short time to the long run equilibrium is only 84.04%

## **SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS**

### **Summary of Findings**

The study examined the responsiveness of economic growth to capital market development of Nigeria between 1995 and 2016. The findings of the study reveal the following:

- The market capitalization (LMCAP) was found to have a negative relationship with the real gross domestic product (LRGDP). Its significance test shows that LMCAP has an insignificant impact on RGDP.
- The LTNI has a positive relationship with RGDP. The significance test shows significant



impact of LTNI on the RGDP. Thus, there is a significant effect of value of shares traded in the capital market on real GDP.

- The total listing of equity on government stock (TLS) has a positive relationship with the RGDP. The significance test also shows a significant impact on the RGDP. The implication of this is that the economy responds favourably to measures taken to increase TLS in the Nigerian stock exchange

### **Conclusion**

The study appraised the responsiveness of economic growth to capital market development via market capitalization, value of transaction and total listing of equity and government stock. As it was observed market capitalization, government stock and value of transaction are important capital market variables that are capable of influencing economic growth. Hence the capital market remain one of the mainstream in every economy that has the power to influence or impact economic growth therefore the organized private sector is to invest in it. The market capitalization have not impacted significantly on the GDP while volume of transaction and total listed equities and Government stock have significant impact on the GDP.

### **Recommendation**

In order for the Nigeria capital market to be pivotal force in Nigeria economic growth and development, the following recommendations are put forward.

1. There should be an improvement on the declining market capitalization by encouraging more foreign investors to participate in the market, maintain state of the art technology like automated trading and settlement practice, electronic fund clearance and eliminate physical transfer of shares.
2. There is also need to restore confidence to the market by regulatory authorities through ensuring transparency and fair trading transaction and dealing in the stock exchange. It must also address the reported case of abuse and sharp practices by some companies in the market.
3. Since the total listing is significant at 5% level of significance but still far compared to other exchange like South African and Egypt, there should be increase in the total member listed companies to ensure stable macroeconomic environment in order to encourage foreign multinational companies (MNCs) or their subsidiaries to be listed on the Nigerian stock exchange, relax the listing requirements to the first tier market and ensure tax rationalization in the capital market to encourage quotation and public interest in shareholdings.

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# Effect Of Individual Characteristics On Career Development Through Continuing Management Education

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## Abstract

This study is based on determining the influence of individual characteristics on pursuing continuing management education for carrier development of employees. That being educated in certain area of technical expertise, and being managerially trained are two different perspectives and how the later one effects the personal and professional growth of an employee. The data is collected from potential employees in areas which require continuing management education programs. The data is collected in form of quantitative questionnaires expanding over the scope of this research. The results indicate that individual characteristics actually have strong impact on selection of appropriate CME program.

**Keywords:** Career Development, Management Education



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## INTRODUCTION

The knowledge is continuously expanding in the recent era, where people are doing continuous researches resulting in expansion of existing knowledge. The degrees the certificates matter a lot in the current corporate culture. So to cope up with these requirements of the recent era, and individual must decide that what would be his next step of survival. Whether he wants to survive the competition by gaining extra knowledge or he wants to stay at a stable stress-free platform in the organization and be most likely to lose his job over the competition.

Being extinct of an employee does not matter for the organization, but it highly affects the career development and overall morale of that individual. So to move forth in the steps of carrier developmental process and employee must acquire additional skills and capabilities through continuing management education. Sometimes a person is good at his technical expertise, but needs some management skills to make sure he manages efficiently and effectively. This specially happens when a person is having a highly technical educational background and he is handed over the responsibility of a manager in position in an organization so he is in need of education in the management field so he can plan, organize, lead and control the faculty and resources with maximum precision and accuracy possible.

Nowadays people are facing many difficulties regarding the carrier. They are in a position in an organization and they need to move forward in the hierarchy of authority. To exploit their strengths and suppress their weaknesses they are required to gain extra knowledge. Knowledge to make sure they are worth of their new position in the organization. Institutes are providing management education for the people who are currently enrolled as employees of some existing organizations. They are willing to provide flexibility to the people who can manage some hours from the tight work schedule.

Why is this need arising? Why are people needed to gain extra education? It is needed Because of the tough competition in the employee hiring and staffing. An individual has to acquire some competitive edge over the other pool of applicants arising for a vacant position in the company. They need that distinguishing factor for which they will be selected over others; they will be prioritized over others. A person is most of the times not satisfied from the current position in an organization he wants to go up and beyond his current power and expertise.

Being stuck in a single job position is stable but not healthy for carrier development. A person must learn to move forward and embrace the competition of his existence in an organization. A person's mental and cognitive abilities are not enough for him, so that he would be capable person for an organization. But his mental abilities for deciding the necessary requirements he would achieve to stay in that organization are relevant. He might not be thinking about having a promotion in the organization but he needs those skills to make sure he is managing the resources appropriately. There are numerous types of Management education programs provided for the employees but he must be wise to choose the specific area where he needs the know-how. Is it motivation, team building, management of resources? Or any other likes financial, marketing, logistics, productions and operations or customer satisfaction area? He must choose the area responsibly. There, he must be performing cost and benefit analysis of which one is better for him, that he must be enrolled in a diploma or a degree program as per requirement.

How the person selects whether he wants a CME program or not, or which type of CME program he will most likely select depend on his personal characteristics. What are his motives of having the CME program, and why is he managing the extra load of a job and an additional and sometimes not so necessary CME program. It will always be his personal benefit, along with partially shared organizational benefit. So, if he is willing to take the pressure and strain of

handling more than routine tasks on his plate, then he must be enthusiastic enough to claim the benefits of being a better employee and thus, moving a step further in his carrier development. It is always difficult to come out of one's comfort zone, but once you try to do so, you will be happy to reap the rewards.

So in today's , a person must consider continuing management education whichever field of knowledge they operate in. being aware as a manager and utilizing the techniques and understanding the theories provided by management sciences is taking the existing knowledge a step forward in whatever area of interest a person is currently pursuing. Because organizations involve people to work with, to negotiate with, to compensate with, to conflict with, to cooperate with as well as the resources to handle, the inventories to keep up, the deadlines to meet. Management is required everywhere.

## **LITERATURE REVIEW**

### **Individual Characteristics**

Individual characteristics are those qualities which exist in human beings and which distinguish them from others. Every person have diverse characteristics which renders its personality and which helps him toward various features of human behavior including motivation, learning, performance and also career development (Robbins, 1996, pp. 109-111). Every individual have different type of behavior and he acts according to his own cognition, perception and shows behavior which he accepts for himself. Good personality traits are very significant for an effective manager even for every employee because it leads him to success. Good personality traits ultimately results in being very helpful for stage to stage career development. Individual characteristics can be identified through observation, interviews and surveys.

Individual characteristics also emphasize the individual to take the decisions related to occupation and in that professional decision outcome, individual desires eventual goal achievements. This stage also involves expectations from surrounding people and environment which is very important for job satisfaction (Eka Daryanto, 2014). According to (Patton & McMahon, 2006) personality traits are resolute through individual characteristics which can be measured by certain description. It is necessary for an individual to attain his superior level job performance According to (Mushriha, Dra, & Msi, 2013) individual characteristics keep changing and it can be learned at any time and any place. Individual behavior is also result of the life experience of person and this behavior can also be changed through learning. Learning process can change the behavior of individual. Individual characteristics play very important role in decision making which is very important to choose any occupation because right option can lead you to success. Success is also a motivation factor to doing something if there is no motivation of gaining something then the interest of employee will be less as compare to if he have some ambitions and also loyal to himself and also with the organization in which he is working. (Robbins, 1996) Defines that around there are four features of an individual as a worker in relative to work. Those four features are: biographical, capabilities, personality and last is learning. These fours are matter a lot in individual life either in his/her personal life or professional life. Age, gender also effect performance and these factors make his/her personality according to which he act and show his/her interest.

Individual characteristics have close link and important role to make his career through continuous management education which is also important in this era to compete with other and for survival because if they do not learn new skills and technology then there is less chance of their successful career.

### **Continuous Management Education**

World is changed and become a global village. Everyone have to compete if he has to survive in the present era. As now world became a global village so there are different cultures in different countries according to which they used their technologies so it is necessary to adopt these cultures according to the requirement of the organization, for this they must be trained employees and organizations must also give them relevant education for better result. (Gupta, Bhaskar, & Singh, 2015). Continuous management education is important for employees for their career development and also for organizational development. For continuous management education it is necessary that employees should be aware of the benefits provided by CME and also motivated to continue their study for further steps. The adults or persons involved in practical fields when acquire education, they can use it more efficiently as compared to children gathering random knowledge because they know where to concentrate and where the knowledge is applicable. (UNESCO Institute of lifelong learning, 2010). For CME employees have an option for selection of the courses which are most relevant to their occupational requirement and through which their personal skills will also enhance along with other carrier development benefits.

In history, many studies have been done in which they discussed the importance of continuous management education. People (Kim & Nancy, 1990) have studied and knew that CME is not only option but also an essential in corporate world to acquire promotions, good salaries and also for work satisfaction in present era. Other researches emphasized that Continuous management education (CME) is very helpful for employees because CME teaches them to keep discovering themselves. It gives them latest knowledge to deal with different types of hurdles and also resolve and overwhelmed every unusual situation. In fact it gives them strength and capacity to resolve issues before they actually occur and cause loss. (Gupta, Bhaskar, & Singh, 2015) The researchers have discovered the importance of continuous management education for employees. They examined the impact of continuing professional education on the performance of employees and found the results. He also realized that performance of employees can lead to better result through continuous management education (CME) and can make further progress in their respective field. Continuous management education (CME) is not only important for advancement of their prospective field but also promote them into next rank also increase their knowledge, abilities, skills and by improving their learning skills and enhancing their personality. (Walker, Jeffes, Hart, Lord, & Kinder, 2010)

Usually the organization's management support the choice of CME programs but most often, the individual selects the most suitable program in relevance to his own personality regardless of the organizational benefits, he prioritizes his personal benefits (Ofsted, 2010). The first and the most important element for an employee is salary income, income is very important for them and income determine their status in society and also shapes their lifestyles so through continuous management education (CME) they not only improve their personal and professional growth but also raise their income and which is also a very important motivation factor for employee obtained by getting more skills and knowledge through continuous management education (CME). (Walker, Jeffes, Hart, Lord, & Kinder, 2010). No one can deny the importance of continuous management education (CME) for employees for their career development as individual characteristics are important for career development in the irrespective of the field in which they are working.

### **Career Development**

Every individual have some plans for future. These plans can be for his professional growth or for personal growth. Both things are included in career development and both are important for

individuals. In these days mostly organizations plan career development for employees. The basic purpose of this planning is the professional as well as personal growth of employees which leads them to their successful career and also beneficial for the organization. (Kim & Nancy, 1990). It is also said that career development is a formal term which is used in business and also it focuses on continuously increasing the skills and abilities of employees. Through career development, employees improve their abilities and also become more motivated to perform their tasks in dynamic environment (Nawawi & Hadari, 2000, p. 289). According to the results of another research, young employees are more motivated to beginning a career in the replacement because of high level of values they perceive as compare to old employees, because old employees have minimum level of motivation and also low interest for career development they do not want frequent variations and modifications in their work atmosphere. They also do not want to work in dynamic environment because generation X usually comprises of Herzberg's Theory X type employees so they do not like diversity and that's why career development is less in old employees (Campion, et al., 1994). According to (Dubrin & Andrew, 1982, p. 197) the career development in the view point of the organization, is personal activity in which his/her colleagues help individual plan in future for the help of individuals and for the creativity in the organization to achieve maximum self-development. Many programs are offered for the development of employees and career development is essential staffing activity which helps employees to plan for future career in the organization where employees which have concerns about their career can advance their selves. (Handoko & Hani, 2001, p. 123) said that the career development is a personal improvement which one does to achieve his/her career plan. It is personal activity to plan career achievement it can be professional growth and also can be personal growth. For career development motivation factor should be there in employees otherwise they do not make plans for career. For this purpose many organizations also aware their employees that how much career development is important for employees as well as for the organization. If employees are not conscious of their future plans they do not know in future which goal they would be supposed to achieve in the organization for professional growth. This results in the employees having low level of loyalty toward organization. That's why it is also important to spread awareness of career development to employees.

The decision of carrier development is based on three dimensions, first of all relationship between commitment and action, secondly, history and experience of the person deciding, and thirdly the dynamic linkages between networks involved (Langley, Mintzberg, Pitcher, Posada, & SaintMacary, 1995). These decisions also involve the status quo bias that the individual would prefer the existing line of decisions made by him and thus he will act to stick with the old intentions. He may want to carry his social image within the organization or want to do the usual personality up-gradation decisions regarding his carrier. (Sameulson & Zeckhauser, 1988 ).

## THEORETICAL FRAMEWORK

A summarized diagram of the research to be conducted is given below.

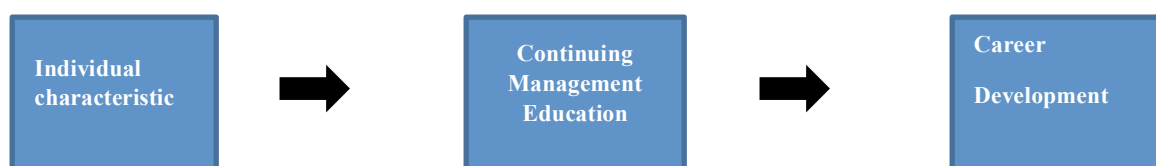


Figure 1- Theoretical Framework

Following are the suggested hypothesis

**H1:** individual characteristics is positively associated with continuing management education

**H2:** Continuing management education is positively associated with career development

**H3:** Continuing management education has positively mediated between individual characteristics and career development.

**METHODOLOGY:**

In this study quantitative technique was used to explore the relationship between individual characteristics, continuing management education and career development.. Target population was selected as private sector of Rawalpindi and Islamabad. In present study data was collected through questionnaire. Non probability technique that is convenient sampling is used for data collection. There were 300 questionnaires out of which 256 respondents give their response. Male proportion was greater in the population as compared to females. There were 65.5% male and 34.5 % females.

**Measure:**

Career development was measured using four questions developed by Noe, 1996; Zikic & Klehe 2006.The questionnaire employed in the present study consists of questions that measure the individual characteristics taken from the Work-style Survey (Feuerstein et al., 2005).. The items were mainly on a four point scale (Never – At least three times per week).

According to descriptive statistics mean value and standard deviation value of individual characteristics measured at 2.62 and 0.843 respectively. Similarly mean and standard deviation value for career development is 2.72 and 0.940 respectively. And for CME mean value is 23.3 and 18.33 is its standard deviation value.

**Table: 1 Correlation and Alpha reliability of individual characteristic, CME, and career development (N=256)**

|                                    | I      | II     | III  |
|------------------------------------|--------|--------|------|
| <b>I Individual characteristic</b> | .793   |        |      |
| <b>II CME</b>                      | .763** | .731   |      |
| <b>III Career development</b>      | .670** | .762** | .599 |

\*\*p < 0.01 level

The above table 1 shows that two variables individual characteristics and career development are significantly and positively correlated (r= .670, p<.01). This proves that the first hypothesis is accepted as there is positive and significant relationship between these two variables. Similarly, above table shows that there is a positive and significant relationship between CME and career development (r=.734, p<.01).



**TESTING MEDIATION EFFECT:**

To give evidence of the mediation effect among all three variables four assumptions of Baron and Kenny (1986) has been used in this study. According to his first supposition independent variable have affect on the mediator. Second statement says that mediator variable in any study should affect the dependent variable of that study. According to his third assumption independent variable of a study should be related to dependent variable of that study. Last assumption of Baron and Kenny illustrates that if dependent and independent variable have no direct relationship between with one another, but the relationship exists because of mediator than there is a case of full mediation. And in partial mediation dependent and independent variable have both direct and indirect (through mediator) relationship with one another. Sobel test is used for testing the mediation of CME.

| Mediation Relationship                                | Hypothesis | Sobel Test Statistics | P Value | Result                       |
|---|------------|-----------------------|---------|------------------------------|
| Individual Characteristics =>CME=> Career development | H6         | 10.13                 | 0.00    | Accepted (Partial mediation) |

**DISCUSSION:**

Main aim of this study was to verify the effect of individual characteristics on the career development. This study finds out this relationship in the presence of a very important variable used as a mediator. Continuing management education was used as mediator in this relationship. Whenever CME is used in any organizational scenario it leads to the increase in the career development of employees in that working environment. This finally leads to increase the final output of employees that is employee performance. Objective of this study was to explore the mysterious black box that exists between the dependent and independent variable.

H1 of this study indicates the relationship of individual characteristic on continuing management education. Result supported the first hypothesis. Past researchers also prove this relationship has a strong and positive impact on performance and development of employees. H2 suggest that there is a positive effect of high continuing management education on career development. Result of this study proves the second hypothesis of this study

H3 indicates the mediating role of continuing management education between individual characteristic and career development. Results of this study prove that CME positively mediates the relationship between individual characteristics and career development.

**CONCLUSION**

Main aim of this study was to examine the factor that contributes in the relationship of individual characteristic and career development. It means the individual characteristics actually have a strong impact on carrier development through choice of appropriate CME programs. Because when an individual makes certain decisions regarding the CME program, his personality traits have strong influence over the decision. And the decision thus impacts his personal and professional growth. So, the hypotheses proposed in this research are presumably valid. . Individual characteristics play a vital role to achieve a successful career because if an

individual have ability to achieve a specific goal and he knows it, then he will try to do better and he will try to get his goal through learning. Finally he will achieve his goal so in result of it he acquires better personality traits so individual can move on with better self. The most necessary elements which must be in individual for success in career development include job skills, demonstrative intelligence and also IQ level (Muchlas & Makmuri, 2005). Individuals have always some capacity to learn more either it is related to any skills or behavior because learning process can occur any time and there are many chances to be acknowledged, to enhance your personality and he can also improve his career.

### **THEORETICAL AND PRACTICAL IMPLICATIONS**

This study helps many researchers and organizations to enhance the performance of their employees by considering in relation with CME and individual characteristics. This study helps in various dimensions. First of all, the research covers the management section of knowledge involving employees “working” in an organization. And it emphasizes on the need of survival and moving forth in the existing system. Secondly, it is combined with the psychological aspects of personality and characteristics of an individual for analyzing unambiguous decision making traits in certain scenario. The scenario in this case is the continuing management education programs provided by various institutions. So these elements are not studied collectively together before.

This study adds benefit by explaining the effect of CME on employees’ development in Pakistani working environment. Pakistani businessmen can enhance the performance of their employees by using bundles of practices along with CME. It shows a clear picture that organizations should use continuing management program for the betterment of their employees’ career.

### **LIMITATIONS AND FUTURE RESEARCH**

This study is enormous as it includes four variables and their relationship with one another but as all other studies this study also have some limitations in it. There was a problem of generalizability due to its sample size. Data collected in this study was self reported, further researchers can get rid of biasness by not collecting self reported data. This study is conducted in only one sector further researchers can take more sectors to enhance the accuracy of results. This study is cross sectional future researchers can check the results by conducting at longitudinal level.

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