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Purchasing Behavior in Multi-Ethnic Society, Computer Brand Preferences

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Abstract

This research is one of a series of research attempting to examine multi-ethnic consumer’s attitude in ethnically diverse societies. This research also attempt to determine factors that influence consumer preference of computing products in a multi-ethnic society such as the United Arab Emirates (UAE). The objectives of this study is to determine the influence of multi-ethnicity on attitudes toward consumer brands, and to compare attitudes toward purchasing decisions by various ethnicities and factors influencing intention of purchase. Significance of the study lays in the tremendous need by suppliers and venders to determine the nature of demand and consumer preference in particular products, which will allow marketing managers and suppliers an insight into a strategic market segment in highly multi-ethnic society. Findings of this study reveals that consumer in high ethnically divers society such as the UAE tends to emphasize the importance of quality, looks, performance and international warranty and strong brand image. This study also finds that consumer brands of laptop markets in the UAE consist of highly knowledgeable consumer base. Word-of-mouth, family and friends were the most determinants factors influencing the buying decision in consumer brands of computing machines in the UAE.

Key words

Consumer behaviour, multi-ethnic society, consumer brands, purchasing of laptops, UAE
Introduction

With an increasing trade between the UAE and the rest of the world, there is a mounting pressure on various Chambers of Commerce within the UAE and the Ministry of Foreign Trade to provide various companies, suppliers, and vendors a lacking information and specific data pertaining consumers preferences and purchasing behavior regarding computing products and other consumer goods. This paper provides an insight into consumer preference when shopping for laptop computing devices by employing revealed preference theory. Paul Samuelson’s revealed preference theory examines consumer’s purchasing behavior and preferred products available within certain budget. Which means that consumer’s preferences may be revealed through their purchasing practice (Wong 2006).

Since more cities around the world are becoming increasingly multi-ethnic because of the increasing cross borders trade, research methodology and findings of this research may be applied to other places as well. Multi-ethnicity is fast changing demographic in number of countries, cities and city-State such as Singapore, USA, Qatar, Malaysia, and others, which is presenting retailers and international marketers with new challenges (Cohen, Markowitz, 2002). The growth of ethnic minorities is largely attributed to the economic growth of the host countries, and higher commercial trade between countries (Mundra, 2010).

The UAE with its two cities; Dubai and Abu Dhabi are representative cities that are known for their highly diverse ethnic population. UAE nationals composes around 920 thousands out of the eight million two hundred thousand people living in the UAE (Population Estimate Report, 2011). Dubai and Abu Dhabi represents the highest ethnic population diversity in the nation. Both cities also represent the highest rate of visitors and trade with other nations out of the seven cities.
composing the UAE (UAE Government Culture and Heritage 2010). Purchasing products for re-export purposes is also one of the main drivers for the economy, especially in the international city of Dubai, which many consider the trade hub of the UAE (Asongu, C’Lamt, Marvee 2007).

**Literature Review**

Numerous scholars have investigated purchasing patterns and behavior in ethnically diverse societies. Chattaraman and Lennon (2008) investigated whether ethnic consumers’ consumption of cultural apparel, and attributional responses related to their consumption, which is predicted by their strength of ethnic identification. Chattaraman and Lennon also examined whether the consumption of cultural apparel mediates the influence of strength of ethnic identification on consumers’ attributional responses. The study revealed that strength of ethnic identification was a significant predictor of cultural apparel consumption and attribution of emotions and meanings to the consumption (Chattaraman & Lennon, 2008). Other significant study on marketplace diversity in the United States is Cui and Choudhury (2002) study that revealed that as the population and purchasing power of ethnic minority consumers in the USA continue to grow, more marketers are using sub-cultural segmentation and targeted marketing to reach these consumers, while marketers have grown increasingly concerned with the cost-effectiveness of ethnic segmentation and differentiated marketing (Cui & Choudhury, 2002).

Pires and Stanton (2000) argued that ethnically diverse nations such as Australia are likely to have a limited knowledge of the marketplace. Considering possible communication difficulties, constrained decision-making may result when selecting both products and suppliers (Pires & Stanton, 2000). Chung and Fischer on the other hand argued in their study of Chinese Canadian consumers across eight product categories that intracultural differences in consumer behavior are inadequately explained by the psychological construct of ethnic identification, and that additional
explanatory power is achieved when incorporating the ethnic homogeneity of social ties (Chung and Fischer, 1999).

However, while few scholars have investigated brand preferences and purchasing behavior in the UAE, Balakrishnan (2008) investigated Dubai – a star in the east: A case study in strategic destination branding, Alam and Sayuti (2011) examined applying the theory of planned behavior (TPB) in halal food purchasing, Wycislak (2010) studied multinationals' sins pave the way to the expansion of domestic companies, Jaffar, ElKhatib, Hesson, Radaideh (2007) researched a proposed strategic alignment of IS/IT with supply-chain management for UAE dates industry, and (2010) examined predicting e-procurement adoption in a developing country: an empirical integration of technology acceptance model and theory of planned behavior. This study remains unique in its investigation of consumer computing brands in a highly multi-ethnic society such as the UAE.

**Objectives of Study**

- Determine consumer’s preferences and degree of influence among various ethnic groups in the UAE
- Determine attitudes toward various brands purchasing behavior
- Determine the preferable shopping experiences
- Determine best possible approaches that influence consumer’s purchasing behavior towards top technology brands
- Determine the influence of brands and degree of response to selected consumer brands and self-image products
- Determine the influence of multi-ethnicity on attitudes toward consumer brands
• Compare attitudes toward purchasing decisions by various ethnicities and factors influencing intention of purchase.

**Problem Statement**

How can suppliers and vendors determine consumer preferences of technology products in a multi-ethnic society and what brands are desired by different ethnicities.

**Research Questions**

• What is consumer’s attitude towards computing brands in consumer society in a multi-ethnicities society?

• What factors influence consumer’s preferences in a multiethnic society?

**Research Hypotheses**

*H0*: The degree of consumers interested in brand name laptops will differ significantly by ethnicity

*H1*: The degree of consumers interested in brand name laptops does not differ significantly by ethnicity

*H2*: The degree of influence on consumer’s decisions amongst diverse ethnicities is significantly based on previous experience

**Limitation of the study**

The UAE has large consumer base as it serves consumers from surrounding countries and countries as far as the former USSR, Russia, and China. This study is limited to the examination
laptop products in the consumer market only. This research paper is concerned with neither business markets nor desktop computing products.

**Significance of the study**

As an international business hub, the UAE plays a significant role as a reseller of numerous consumer based products and particularly laptops and other consumer-based products. Hence, there is a tremendous need by suppliers and vendors alike to determine the nature of demand and consumer preference in particular products. Determining consumer preference will allow marketing managers and suppliers an insight into a strategic market segment in highly multi-ethnic society.

**Methodology**

The research methodology employed in this study is qualitative with cross sectional analysis as it examines the usage and attitude survey. This methodology has been used because it focuses on a descriptive and opinion based research as it covers questions about the opinions of people and their preference ratings. This approach was particularly employed in this study because the nature of the data collected requires the determination of particular consumer brands of laptop and opinions with respect to the influencing factors that determines consumer’s purchasing decision giving a limited budget (Ennis, Daniel M, Kenneth Mullen, and Jan E.R. Frijters, 1988).

**Sample**

The population sample consists of working adults, university students, professionals, tourists, and various shoppers representing diverse sectors of the local economy. The survey was conducted in major shopping outlets and malls in the cities of Dubai and Abu Dhabi as they provide diverse and representative samples (Richardson, M., 1938).
**Instrument**

The instrument employed in the data collection is self-administered questionnaire, which was designed to measure the following attributes: a) determine consumer’s preferences b) determine attitudes and experiences, c) determine influences, and d) provide demographic information.

To measure consumer preferences Max-Diffs (Maximum difference scaling) measurement was employed (Louviere, J. 1987) (Louviere, J. 1991). Given the demographic data, this instrument allows the examination of the levels of involvement and consumption frequency. The self-administered survey consisted of questions assessing influence attributes, and each attribute appears equal number of times. This approach also was describes by Almquist, Eric; Lee, Jason (2009) as an ideal approach for rating consumer preferences studies. The data collected was analyzed, in which the total number of times each attribute was mentioned was standardized to allow different samples to be compared. This was also described by Cohen (2003) as an adequate approach to data standardization of data related to measuring consumer preferences. To determine the reliability of the instrument employed, Cronbach’s Alpha was utilized, with scale reliability equal to 0.74.

To measure consumer’s attitudes toward particular brands, the instrument applied was Likert scale, which is a psychometric scale commonly applied to research that utilizes questionnaires and to scale responses. This instrument consisted of five scales designed to measure consumer’s attitude towards varying computing brands. The range utilized in Likert scale was from one (strongly disagree) to five (strongly agree). Cronbach’s Alpha was the scales utilized to measure the degree of reliability. Some items had to be deleted because of their lack of reliability on the scale. Consumer’s attitude scale consisted of five items with a reliability coefficient of 0.75.
To measure factors influencing purchasing decision, the measurement used was ordinal scale, which measure four major items (Thurstone, 1927). The purpose is to measure consumer’s experiences with varying brands. Likert scale was also utilized to collect data regarding factors influencing consumer’s decision and product image. The data collected provided interesting demographic data that supported findings in this study.

**Data Analysis**

The data collected through the survey revealed that 34.6% of the people currently use HP laptop while 16.1% of them use Toshiba. Also, 71.7% of the people have previously used another brand out of which 29.2% have used HP and 20.22% Toshiba. Furthermore, a very significant percentage (81.4% of the people) is satisfied with the current brand they were using (HP and Toshiba). About 18.5% of the people are dissatisfied with their current laptop brand and it is mainly due to poor performance or frequent hardware failures (69.5% and 21.7% respectively). Looking at the brand of laptop that was previously used, 66.1% of the people are satisfied while 33.8% of them are dissatisfied. When asked which brand of laptop they would like to buy, 58.8% of participants indicated that they want to buy Apple and only 12.9% indicated HP. Moreover, 37.9% of participants indicated that they would like to buy brand due to form rather than content (good looks of exterior design) while 23.4% of participants indicated that they have been influenced by the brand name and brand reputation in the marketplace. Coming to the usage, 58.8% of the people use their laptop for multi purpose, while 25.8% indicated that they use their laptops for personal use. As far as the feature preferences are concerned, the most wanted features
are High battery life (58%), high-end performance (56.4%), high specification (38.7%) and international warranty (33.8%).

Most participants combining 42.7% indicated that they are influenced by their friends, family members, and word of mouth in making purchasing decisions. Whereas 30.6% indicated that they the primary factor that influence their purchasing decision is personal experience. The percentage of male participants in the survey was higher with 56.45% of them being males and 43.5% being females. Demographic findings revealed the following: 63.7% of people who participated in the study belonged to the age group of 20-30 years while 31.45% belonged to the age group of 15-20 years. Further demographics showed that 47.6% of purchasers were Arabs while 25.8% were Indians/Pakistanis. 33% indicated that the assigned preferred budget set for purchase is 3,000 to 4,000 AED. While only 24.1% indicated a budget of 4,000 to 5,000 AED assigned for their purchases of laptop computing devices.

**Hypothesis testing**

- **H1:** The degree of consumers interested in brand name laptops does not differ significantly by ethnicity.

To test this hypothesis analysis of variance (ANOVA) was applied. Results were significant at p < 0.001 (F = 15.3) Findings revealed that consumers were interested in brand name computers with a mean score of 55. Previous experience was the most significant factor next to the desire to have brand name with a mean of 59.49.
Findings

Surveyed consumers based their current decision to purchase HP brand of laptops from a previously owned brand of HP. Survey consumers also indicated that they are satisfied with the current brand of laptop they are using and were also satisfied with the previous brand they used, which supports the influence of positive previous experience on consumer’s behavior. Results also showed that the primary reason for dissatisfaction for consumers wishing to change brands is largely poor performance or frequent hardware failures. Focus by vendors should be on serving the multipurpose usage of today’s 20-30 year age group of consumers.

A value for money machine with criteria of; quality, looks, performance and international warranty is of most importance to consumers in the UAE market. Market characteristics in the UAE also emphasizes strong brand image and strong market reviews to strengthen brand loyalty and customer relationship management. This study also finds that

Consumer brands of laptop markets in the UAE consist of highly knowledgeable consumer base with demand for form (design) and content of (hardware/software) computing products. The importance of international warranty suggested that the nature of demand is largely based on re-exported products that arrive to the UAE to accompany owners back to their native countries. Finally, word-of-mouth by family and friends was the most determining factor influencing the buying decision in consumer brands of computing machines in highly ethnically diverse society of the UAE.
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Appendix-I

Current laptop brand usage pattern

![Chart showing current laptop brand usage pattern]

Brand of laptop people want to buy

![Chart showing brand of laptop people want to buy]

Why do people like to buy the above brand?
a) Brand name/reputation in the market  
b) Good looks or design and high quality  
c) It’s a taboo to carry one/status symbol  
d) Recent product reviews are great for this brand  
e) High end configuration  
f) Affordable, reasonably good specifications, durable

Who/What influenced their preference?

a) Newspaper/Magazine  
b) Friends, Family and word of mouth  
c) Ads on TV or Road shows  
d) Personal Experience  
e) Sales team at the stores  
f) Internet/Market reviews

Appendix-II
Data analysis shows that most of the Arab/Indian/Pakistani males with a budget set of Dhs. 3-4 k, prefer to buy Apple due to its good looks and design or high quality.

The factors that influence their preference are (in descending order):

1. Family, friends or word of mouth
2. Personal experience
3. Brand name/Reputation in the market

The features that influence their preference are (in descending order):

1. High battery life
2. High end performance
3. High specification
4. International Warranty
Psychological Capital: Implications for Business Schools

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Abstract
Psychological Capital (PsyCap) has emerged as an important core construct linked to positive outcomes at the individual and organizational level. The development of the four positive psychology components constitutes Positive Psychological Capital: efficacy, hope, optimism, and resiliency are presented as essential assets for the future workforce. Research has empirically supported PsyCap as a higher-order core factor that can be developed and is related to multiple performance outcomes in the workplace and higher job satisfaction, commitment, and organizational citizenship behaviors. PsyCap has also gained prominence as a construct in leadership research and is considered a vital factor for authentic leadership development and influence. This paper addresses the importance of including the development of the four psychological capacities of PsyCap in the curricula of business schools in order to achieve the missions of preparing the human capital organizations need as a source of competitive advantage.

Keywords
Positive Psychology, Positive Organizational Behavior, Psychological Capital, Leadership
Introduction

Graduates from business schools are entering a rapidly changing business world characterized by competitiveness and uncertainty with shifting demands and opportunities. The new global economy, driven by innovation and technology, presents unprecedented challenges. Therefore the expectations for high-performance talented employees are very high.

Employers and managers are increasingly recognizing that employees’ talents and skills are what determine their organizational success. Business schools are expected to prepare the human capital that organizations need: people whose minds will be a critical asset to employers and will add to the intellectual and social capital of organizations. Business schools also have the challenge of designing learning communities that contribute to the development of business leaders capable of influencing, motivating and empowering others. Researchers are placing much emphasis on human capital as viable sources and competitive advantage for organizational success (Toor & Ofori, 2009; Luthans & Youseff, 2004).

There is an increasing emphasis on talent management, the need to maximize the potential of employees, combining their talents to achieve significant results. But are knowledge and skills enough to meet the challenges of the new business scenarios? Our business graduates need to develop additional capacities in order to face the challenges of postmodern workplaces. Toor and Ofori (2009) stress that, in addition to having human capital and social capital, organizations need to be psychologically healthy to be competitive. The applied knowledge of Positive Psychology and Positive Organizational Behavior point us in the right direction.

Positive Psychology and Positive Organizational Behavior
Positive Psychology is the scientific and applied approach to uncovering peoples’ strengths and promoting their positive functioning. Instead of focusing on the study and treatment of mental illnesses, Positive Psychology directs its attention toward human strengths, those aspects that permit us to learn, enjoy, be happy, generous, serene, solidary and optimistic (Snyder & Lopez, 2007). Martin E. Seligman, former President of the American Psychological Association and considered the pioneer of Positive Psychology, believes this new perspective re-orient psychology to its two neglected missions: making people stronger and more productive as well as making high human potential actual (Seligman, 1998).

Recent developments in organizational studies focus on positively oriented human resource strengths and psychological capacities that can be measured, developed, and managed for performance improvement in today’s workplace (Luthans & Youssef, 2004). Positive Organizational Behavior (POB) is defined as the study and application of positively oriented human resource strengths and psychological capacities that can be measured, developed, and effectively managed for performance improvement in today’s workplace (Luthans et al., 2007c). It focuses on nurturing individuals’ strengths and helping people use them to their and the organization’s advantage.

Luthans initially included Emotional Intelligence (EI) as part of POB, but soon dropped it because of its lack of theoretical foundation and research and valid measurement. However, he recognizes the advances made by Salovey and others’ research and sees the potential of including EI once it is properly, measured, and validated (Luthans et al., 2007c). In contrast, Psychological Capital
(PsyCap), originally presented by Fred Luthans\(^1\) and his colleagues, has undergone extensive theory-building and research and provides substantial evidence of the importance and relevance of PsyCap and its correlations.

**The Psychological Capital**

*Capital* in organizations traditionally refers to financial and tangible assets. The term *Human Capital* is now used to refer to the experience, education, skills, knowledge and ideas of the members of an organization. *Social Capital* refers to the valuable relationships, and network of contacts. The last and newest form of capital called *Psychological Capital* is rooted in the movements of positive psychology and positive organizational behavior.

Psychological Capital is defined as an individual's positive psychological state of development and is characterized by four variables:

1. **Self-efficacy**- having confidence to take on and put in the necessary effort to succeed at challenging tasks.
2. **Optimism**- making a positive attribution about succeeding now and in the future;
3. **Hope**- persevering toward goals and, when necessary, redirecting paths to goals in order to succeed
4. **Resiliency**- when beset by problems and adversity, sustaining and bouncing back and even beyond to attain success

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\(^1\) A distinguished professor of Management at the University of Nebraska- Lincoln. He has published more than 150 articles and several books, served as President of the National Academy of Management, is co-editor-in-chief of the Journal of World Business, the editor for Organizational Dynamics, and the Journal of Leadership and Organizational Studies
When combined, the four variables of PsyCap have been shown to predict performance and satisfaction better than each of the four factors that make it up. (Luthans et al., 2007c). Stajkovic (2006) also has advanced the same four constructs in his proposed motivational model called “core confidence,” confirming the inclusion of these four components by Luthans and his colleagues.

Research supports that the four component resources of PsyCap load on the higher-order core construct of psychological capital and indicates convergent and discriminant validity with similar positive core constructs such as core self-evaluations and relevant personality traits such as conscientiousness (Avey et. al., 2009; Luthans et. al., 2007b).

The four components of PsyCap can be molded and developed with focused interventions. Luthans and his fellow researchers have developed an intervention model called Psychological Capital Intervention (PCI) that has demonstrated consistently an increase of 2% or more of PsyCap (Luthans, et. al., 2007a).

**The Four Components of PsyCap**

When choosing the four specific variables of PsyCap, Luthans insisted they meet the POB criteria of being positive, unique and based on theory, research, valid measurement, and open to development and have measurable performance impact (Robinson, 2007). Each component will be described separately below, but it is important to underline that the whole (PsyCap) is greater than its parts (Luthans et al. 2007c).
**Self-Efficacy**

Drawing from Bandura’s extensive theory and research, PsyCap self-efficacy is a person’s conviction about his or her abilities to reach specific results. It is believing in one’s ability to mobilize cognitive resources to obtain specific outcomes.

According to Bandura (1997), self-efficacy is believing you can produce desired results by means of your effort (or combined efforts) because you have the capacity and the necessary resources to do so. Bandura presents the following as some of the antecedents to self-efficacy:

1. Previous success in similar situations - this motivates positive thoughts based on past successful performance.
2. Imitation of people in similar situations - observing others that have had success in similar situations and copying their actions.
3. Imagining yourself having success - visualizing yourself achieving your goals.
4. Receiving verbal persuasion from people you trust and respect with authority - being influenced, by a significant person, to behave in certain ways.
5. Stimulation and emotions - when we are challenged and experience negative emotions, our self-confidence weakens; but if the challenge is matched with positive emotions, it increases our self-confidence.

Although the majority of research on self-efficacy concentrates on individuals, it also works on a collective level involving groups of people who work together to achieve common goals (Snyder & Lopez, 2007). Collective self-efficacy is defined as the degree in which we believe that we can
work together effectively to reached our shared goals (Maddux, 2002). Although there still isn’t an agreement of how to measure collective self-efficacy, evidence shows it plays an important role in classroom performance (Bandura, 1993) and work teams (Little & Madigan, 1997).

People are healthier and more productive if they have a strong self-efficacy with regard to their work (Hitt, et. al., 2011). Stajkovic and Luthans (1998) operationalized the construct of self-efficacy in terms of self-motivation to challenge oneself with difficult tasks and goals, but not impossible. They sustain self-efficacy can be developed and nurtured with mastery experiences. Success raises self-efficacy, failure lowers it.

Research shows that positive learning environments and cooperative learning strategies can improve self-efficacy (Fenci & Scheel, 2005; Bandura 1997). Training and guiding students/employees through experiences that they are equipped to handle will motivate them to tackle other tasks and goals of increased difficulty and complexity.

**Hope**

PsyCap hope, a psychological strength, does refer to neither wishful thinking nor unsubstantiated illusions. It is based on the theory of C. Rick Snyder, the most widely theory-builder and researcher on hope in the positive psychology movement (Luthans et. al., 2007). Snyder defined hope as a positive motivational state that is based on an interactively derived sense of successful agency (goal-directed energy) and pathways (planning to meet goals). It involves having clearly defined goals along with the perceived capacities to produce the routes goals (called pathway thinking), and the requisite energies to use those routes (called agency thinking) (Snyder & Lopez,
Persons with hope will tell themselves: “I will find a way to solve this situation” (Staats, 1989).

As with the concept of self-efficacy, researchers have also expanded the construct to explore what is called collective hope, the level of goal-directed thinking of groups of people. Such collective hope is operative when several people join together to tackle a goal that would be difficult or impossible for any one person (Snyder & Feldman, 2000).

Hopeful thinking characterizes productive organizations as well as successful workers (Snyder & Lopez, 2007). Using the principal of hope theory is adaptive in work settings to clarify important goals, to break larger goals into subgoals that are easier to reach, and to learn to come up with alternative routes to desired goals—especially in stressful circumstances (Luthans & Jensen, 2002). Studies suggest that hope can be increased with strengths-enhancing exercises (Snyder & Lopez, 2007; Hodgens & Clifton, 2004).

**Optimism**

PsyCap optimism is not just about predicting that good things will happen in the future. It is based on the studies of the recognized pioneer of positive psychology and the concept learned optimism, Martin Seligman. Optimism is an explanatory style that attributes positive events to personal, permanent, and pervasive causes and interprets negative events in terms of external, temporary, and situation-specific factors (Seligman, 2006).

In his over 25 years of studying optimists and pessimists, not only in clinical applications, but also in organizational settings, Seligman found that pessimists tend to believe bad events will last a long time, will undermine everything they do, and are their fault. Optimists, who are
confronted with the same situations, tend to believe defeat is just a temporary setback and believe they are not their fault. Therefore when confronted by difficult situations, they perceive it as a challenge and try harder. Hundreds of studies show that optimists perform much better in school, college, and at work (Seligman, 2006).

Seligman (2006) points out that our schools and workplaces operate on the conventional assumption that success results from a combination of talent and desire. And when failure occurs, it is because either talent or desire missing. But, he emphasizes, failure can also occur when talent and desire are present but optimism is missing. His theory of learned optimism does not consist in learning to think or say positive statements. What is crucial is what you think when you fail. Changing the destructive things you say to yourself when you experience setbacks is the central skill of optimism. A skill that, he has proven, can be learned.

In the old paradigm environment, a slightly pessimistic workforce may have been preferred in order to maintain responsibility, accountability, and control. Now in the new paradigm, selection for and development of employees’ PsyCap optimism represent a fresh opportunity for positive, healthy and productive human capital that is independent, embracing and open to new ideas and opportunities (Luthans, et. al., 2007c).

**Resiliency**

PsyCap resiliency is the capacity to bounce back from adversity, uncertainty, failure or even positive but seemingly overwhelming changes such as a promotion with increased responsibilities. The three components of such resiliency are: acceptance of reality; a deep belief, often reinforced
by strong values, that life is meaningful; and an ability to improvise and adapt to change. (Luthans & Youssef, 2004).

Henderson (2007) defines resiliency as the capacity to spring back, rebound, successfully adapt in the face of adversity, and develop social and academic competence despite exposure to severe stress or simply the stress of today’s world. According to Masten (2001) any person willing to look at difficulties as opportunities for growth can develop resiliency.

Although some researchers (Snyder & Lopez, 2007, Blum, 2006; Bonano, 2004) sustain there is a natural inherent resiliency human response to adversity, they also believe people can learn to develop resiliency. People with high resiliency are more flexible, adapt to new circumstances more quickly and thrive under constant change. When confronted with difficulties, they reorient themselves rapidly to manage the new reality. They recover faster and come out stronger and more confident (Sielbert, 2005).

In the past, people were expected to learn to be resilient on their own. Now Positive Psychology, with its research on coping, optimism, hardiness, stress, post-traumatic growth, creativity, emotional intelligence and of survivor personality, has identified the principal attributes of resiliency and strategies for fostering resilience. The consensus is that education is the prevailing factor in the development of resiliency (Synder & Lopez, 2007; Henderson, 2007; Blum, 2006; Seligman, 2006; Bonano, 2004; Grotberg, 1999; Wolin & Wolin, 1993)

The four components of PsyCap are not intended to be an exhaustive list for sustainable competitive advantage. There are other possibilities such as happiness, compassion, or even emotional intelligence, with its social competencies. However, self-efficacy, hope, optimism, and
resiliency, at present, best meet the POB criteria and can be most readily managed for competitive advantage (Luthans & Youseff, 2004).

Figure 1: The Four Components of Psychological Capital

Since PsyCap capacities are states rather than enduring traits, Luthans and his colleagues expect them to fluctuate over time, increasing and decreasing depending on the existing conditions at the time of assessment. However, they contend that, unlike traditional human and social capital or even individual psychological capacities, PsyCap offers a dynamic resource potential that can grow and be sustainable over time. They express their intent to encourage and to keep exploring new psychological capacities, continually build theory, conduct on-going research, and apply to practice (Luthans et al., 2007c).

PsyCap capacities are renewable, complementary and may even be synergistic. The following are examples of the positive outcomes that may result from the interaction among the components of PsyCap. Hopeful people who possess the agency and pathways to achieve their goals will be more motivated to and capable of overcoming adversities and, thus be more resilient. Confident
people will be able to transfer and apply their hope, optimism, and resiliency to specific tasks. A resilient person will be adept in using the adaptational mechanisms necessary for realistic and flexible optimism (Luthans et al., 2007c).

**Correlations of PsyCap**

PsyCap has also been found to be significantly related to desired employee behaviors (and negatively to undesired behaviors), positive attitudes, and performance (Luthans, et al., 2007b). Furthermore, recent research indicates that PsyCap has implications for combating stress (Avey, et. al., 2009), may help in facilitating positive organizational change (Avey et.al. , 2008), and mediates the relationship between supportive organizational climate and employee performance (Luthans, et. al., 2008).

Research has empirically supported PsyCap as a higher-order core factor (Luthans, Avolio, et. al., 2007c) that can be developed (Luthans, Avey et.al., 2006; Luthans, Avey & Patera, 2008) and is associated with higher performance and satisfaction of employees (Luthans, Avolio, et. al., 2007c). Luthans and others (2010) conducted a pilot test of the PsyCap Intervention Model (PCI) with a randomized control group design and follow-up study with a cross section of practicing managers to determine if following the training guidelines of the PCI caused the participants’ performance to improve. Results provide beginning empirical evidence that short training interventions such as PCI not only may be used to develop participants’ psychological capital, but can also lead to an improvement in their on-the-job performance.
PsyCap has been correlated positively with a variety of performance outcomes at work such as quantity and quality of solutions offered by employees, 360 degree performance evaluations, team work performance, and authentic leadership. It has also been correlated positively with constructive employee attitudes such as job satisfaction, commitment, engagement, and conscientiousness. According to these results, an analysis of the utility of PCI indicated a substantial return on investment (Luthans, Avolio, et. al., 2007b).

Research has also found PsyCap can be enhanced by a supportive work climate. In terms of being state-like, PsyCap has been developed by short training sessions in both classroom and field settings and electronically through the internet. It is related to multiple performance outcomes in the workplace, lower employee absenteeism, less employee cynicism and intentions to quit, and higher job satisfaction, commitment, and organizational citizenship behaviors (Luthans & Youssef, 2007).

PsyCap has also gained prominence as an important construct in leadership research. It is considered a vital factor for authentic leadership development and influence. A study in the construction industry in Singapore significantly correlated PsyCap with authenticity and transformational leadership. It also found that transformational leadership plays a mediating role for PsyCap to predict leadership outcomes: effectiveness, extra effort, and satisfaction (Toor & Ofori, 2009).

Toor and Ofori (2009) indicate that PsyCap is fundamental for leadership development and influence and agree with Luthans (2005) that developing PsyCap in employees is difficult to replicate by the organization’s contenders. Therefore it becomes a source of sustainable competitive advantage helping the organization attain a long-term competitive edge. Proponents of PsyCap argue that its development at all levels of organizations has a high potential as an...
important human resources management strategy for helping the firms to capitalize on their existing and prospective human resources (Luthans, et al, 2005).

**The Psychological Capital Questionnaire (PCQ)**

The Psychological Capital Questionnaire (PCQ), also referred to as the PCQ-24, was constructed by Fred Luthans, Bruce J. Avolio and James B. Avey. The PCQ, a measure of PsyCap with 24 items, has undergone significant validation efforts to demonstrate that it is both a reliable and a valid construct. It has undergone extensive psychometric analyses and support from samples representing service, manufacturing, education, and high-tech, military and cross cultural sectors.

Each of the four components in PsyCap is measured by six items. The resulting score represents an individual's level of positive PsyCap (Luthans, Avolio, et. al., 2007a). The PCQ can be used free of charge for research purposes only by researchers who submit an abstract of their research project and the Agreement for Permission.

**Implications of PsyCap in Business Schools**

At present, leadership and the development of leadership skills are principal topics in research, literature, textbooks on business administration, management, and entrepreneurship. Diverse authors point out leadership as one of the most important functions of managers and entrepreneurs (Schermerhorn, 2011; Lussier, R.N. & Achua, C.F., 2010; Yukl, G., 2010; Clawson, J.G., 2009;; Hughes, R., Ginnett, R. & Curphy, G., 2007).
The mission of the Association to Advance Collegiate Schools of Business (AACSB) is to advance quality management education worldwide through accreditation and thought leadership. It is regarded as the benchmark for business school quality among the academic community. Its Task Force on Business Schools and Innovation released a report to transform future dialogue to include the diverse and important role business schools and managers play in fostering change and innovation (AACSB, 2010). They have turned the conversation about business schools from what is wrong with them to how to engage them as a powerful force in driving constructive change for society. As expressed in this report, the global economy experienced a deep and unsettling economic crisis that some blame partially on business schools. But most critics, even those who believe that the economic crisis was the product of misplaced priorities of business school graduates, admit that business schools have the ability to profoundly influence the way we think about management and conduct business.

The following mission statements of some prestigious business schools evidence their prioritization of the development of business leaders:

To be a leading business school dedicated to preparing current and future business leaders to compete in global business and to advancing the practice of management through excellence in teaching, research, and service.

*Freeman School of Business, Tulane University, New Orleans*
We are a community of scholars in a Jesuit Catholic University committed to preparing business leaders with the highest capacity and commitment to contribute to society through ethical and socially responsible conduct, sound decision-making and problem-solving skills and the knowledge to act effectively in complex organizational settings and a diverse global economy.

- School of Business Administration, Loyola University, New Orleans

We educate leaders who make a difference in the world.

- Harvard’s Business School, Massachusetts

Our mission is creating knowledge and developing ethical leaders for a global society.

- Texas A&M University's Mays Business School

To develop professional and ethically-minded management, business, and academic leaders through an education based on excellence, research initiatives, and service to Puerto Rico and the world.

- School of Business Administration, University of Puerto Rico, Rio Piedras Campus

Although there are diverse definitions of leadership, many emphasize the ability to influence and inspire others to work together toward the achievement of tasks and goals (Schmerhorn, 2011, Lussier, R.N. & Achua, C.F., 2010; Yukl, G., 2010; Clawson, J.G., 2009; Hughes, R., Ginnett, R.
& Curphy, G., 2007). These authors concur on the main capacities of successful leaders; the following are some of the most outstanding relevant leadership capacities:

1. Self-confidence and being able to inspire confidence in others
2. Optimism and the ability of inspiring optimism in others
3. Perseverance through adversity
4. Ability to adapt to change
5. Capacity to make good decisions en ambiguous and uncertain contexts
6. Be influential and persuasive in diverse groups
7. Be able to identify, attract, develop and retain and inspire talented people

These characteristics are consistent with the components of PsyCap. Psychological Capital presents remarkable opportunities that are particularly relevant for authentic leadership development (Avolio & Luthans, 2006; Luthans & Avolio, 2003). Studies show that when PsyCap development efforts are introduced within a positive organizational context in which planned and unplanned trigger events are integrated, developing leaders can enhance self-awareness, self-regulation and self-development. The result is not only leaders with higher PsyCap, but also more authentic leaders (Avolio, et. al., 2004; Gardener, et. al., 2005). These authors also sustain that if leaders are both higher in PsyCap and more authentic, the same will be true in terms of the development of followers.

**Conclusion**
Developing business leaders that can manage themselves and can guide others in uncertain and stressful work settings should be an educational priority for business schools. Besides facilitating the cognitive and technical formation of students, business schools need to become aware of the importance of developing the Psychological Capital of their students, as a necessary professional competency to face the present personal, organizational, and social challenges. The administrative and teaching staff and students need awareness of the value of developing the four components of PsyCap as essential personal and organizational assets.

Paradigm changes have pressured organizations to distance themselves from traditional autocratic models toward more participative models that recognize the value of its members and the convenience of empowering them. The new paradigm forces a pedagogical shift in all educational institutions, from pre-school to higher education. The new paradigm views business schools as learning communities where students are guided to identify their talents and develop the knowledge and skills they need and that the organizations that they will form a part of need.

If we recognize that Psychological Capital helps business leaders successfully prevail under adverse and stressful situations, which they undoubtedly will encounter, then we must responsibly contribute to the development of the components of PsyCap in business students. Our students should be aware of the value of PsyCap and the value of promoting PsyCap in their future coworkers.

The curricula of business schools, tuned in to the present changes in personal and organizational needs, must include topics, strategies, and activities that not only transmit knowledge but also stimulate the integral development of human beings. It is our duty and responsibility to provide programmatic content that responds to the actual needs and challenges of our students, the future
human capital. Educational institutions, recognizing the paradigm changes in organizations and businesses, need to be learning communities that empower their members.

The concept of PsyCap and exercises related to its development can be included in diverse courses offered at business schools such as: management, human resource management, organizational behavior, industrial-organizational psychology, leadership, human relations, and entrepreneurship courses, among others. In technical courses such as accounting, finance, marketing, and computer sciences, professors can stimulate the development of PsyCap by fomenting positive classroom climates and interrelations, and by modeling their own PsyCap. Conferences, panel discussions, and workshops on PsyCap can also be offered on campus.

Wolin & Wolin (1993) stress the need and importance of creating a strength-reinforcing culture in educational institutions, where the discussion of capacities, talents, goals and objectives is seen as something positive and important. They indicate that all adults who interact with young people need training to learn to focus on strengths and capabilities with the same preoccupation or more that we reserve for the identification of weaknesses. Henderson (2007) underlines the need for educational institutions to provide students with opportunities of significant participation in the solution of problems, decision-making processes, goal setting and helping others. He stresses the need for curriculums to be more hands on, relevant, and realistic.

Business schools aspire to develop theory builders and researchers, but also need to train practitioners and leaders who can apply knowledge and manage themselves and others in the challenging work settings that await them. According to Henderson (2007) learning communities (families, schools and organizations) that foment resiliency and leadership have the following characteristics: value and encourage learning, have supportive climates with high warmth/low criticism styles of interaction, establish clear limits (ethics, rules, norms, laws), promote shared
responsibilities and service to others, express high realistic expectations of success, stimulate
social values and life skills, offer opportunities for decision-making, leadership, and other
significant participations, and value the unique talents of each individual.

The rules of the game have changed in the business world and society in general. The curricula
and teaching strategies and learning climates of business schools need to be modified and
actualized in order to reflect the new rules. According to Goleman (1999), we are judged by a
new measure: not only by how intelligent we are and for our training and expertise, but also by
how well we can manage ourselves and our interactions. This new vision recognizes the
importance and relevance of Psychological Capital.

In times of high competition and limited job opportunities, and when professional and business
success is more and more difficult, it is important to have clear what knowledge, skills,
characteristics and qualities will determine the success of our alumni. Our student profiles should
respond to what our students need to know and do to be productive members of organizations and
society. But they also need to include the personal attributes that will permit them to develop the
Psychological Capital needed for their well-being and to contribute to the well-being of others.
These talents, called soft skills are the most solid and valuable skills that will distinguish the
business leaders that organizations need and are waiting for.

Therefore business professors and students must be made aware of the value of the four positive
psychology components that constitute Positive Psychological Capital: efficacy, hope, optimism,
and resiliency. Consequently, the curricula of business schools need to include the topic of
Psychological Capital and promote the development of PsyCap in their students in order to
achieve their missions of preparing the human capital organizations need as a source of
competitive advantage.
References


**SERVICE QUALITY GAP ANALYSIS IN PRIVATE SECTOR BANKS:**
A CUSTOMER PERSPECTIVE EMPIRICAL STUDY

Ramesh Kumar Miryala, PhD

ABSTRACT

The present study evaluates the customer perceptions of service quality in select private sector banks. Data was collected from 200 customers of Private Sector Banks using structured questionnaire. Gap analysis and Multi regression were used for analysis of data. The result shows that the dimension of service quality such as Empathy and Accessibility has more gap, as the customer expectations are high to their perceived service. The result also indicates that Empathy-Reliability-Assurance positively influences the service quality. The study implies that bank should reduce the service gap to deliver superior quality of service to retain existing customers as well as to attract new customers.

Key words: service quality, Tangibles, Reliability, Responsiveness, Assurance

INTRODUCTION

Banking services worldwide can broadly classified into investment banking and commercial banking and is primarily concerned with helping corporate bodies raise funds at the best possible rates from various markets. Commercial banking is concerned with channeling savings to productive uses. Banking is an intermediary function but one that is very essential for sustained economic growth. In India, since the nationalization of banks in 1969, banking has been primarily in the Central Government’s domain. As part of the Government’s liberalization policy
which began in 1991, New Private Sector Banks (NPSBs) were allowed to be set up. Today, India has nine NPSBs that provide commercial banking services. In a relatively short period, the NPSBs have managed to achieve about 2% of the market share in terms of business, a disproportionate of 2% share of the total income and almost 17% of the total net profit earned by the banking system as a whole. This success can be attributed in large measure to the superior Quality of Services that these banks have been able to provide.

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall consensus emerging on either (Wisniewski, 2001). Nowadays, with the increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping competitive advantage and sustaining satisfying relationships with customers (Zeithmal et al...2000). Service quality can be defined as the difference between customer’s expectations for service performance prior to the service encounter and their perceptions of the service received.(Asubonteng et al.,1996). Service quality can thus be defined as the difference between customer expectations of service and e perceived service. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985; Lewis and Mitchell, 1990).

**OBJECTIVES**

- To Evaluate the Quality of Service in Select Bank in Nalgonda District
- To identify the gap between customer expectation and perception
- To identify the areas that needs to improve by banks to deliver superior quality of service.
METHODOLOGY
The data was collected for the study from customers of select Private Sector Banks in Nalgonda district in Andhra Pradesh, based on convenience and administered a modified SERVQUAL questionnaire containing two sections: customers’ expectations and customers’ perception each consisting of 26 questions of 6 dimensions. The study follows the SERVQUAL as a framework and one dimension (accessibility) was added to previous dimensions to fit into the study (Al-Fazwan, 2005). The respondents were asked to rate their expectations and perceptions of service offered by the respective banks. A seven point Likert scale was used.

SERVICE QUALITY
Service quality can be defined as the difference between customer’s expectations for service performance prior to the service encounter and their perceptions of the service received (Asubonteng et al., 1996). Quality service has a positive effect on the bottom-line performance of a firm and thereby on the competitive advantages that could be gained from an improvement in the quality of service offering, so that the perceived service exceed the service level desired by customers (Caruana, 2002; Chumpitaz, 2004). Gefan (2002) defined service quality as the subjective comparison that customers make between the quality of the service that they want to receive and what they actually get. Nowadays, with the increased competition, service quality has become a popular area of academic investigation and has been recognized as a key factor in keeping competitive advantage and sustaining satisfying relationships with customers (Zeithmal et al., 2000).

DIMENSIONS OF SERVICE QUALITY
The SERVQUAL scale is the principal instrument widely utilized to assess service quality for a
variety of services. Parasuraman et al., (1988) have conceptualized a five dimensional model of service quality such as: reliability, responsiveness, empathy, assurance and tangibility. Their measurement instrument is known as SERVQUAL, which has become almost the standard way of measuring service quality. Further, each item of SERVQUAL has been used twice: to measure expectations and perceptions of service quality. The central idea in this model is that service quality is a function of difference scores or gap between expectations and perceptions. The five dimensions of SERVQUAL includes:

**Tangibles:** Physical facilities, equipment and appearance of personnel.

**Reliability:** Ability to perform the promised service dependably and accurately.

**Responsiveness:** Willingness to help customers and provide prompt service.

**Assurance:** Knowledge and courtesy of employees and their ability to inspire trust and confidence.

**Empathy:** Caring and individualized attention that the firm provides to its customers.

**LITERATURE REVIEWS**

1. Koushiki Choudhury (2007) in his study suggests that customers distinguish four dimensions of service quality in the case of the retail banking industry in India, namely, attitude, competence, tangibles and convenience. Identifying the underlying dimensions of the service quality construct in the Indian retail banking industry is the first step in the definition and hence provision of quality service. The paper has drawn upon the findings of the service quality dimensions to contend the initiatives that bank managers can take to enhance their employees' skills and attitudes and instill a customer-service culture.

2. Sandip Gosh Hasra and BL Srivastava (2009) in their study indicated that the bank should
pay attention to these dimension of service quality and pay more attention to dimension of assurance-empathy to increase loyalty to a company, willingness to pay, customer commitment and customer trust.

3. Sudesh (2007) revealed that poor service quality in public sector banks is mainly because of deficiency in tangibility, lack of responsiveness and empathy. Private sector banks, on the other hand, were found to be more reformed in this regards. Above all, the foreign banks were relatively close to the expectations of their customers with regard to various dimensions of service quality. Further, the study revealed that there existed service quality variation across demographic variables and suggested that management of banks should pay attention to potential failure points and should be responsive to customer problems.

4. Joshua A J and Moli.P.Koshi(2005) in their study on ‘Expectation and perception of service quality in old and new generation banks’, observed that the performance of the new generation banks across all the service quality dimensions are better than those of old generation banks.

5. Al-Fazwan (2005) in his study found that the bank should concentrate on accessibility dimension. He stated that the particular bank should take maximum efforts to raise the level of services to meet out the customer expectations.

**TABLE 1: GAP ANALYSIS SCORE**
<table>
<thead>
<tr>
<th>STATEMENTS</th>
<th>EXPECTATION</th>
<th>PERCEPTION</th>
<th>SERVICE GAP(E-P)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TANGIBILITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Modern looking equipment</td>
<td>6.6</td>
<td>6.1</td>
<td>0.5</td>
</tr>
<tr>
<td>Physical facility</td>
<td>6.5</td>
<td>6.1</td>
<td>0.4</td>
</tr>
<tr>
<td>Employee are well dressed</td>
<td>6.6</td>
<td>5.9</td>
<td>0.7</td>
</tr>
<tr>
<td>Materials are visually appealing</td>
<td>6.7</td>
<td>6.1</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Average gap score</strong></td>
<td></td>
<td></td>
<td>0.55</td>
</tr>
<tr>
<td><strong>RELIABILITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delivers service at promised time</td>
<td>6.7</td>
<td>5.7</td>
<td>1</td>
</tr>
<tr>
<td>Interest in solving problem</td>
<td>6.6</td>
<td>5.6</td>
<td>1</td>
</tr>
<tr>
<td>Perform service right first time</td>
<td>6.6</td>
<td>5.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Follows the promised time</td>
<td>6.6</td>
<td>5.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Maintain error free records</td>
<td>6.9</td>
<td>6.4</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Average gap score</strong></td>
<td></td>
<td></td>
<td>0.86</td>
</tr>
<tr>
<td><strong>RESPONSIVENESS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tell you about performance of service</td>
<td>6.7</td>
<td>5.9</td>
<td>0.8</td>
</tr>
<tr>
<td>Gives prompt service</td>
<td>6.4</td>
<td>5.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Willingness to help</td>
<td>6.5</td>
<td>5.6</td>
<td>0.9</td>
</tr>
<tr>
<td>Not busy to respond queries</td>
<td>6.4</td>
<td>5.1</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Average gap score</strong></td>
<td></td>
<td></td>
<td>0.95</td>
</tr>
<tr>
<td><strong>ASSURANCE</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instills confidence</td>
<td>6.8</td>
<td>5.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Safe transactions</td>
<td>6.7</td>
<td>6.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Employees are consistently courteous</td>
<td>6.4</td>
<td>5.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Employee have enough knowledge</td>
<td>6.6</td>
<td>6.1</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Average gap score</strong></td>
<td></td>
<td></td>
<td>0.73</td>
</tr>
<tr>
<td><strong>EMPATHY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gives individual attention</td>
<td>6.4</td>
<td>4.8</td>
<td>1.6</td>
</tr>
<tr>
<td>Convenient operating hours</td>
<td>6.6</td>
<td>5.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Gives personal attention</td>
<td>6.3</td>
<td>4.9</td>
<td>1.4</td>
</tr>
<tr>
<td>Best interest in heart</td>
<td>6.6</td>
<td>5.7</td>
<td>0.9</td>
</tr>
<tr>
<td>Understand customer’s specific needs</td>
<td>6.6</td>
<td>5.2</td>
<td>1.4</td>
</tr>
<tr>
<td><strong>Average gap score</strong></td>
<td></td>
<td></td>
<td>1.24</td>
</tr>
<tr>
<td><strong>ACCESSIBILITY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenient branch locations</td>
<td>6.7</td>
<td>5.7</td>
<td>1</td>
</tr>
<tr>
<td>Extended working hours</td>
<td>6.4</td>
<td>4.9</td>
<td>1.5</td>
</tr>
<tr>
<td>ATM network</td>
<td>6.8</td>
<td>5.7</td>
<td>1.1</td>
</tr>
<tr>
<td>Safe net banking and mobile banking</td>
<td>6.3</td>
<td>5.8</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Average gap score</strong></td>
<td></td>
<td></td>
<td>1.03</td>
</tr>
</tbody>
</table>

**TABLE 2: AVERAGE GAP SCORE OF PRIVATE SECTOR BANKS (UNWEIGHTED)**

<table>
<thead>
<tr>
<th>No</th>
<th>DIMENSIONS</th>
<th>GAP SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Average score for Tangibles</td>
<td>0.55</td>
</tr>
<tr>
<td>2</td>
<td>Average score for Reliability</td>
<td>0.86</td>
</tr>
<tr>
<td>3</td>
<td>Average score for Responsiveness</td>
<td>0.95</td>
</tr>
</tbody>
</table>
4. Average score for Assurance 0.73
5. Average score for Empathy 1.24
6. Average score for Accessibility 1.03

**TOTAL** 5.36
Average (total/6) Un-weighted score 0.893

**INFEERENCE**

The table 2 represents the gap scores for private sector banks. The difference between the customer’s expectation and perception of service is the gap score which is then averaged for each dimension.

The unweighted gap score was presented in the table 2 Average gap score for six dimensions as calculated in table 2 is averaged to compute the unweighted gap score.

**TABLE 3: HIGHEST GAP SCORES OF PRIVATE SECTOR BANKS**

<table>
<thead>
<tr>
<th>NO</th>
<th>ATTRIBUTES</th>
<th>DIMENSIONS</th>
<th>GAP SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Banks will give customers individual attentions</td>
<td>EMPATHY</td>
<td>1.6</td>
</tr>
<tr>
<td>2.</td>
<td>Banks has Extended Working Hours to meet customer needs</td>
<td>ACCESSIBILITY</td>
<td>1.5</td>
</tr>
<tr>
<td>3.</td>
<td>Banks has employees to give customer’s personal attention</td>
<td>EMPATHY</td>
<td>1.4</td>
</tr>
<tr>
<td>4.</td>
<td>The employees of banks will understand the specific needs of their customer</td>
<td>EMPATH</td>
<td>1.4</td>
</tr>
<tr>
<td>5.</td>
<td>Employees of banks will never be too busy to respond to customer’s request</td>
<td>RESPONSIVENESS</td>
<td>1.3</td>
</tr>
</tbody>
</table>

**INFEERENCE**

The table 3 represents the attributes having the highest gap scores observed from the table 1. There exist highest gap between customer expectations and perceptions of bank services in these attributes. This indicates that the customers are not satisfied with the service in these attributes. These includes: giving individual attentions (1.6) [empathy], extended working hours to meet customer needs (1.5) [accessibility], employees give customer personal attention (1.4) [empathy], employees understand the specific needs of the customers (1.4)[empathy],employees are never too busy to respond to customer’s request(1.3) [responsiveness]. Hence it was observed
that the more gaps are identified in empathy dimension.

TABLE 4: LOWEST GAP SCORES OF PRIVATE SECTOR BANKS

<table>
<thead>
<tr>
<th>NO.</th>
<th>ATTRIBUTES</th>
<th>DIMENSIONS</th>
<th>GAP SCORES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Customers of banks feel safe with transaction</td>
<td>ASSURANCE</td>
<td>0.4</td>
</tr>
<tr>
<td>2.</td>
<td>Bank has modern looking equipment</td>
<td>TANGIBLES</td>
<td>0.5</td>
</tr>
<tr>
<td>3.</td>
<td>Material associated with service are visually appealing</td>
<td>TANGIBLES</td>
<td>0.6</td>
</tr>
<tr>
<td>4.</td>
<td>Employees in banks tell customers exactly when service will be performed</td>
<td>RESPONSIVENESS</td>
<td>0.8</td>
</tr>
<tr>
<td>5.</td>
<td>Employees in banks are always be willing to help customers</td>
<td>RESPONSIVENESS</td>
<td>0.9</td>
</tr>
</tbody>
</table>

INFEERENCE

The table 4 represents the attributes having the lowest gap scores observed from the table 1. These includes: customers feel safe transaction with banks (0.4) [assurance], bank has modern looking equipment (0.5) [tangibles], material associated with service are visually appealing (0.6) [tangibles] employees tell customers exactly when service will be performed (0.8)[responsiveness], employees in banks are always be willing to help customers(0.9) [responsiveness]. There exists little gap between customer expectation and perception in tangibles and reliability dimensions.

TABLE 5: MULTIREGRESSION [STEPWISE METHOD]

5A. Model Summary

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.631(a)</td>
<td>.398</td>
<td>.395</td>
<td>.69269</td>
</tr>
<tr>
<td>2</td>
<td>.681(b)</td>
<td>.464</td>
<td>.458</td>
<td>.65527</td>
</tr>
<tr>
<td>3</td>
<td>.697(c)</td>
<td>.486</td>
<td>.479</td>
<td>.64292</td>
</tr>
</tbody>
</table>

a Predictors: (Constant), empathy
b Predictors: (Constant), empathy, reliability
c Predictors: (Constant), empathy, reliability, assurance

Coefficients (a)
<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.648</td>
<td>.359</td>
<td>4.596</td>
</tr>
<tr>
<td></td>
<td>empathy</td>
<td>.774</td>
<td>.068</td>
<td>.631</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>.394</td>
<td>.424</td>
<td>.928</td>
</tr>
<tr>
<td></td>
<td>empathy</td>
<td>.594</td>
<td>.074</td>
<td>.484</td>
</tr>
<tr>
<td></td>
<td>reliability</td>
<td>.378</td>
<td>.077</td>
<td>.296</td>
</tr>
<tr>
<td>3</td>
<td>(Constant)</td>
<td>-.442</td>
<td>.504</td>
<td>-.877</td>
</tr>
<tr>
<td></td>
<td>empathy</td>
<td>.416</td>
<td>.094</td>
<td>.339</td>
</tr>
<tr>
<td></td>
<td>reliability</td>
<td>.346</td>
<td>.076</td>
<td>.271</td>
</tr>
<tr>
<td></td>
<td>assurance</td>
<td>.329</td>
<td>.112</td>
<td>.219</td>
</tr>
</tbody>
</table>

a Dependent Variable: service quality

**INFERENC**E

The Multi regression analysis (table 6) tells us that the overall model fits 48%. The adjusted R square value .479 reflects the independent variables (empathy, reliability, and accessibility) predicts 39% variance in the dependent variable (service quality). The R square value gives the proportion of variance in dependent variable accounted by the set of independent variables chosen for the model. Here the r square value depicts that independent variables (empathy, reliability, accessibility) account for 48.6% of variance in service quality. The beta value in (coefficient table-4) gives a measure of contribution of each variable to the model. A larger value indicates that a unit change in this predictor variable has a large effect on criterion variable (service quality). The stepwise multi regression analysis shows that the empathy (.339), reliability (.271), assurance (.219) together influences the service quality to 82% whereas empathy alone by 63%. We can say that empathy is the major dimension influencing the quality of service.

**FINDINGS**

The gap analysis shows that empathy is having more gap between customer expectation and perception of service quality. The bank has to reduce this gap giving individual personal
attention to understand the customer specific needs. Next to empathy more gap was observed in accessibility dimension. The customers of the banks expect to extend the working hours in Saturday for their convenience. And also some of the customers are dissatisfied with ATM maintenance. So the bank management should concentrate on proper maintenance of ATM. In responsiveness dimension, there is more gap in attribute responding customer queries in busy time. The employees willingly come forward to solve the customer problem. The Multi regression analysis shows that dimension (table 5B) Empathy-Reliability-Assurance positively influences the banking service quality.

CONCLUSION

Banks have to understand the changing needs of customers, their aspirations and expectations to create value. Banks should also have a strong customer relationship management system that would indicate the worth of the customer and be able to understand his needs while interacting with him, so as to cross sell their products. To manage growth and continuity in business, human resources play an important role. The new generation private sector banks and foreign banks enjoy a lead in this regard when compared to PSBs and old generation private sector banks. Skill sets of employees need up gradation so as to make them more comfortable with the latest technology that will increase their comfort level while educating customers to use the same in their day to day dealings. [M.V.Nair, The Hindu-Survey of Indian Industry 2010, pp.60-61]. Banks may follow a feedback system to know the customer expectations for improving the level of customer satisfaction to maximum level. Remarks on service reliability should be continuously obtained from customers. This will enhance their service quality to a large extent.
BIBLIOGRAPHY


Quality Management of Technology Related Services for Student Satisfaction at Private Universities of Pakistan

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Abstract
This study aims to know about interpersonal and technological linkages between the university management and use of technology. The study identifies the challenges faced by the management in procuring customer satisfaction with the services by approaching the problem from a different angle, i.e. how to reach at best combination of technology and human agency that would most satisfy customers as well as keep the costs down. Thus, it extends the research literature on integration of digital technologies in higher education system at private universities from Pakistani perspective.

In this case study, a satisfaction survey was conducted with 400 students of a private university. The results were analyzed using SPSS and exploratory factor analysis and binary logistic regression was applied to find out student satisfaction and dissatisfaction with various aspects of technology services to mark risk factors associated with student loyalty. The results demonstrate weak loyalty of students. The significant risk factors associated with negative word of mouth were a consequence of poor operations and teacher’s poor use of technology during lectures.
**Background**

The business world today is known for its competitiveness where the cutting edge is the technology (Brynjolfsson and Hitt, 2000; Salinas, 2008; MIT Review, 2010). On one hand, there is increasing emphasis upon technology-assisted services and transactions, while on the other ‘Self-service technologies’ (SSTs) continue to be a critical factor determining the quality customer-organization relationships (Meuter et al., 2000; Lin and Hsieh, 2007). Therefore, in this case, private universities operated as businesses (Aldridge and Rowley, 1998; Albatch, 2007; Chieh Hsiung, 2009) are not an exception where the technological infrastructure such as web and internet facility, computer labs, use of multimedia and projectors in the classroom are highlighted while marketing the brands and products of university. Furthermore, the operational use of technology is also exploited as a marketing strategy (Green and Gilbert, 1995; Brynjolfsson and Hitt, 2000; Selwyn, 2007), such as one window services for admissions and paying of fees, the web portals maintaining student records for attendance, grades, and course work progression, granting the opportunity to every student for electronic communication between the student and the faculty as well as management and student. All of these attractions have increased customer expectations from the universities that their needs would be timely addressed and there will be minimum hassles in provision of services (Hu and Kuh, 2001; Abouchedid and Nasser, 2002; Makarem and Mudambi, 2009). Since many of the services are technology integrated, hence, students expect that speed and efficiency would be the integral part of the services delivery in their day to day university life experiences (Green and Gilbert,
Previous research results show that student satisfaction vary greatly regarding different aspects of the service experience (Anderson and Sullivan, 1993; Aldridge and Rowley, 1998; Abouchedid and Nasser, 2002; Aldemir and Gülcan, 2004; Alves and Raposo, 2007). The major predictor of quality and business success is the customer loyalty (Lin and Tsai, 2008; Klefsjö et al., 2008) and in HE perspective it is expressed in student behaviors such as student reenrollment in other university programs, and spreading positive word of mouth (Anderson and Sullivan, 1993; Aldemir and Gülcan, 2004; DeShields et al., 2005; Petruzzellis et al., 2006; Alves and Raposo, 2007 and Douglas et al., 2008). According to Brown and Mazzarol (2009), perceived image of the university is very important and perceived quality of “humanware” (e.g., people and process) and “hardware” (e.g., infrastructure and tangible service elements) play an important role in perception of total quality and predicting student loyalty which is generated by student satisfaction with student services.

Technology plays a critical role in student achievement in the present ‘digital age’. Aboudan (2008) has alerted that today we deal with students who are ‘digital natives’ and ‘multi-tasking’ adults; they become numb with under-stimulation. Thus, a classroom with ‘black and white atmosphere’ (O'Brien and Bauer, 2005) will not keep students engaged, and now teachers must shift to “multiple literacies” (Miller, 2007) bringing real life color to the classroom giving them a chance to remain busy shifting rapidly from one task to another in a rapidly twitching speed of decision-making and stimulating interactivity (Hu and Kuh, 2001; Selwyn, 2007; Ramsden, 2008).
Moreover, students' self-attribution for achievement goals is mainly on the basis of autonomous interest (i.e., personal goals) and without much gender difference, the success is mostly attributed to personal causes and failure to external causes (Sweeney et al., 1982; Mezulis et al., 2004; Chen et al., 2009). According to Lipshitz (1989), attributions influence decision making processes; past experiences generating positive or negative affect subsequently influence the present and the future (Weiner, 2010) and in this case experiences are assumed to influence students’ decisions related to use of technology as well as reenrollment in university’s programs and/or spreading positive word of mouth about the university.

Esther Baldwin (2010) has stated in an interview that “the way that companies implement business processes, organizational change, and IT-driven innovation is what will differentiates the leaders from the laggars. Rather than leveling the playing field, IT is actually led to greater discrepancies.” One way of revising business processes can be replicated by leveraging information technology and private universities managed as businesses are no exception. On the other hand Brynjolfsson (2000; 2009) has stated that “What we’re going to see in the coming decade are companies whose whole culture is based on continuous improvement and experimentation—not just of specific processes, but of the entire way the company runs. I think this revolution can be fairly compared to the scientific revolution that happened centuries ago.” Thus, quality management may sound synonymous with application of IT innovation or excellent provision of technology related services in the university.

**The purpose of the study**

The study aims to know about the relationship between student perceptions of quality of the technology services provided and student satisfaction. It is assumed that satisfaction will lead to
loyal behavior, whereas, dissatisfaction may cause decline in positive word of mouth and corresponding loyalty. Therefore, it is important to know what factors lead to decreased student satisfaction and increased student dissatisfaction? Whether they are related to infrastructure related to technology or are product of ‘human agency’ involved in delivery of the services (Durrant, 2009)? In other words: What is helping the university to gain loyalty? Is it perceived quality of “hardware” (infrastructure and tangible service elements, etc.) or “humanware” (people and processes), which moderate the ongoing operations to reach quality (Mazzarol, 2009).

**Research Hypotheses**

H1 There is relationship between student loyalty and satisfaction with campus life.

H° There is no relationship between student loyalty and satisfaction with campus life.

H2 There is relationship between student loyalty and satisfaction with infrastructure of technology.

H° There is no relationship between student loyalty and satisfaction with infrastructure of technology.

H3 There is relationship between student loyalty and satisfaction with technology based operations.

H° There is no relationship between student loyalty and satisfaction with technology based operations.
H4 There is relationship between student loyalty and satisfaction with teachers’ use of technology in classrooms.

$H_0$ There is no relationship between student loyalty and satisfaction with teachers’ use of technology in classrooms.

H5 There is relationship between student loyalty and satisfaction with teachers’ use of technology during reenrollment and advising.

$H_0$ There is no relationship between student loyalty and satisfaction with teachers’ use of technology during reenrollment and advising.

**Method**

The data used in this study was collected through the Student satisfaction survey for technology services. The questionnaire was designed on five point Likert Scale for undergraduate and graduate programs in business and IT school of private universities. It gathers information about students’ background such as age and gender, program they are enrolled in and time since they are enrolled. Since, it is satisfaction survey aimed to find out student satisfaction with technology services, the major areas identified were the quality of infrastructure of technology used in student portal, web and internet facilities, and classroom technology like multimedia, and overhead projectors, etc. The second area was the use of technology in operations, such as fee processing, attendance records, delivery of notifications etc. The third major area was related to use of technology during advising and reenrollment at the beginning of every new semester. Satisfaction and dissatisfaction with use of technology in these areas were tested against student autonomy, and student loyalty, i.e. positive word of mouth. In order to remain unbiased and
critical, a neutral factor, satisfaction with campus life was also added to know whether satisfaction/dissatisfaction can be attributed to technology related factors, human factors, or other factors.

The questionnaire composed of 42 items and the response options for all items were: 1="strongly disagree," 2="disagree," 3="neutral,” 4= “agree,” and 5=“strongly agree.” The questionnaire was peer reviewed for content validity and was pilot tested with 90 students before administering it for the final study. The reliability coefficient for the pilot was found to be 0.84 for the pilot and 0.86 for the main study. The questionnaires were distributed to 450 students studying at PCBA-PICS campus of The University of Central Punjab during April-May, 2010 using convenience sampling technique. 80% of the questionnaires were returned, i.e. 360 out of 450, out of which only 313 were complete and were processed further to tabulate results.

All the data were explored through SPSS 15. The data were analyzed by exploratory factor analysis to identify the natural connections among different items of questionnaire and to group the items having maximum correlations with one another and minimum correlations with other items (Anderson, 2003). Correlation analysis was conducted to test relationships between variables. Binary logistic regression was further applied to explore the significant risk factors (Agresti, 2007) associated with dissatisfaction and consequent intention to discontinue with the university.

**Data Analysis**

Of 313 students, 95 (30%) were females whereas 218 (70%) were males. Further, in terms of enrollment in a certain program, 105 (34%) were found to be from MBA, 137(44%) from BBA and 71(22%) were from EMBA. Average age of students was 21 years and average studentship
time of sample students at university was approximately 8 years. Multiple items included in each factor were summed (Spector, 1992) to construct subscales. The means of these subscales are showed in Table.2. The average student loyalty score was approximately 8 showing that the students were not loyal to the university as the minimum possible score of the sub scale (containing three items) could be 3 and maximum score could be 15. The second factor, satisfaction with campus life was identified by three items so the possible score on this sub scale could lie between 3 – 15. The average student satisfaction with campus life (9.3834) showed mild satisfaction. Average student satisfaction with infrastructure of technology (identified by four items) was 11.0895 below the mean value (12) showing student dissatisfaction. Further, the students were found to be dissatisfied with the technology based operations, teacher’s use of technology and teacher’s use of technology during enrollment and advising.

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>15</td>
<td>26</td>
<td>21.4089</td>
<td>1.83245</td>
</tr>
<tr>
<td>Time period of studying at this college</td>
<td>2.00</td>
<td>9.00</td>
<td>7.9233</td>
<td>1.12967</td>
</tr>
<tr>
<td>Student Loyalty</td>
<td>3.00</td>
<td>15.00</td>
<td>7.9233</td>
<td>3.20764</td>
</tr>
<tr>
<td>Satisfaction with Campus Life</td>
<td>3.00</td>
<td>15.00</td>
<td>9.3834</td>
<td>3.22351</td>
</tr>
<tr>
<td>Satisfaction with Infrastructure</td>
<td>4.00</td>
<td>19.00</td>
<td>11.0895</td>
<td>3.70183</td>
</tr>
<tr>
<td>Satisfaction with Operations</td>
<td>5.00</td>
<td>22.00</td>
<td>14.1597</td>
<td>4.12311</td>
</tr>
<tr>
<td>Teacher’s Use of Technology</td>
<td>4.00</td>
<td>18.00</td>
<td>11.3578</td>
<td>3.24824</td>
</tr>
<tr>
<td>Teacher’s Use of Technology during Advising and Enrollment</td>
<td>3.00</td>
<td>15.00</td>
<td>8.3802</td>
<td>2.46628</td>
</tr>
</tbody>
</table>

Table 1. Demographic Characteristics of Sample

Exploratory Factor Analysis

Different items included in the questionnaire measuring various aspects of student satisfaction and loyalty were factorized using common factor analysis. Principal axis factoring followed by
The varimax rotation identified high factor loadings (approximately 0.6 or more) for all the factors identifying common factors (Widaman, 1990; Fava & Velicer, 1992). All factors were found to be fulfilling the minimum identifiability criteria of at least three items per factor (Anderson & Rubin, 1956; Zwick & Velicer, 1982; Fava & Velicer, 1996). Scree plot identified six factors (see Table 2) to be extracted explaining 65.566% of the total variance. KMO and Bartlett’s sphericity test (KMO =0.834, $\chi^2 = 4058.534$, p < 0.000) showed that the items included in the common factors fit well making exploratory factor analysis worthwhile. Internal consistency of each subscale (factor) was measured by using Cronbach’s Alpha which was found to be more than 0.8 for all factors meeting the minimum cut point (Wang, 2003).

<table>
<thead>
<tr>
<th>N</th>
<th>Factors</th>
<th>Items</th>
<th>Factor loadings</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Student Loyalty</td>
<td>I advise my friends to join this college.</td>
<td>.875</td>
<td>0.924</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I'll enroll again at this college, if I faced the same choice again.</td>
<td>.816</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>I take part in promotional activities of my college.</td>
<td>.912</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Satisfaction</td>
<td>Campus life of my college is cool.</td>
<td>.763</td>
<td></td>
</tr>
<tr>
<td></td>
<td>with Campus Life</td>
<td>I enjoy social networking in college.</td>
<td>.903</td>
<td>0.879</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I feel safe and secure inside the campus.</td>
<td>.744</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Infrastructure</td>
<td>My college offers high-tech facilities for teaching and learning.</td>
<td>.634</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>My college offers high-tech facilities for teaching and learning.</td>
<td></td>
<td>0.634</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The bandwidth of the internet provided at my university is appropriate.</td>
<td></td>
<td>0.840</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I can easily approach portal from my home for enrollment and registration.</td>
<td></td>
<td>0.797</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Most of the equipment is outdated or out of order.</td>
<td></td>
<td>0.582</td>
</tr>
<tr>
<td>4</td>
<td>Satisfaction</td>
<td>Procedure for re-enrollment is user friendly.</td>
<td></td>
<td>0.806</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paying fees and bills is designed to suit student convenience.</td>
<td></td>
<td>0.599</td>
</tr>
<tr>
<td></td>
<td>Technology</td>
<td>I got proper orientation / coaching to use portal for re-enrollment.</td>
<td></td>
<td>0.846</td>
</tr>
<tr>
<td></td>
<td>based Operations</td>
<td>Procedure for re-enrollment is illustrated by FAQ's on the portal.</td>
<td></td>
<td>0.805</td>
</tr>
<tr>
<td></td>
<td></td>
<td>I am in favor of redesigning of the enrollment process.</td>
<td></td>
<td>0.577</td>
</tr>
<tr>
<td>5</td>
<td>Teacher’s Use</td>
<td>Teachers make good use of technology during lectures.</td>
<td></td>
<td>0.766</td>
</tr>
<tr>
<td></td>
<td>of Technology</td>
<td>Intellectual growth of the students is stimulated through assignments that include</td>
<td></td>
<td>0.842</td>
</tr>
</tbody>
</table>
use of information technology (IT).

Teachers' make good use of teachers' portal. \(0.569\)

It is easy to access teachers via email/phone. \(0.672\)

Faculty Using

While advising, advisor efficiently makes use of web portal. \(0.790\)

Advisor for registration is knowledgeable of the registration process. \(0.774\)

Advisor is not empowered enough to make decisions in my favor. \(0.761\)

Table 2. Exploratory Factor Analysis and Reliability Analyses

**Correlation Analysis**

Pearson product moment correlation was determined to test certain hypotheses (see appendix, Table 3). Student loyalty was found to be significantly correlated with satisfaction with campus life (\(r = 0.358, p < 0.01\)), satisfaction with infrastructure of technology (\(r = 0.803, p < 0.01\)), satisfaction with technology based operations (\(r = 0.650, p < 0.01\)), teacher’s use of technology (\(r = 0.681, p < 0.01\)) and teacher’s use of technology during advising and enrollment (\(r = 0.398, p < 0.01\)).

<table>
<thead>
<tr>
<th>Loyalty</th>
<th>Operations</th>
<th>Campus Life</th>
<th>Teachers’ use of technology</th>
<th>Advising</th>
<th>Technology Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyalty</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Table 3. Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Entered</th>
<th>( \beta )</th>
<th>Wald</th>
<th>Significance</th>
<th>Exp (( \beta ))</th>
<th>Lower</th>
<th>Upper</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operations</strong></td>
<td>.650</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Campus Life</strong></td>
<td>.358(**)</td>
<td>.358(++)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teachers’ use of technology</td>
<td>.681(++)</td>
<td>.801(++)</td>
<td>.367(++)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Advising</strong></td>
<td>.398(++)</td>
<td>.426(++)</td>
<td>.291(++)</td>
<td>.408(++)</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technology Infrastructure</td>
<td>.803(++)</td>
<td>.704(++)</td>
<td>.336(++)</td>
<td>.736(++)</td>
<td>.400(++)</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

**Binary Logistic Regression**

The above quoted results express only one strong link for student loyalty, satisfaction with infrastructure of technology \((r = 0.803, p < 0.01)\); whereas, other correlation values are not so strong. In order to further manipulate the results, binary logistic regression was applied to identify the significant risk factors associated with student loyalty. The dependent variable, student loyalty \((\text{No}=1 \text{ and } \text{Yes}=0)\), was recorded and binary logistic regression was used to model it. The predictor variables considered were infrastructure of technology, technology based operations, satisfaction with campus life, teacher’s use of technology in class rooms and teacher’s use of technology during advising. All independent variables were also recoded \((\text{Dissatisfied}=1 \text{ and } \text{Satisfied}=0)\).
Results of logistic regression indicated that five – predictor model provided a statistically significant improvement over the constant only model, $\chi^2(5, 313) = 165.714$, $p < 0.001$. The Nagelkerke pseudo $R^2$ indicated that the model accounted for about 55.2% of the total variance. Thus, the set of predictors discriminates between those who are disloyal and those who are loyal.

Table 4 represents the regression co-efficients ($\beta$), the wald statistic, significance level, odds ratio [$\text{Exp} (\beta)$], and the 95% confidence intervals for odds ratio for each predictor.

The Wald test identifies the statistical significance of the predictors of word of mouth. Odds-ratio was considered the parameter of interest and the results would be interpreted in terms of odds-ratio (Hosmer and Lemeshow, 2000) keeping the other independent variables constant. Odds-ratio considered as adjusted odds-ratio identify the contribution of a particular variable when the other variables are held constant (Meyers, Gamst and Guarino, 2006).

As shown in Table 4, the influence of satisfaction with technology based operations is the strongest; students dissatisfied with technology based operations were 4.661 times more likely to be disloyal than those who were satisfied with technology based operations, adjusting for the other predictor variables (Adjusted OR = 4.661, 95% C.I. = 2.501 - 8.687; Wald $\chi^2 = 23.475$, $p$
Similarly, students who were dissatisfied with teacher’s use of technology and campus life were 4.359 (Adjusted OR = 4.359, 95% C.I. = 2.235 - 8.504; Wald $\chi^2 = 18.650$, p < 0.001) and 4.318 (Adjusted OR = 4.318, 95% C.I. = 1.859 – 10.031; Wald $\chi^2 = 11.568$, p < 0.01) times as likely to have negative word of mouth as compared to their counterparts, respectively. Adjusted odds – ratio for satisfaction with infrastructure of technology was 3.418 (Adjusted OR = 3.418, 95% C.I. = 1.656 - 7.054; Wald $\chi^2 = 11.052$, p < 0.01). So, the students who were dissatisfied with infrastructure of technology were 3.418 times as likely to be disloyal to the university as those of their counterparts.

The influence of satisfaction with teacher’s use of technology during advising was not strong as the odds ratio 0.141 (Adjusted OR = 0.141, 95% C.I. = 0.074 - 0.268; Wald $\chi^2 = 35.784$, p < 0.001) indicated that students who were dissatisfied with the teacher’s use of technology during advising were 0.141 times less likely to be disloyal than those who were satisfied with the teacher’s use of technology during advising.

**Conclusion**

The binary logistic regression analysis identified the significant risk factors associated with student disloyalty as poor ‘technology based operation’, teacher’s poor ‘use of technology during lectures’, ‘dissatisfaction with campus life’ and ‘infrastructure of technology’ as for all these factors the odds ratio turned out to be more than ‘1’ and the lower bound of the confidence interval does not go below one.

Thus, it is concluded that it is the perceived quality of “humanware” (people and processes), rather than “hardware” (infrastructure and tangible service elements, etc.) which moderates the student perception of quality of service delivery.
Implications

We have observed the students belonging to digital generation attributing the reasons of dissatisfaction to management’s poor operational strategies or teachers’ poor use of technology in the classroom. The research results have confirmed previous findings of McFarland and Ross (1982) that students tend to attribute dissatisfaction to external factors rather than internal ones. Research findings have not only indicated that dissatisfaction with technology integrated services is more frustrating than unavailability of the technology (Slewn, 2007; Arif and Ilyas, 2010), they have also solicited Selwyn’s view that modest use of technology in university is attributed to a variety of operational deficits on the behalf of students. Since, limited, linear, and rigid use of technology is challenged by customers of higher education (Selwyn, 2007), the higher education communities must ensure expansive and empowered use of ICTs within university settings.

It has also been commonly observed that use of technological infrastructure raises student expectations about speed and efficiency of the service and thus creates more conflicts than virtually possible otherwise. It is imperative, therefore that the technology itself and the knowledge of people about it must evolve constantly (Sethuraman and Parasuraman, 2005). More innovations should be designed regarding technology use making it user friendly for both faculty and students. Technology should improve student teacher interaction and thus student satisfaction. Moreover, in order to retain quality customers, the university management should focus more on delivery of technology integrated services fostering ways and techniques that enables the creative, productive, and empowering use of ICTs and other educational technologies in classrooms.
Flynn et al. (1995, p. 683) are of view, “Quality management is a philosophy that pervades the entire organization, rather than the responsibility of a few isolated individuals or departments.” Still, many organizations are run on 20th century principles and management thinks that by adding some of the elements of successful ‘digital organizations’ can help them sustain and grow, but unfortunately this is not a smart strategy. Baldwin and Martin (2007) think that such strategies only makes things worst. One has to think in holistic terms, making parts fit into a harmonious whole to create value for the customer. Thus, it is important to design operations according to customer needs conforming to Brynjolfsson and Saunders (2009) that leading organizations are more responsive; do less long-term planning and let forgo short term profits. They have quicker cycle times, more flexibility, and a higher metabolism for processing information.

Research has published a link between teachers’ poor use of technology in classrooms and student disengagement, i.e. leading to student belief that technology is best used for entertainment, like playing games and chatting on internet social sites rather than information seeking and problem solving of real life (Arif, 2008; 2009). Currently, we are faced with the serious challenge, that is to bring such students into safety net of engagement, who are in other words ‘distracted by entertainment through technology’ (O’Brien, D. G., & Bauer, 2005; Côté and Allahar, 2007). All businesses have right to make profits but still it is advisable that they do so while keeping in view the collective good of stakeholders, i.e. we must keep in mind what is important for the next generation and would be beneficial for community – knowledge and skills related to effective use of technology. It applies most critically to higher education which frames the attitude of future generation towards ways and means of problem solving through technology.
Keeping in mind that technology is the “cutting edge”, may we ask ourselves a simple question at the business and IT school of the university: whether or not we are producing managers that will not only be able to sustain the quality of future business environment, but also continue towards improvement meeting the needs and challenges set by times to come. Can we sit silent? The value of service quality is often challenged by value of money; both quality and technology are expensive investment; but dearer are the future generations which must not be devaluated at any cost, since, the biggest risk might be doing nothing at all as professed by Latham (2008). Therefore, not only the universities should take technology services seriously by considerably improving the infrastructure, but they should team up with the people who can make best use of the available resources.

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Effect of Interest Rates to Credit Customers Delivered On Bank Nagari Pasar Raya Branch

Heryanto Musa, PhD

Abstract

The purpose of this study was to analyze the influence of interest rates on credit extended to customers cookies in Bank Nagari Pasar Raya Branch. The research object is the Bank Nagari Pasar Raya Branch. Population is a customer using credit facility KUKI credit in Bank Nagari Pasar Raya branch. A sample is a customer using KUKI credit facility in Bank Nagari Pasar Raya branch. The sampling technique used is random random technique. The size of the sample of 100 people. The analysis technique used in the regression analysis. Simple regression model is significant; \( Y = 21.78362832 + 0.384955752x \). KUKI lending is influenced by interest rates. This is evident from the calculated t test (7.672) and F-count (7143), which is larger than t-table (6.3137) and F-table (3.92) at level \( \alpha = 5\% \). This regression model is good, because it looks great determinant coefficient that is 96\%. This means that 96\% independent variables / interest rate determine the dependent variables / credits KUKI.

Keywords: KUKI, Interest Rate, Bank Nagari Pasar Raya Branch
Introduction

The Bank is a business entity which collects funds from the public in the form of deposits and distribute to the public in the form of credit in order to improve the standard of living of the people. Through its lending activities and the various services provided by banks and finance minister launched a payment system mechanism for all economic factors. The main activities of banking by Sri Susilo (2000) is collecting funds from people with excess funds and channel these funds back in the form of loans to people who lack the funds, so banks occupy a strategic position in the development and economy of the country and the distribution of income within society.

In Indonesia there has long been serving the community banks on economic class, middle, bottom or small communities. The Bank is a very important institution to help improve the welfare and socio-economic improvement of economically middle class society. One type of banks that provide credit services to the community is Bank Nagari. As a financial institution operating in West Sumatra, Bank Nagari required to take an active role improving the economic sector in West Sumatra in order to perform its function as an intermediary institution. In addition, Bank Nagari is also challenged to be able to grow and develop naturally with intense competition. Economic situation in Indonesia is currently a highly competitive and uncertain conditions that lead to commercial banks race to increase the bank's funding sources which is then channeled back in the form of credit.
Bank Nagari as a bank owned by the community of West Sumatra are expected to play an active role improving the economic sector in West Sumatra. To meet these demands, one of the efforts of Bank Nagari is to help overcome the problems faced by the capital of West Sumatra Micro to distribute credit in the form of Informal Small Business Loans are abbreviated with the cookies to the perpetrators of Micro. KUKI are given in the form of investment loans and working capital loans. Raya Pasar Branch of Bank Nagari one branch that operates class A market center field that gave credit KUKI. From the bank's annual report illustrated that the number of loans in the last 5-year period showed an increase, it can be seen from the table following the growth of total credit:

Table 1
Development of Informal and Small Business Loan Interest Rate Period of 2004 s / d in 2009 Bank Nagari Pasar Raya Branch

<table>
<thead>
<tr>
<th>Year</th>
<th>Credit KUKI which is distributed (Thousand Rp)</th>
<th>KUKI Loan Interest Rate</th>
<th>Credit Improvement (Thousand Rp)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>379,734,000</td>
<td>21%</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>843,390,000</td>
<td>21%</td>
<td>463,656,000</td>
<td>122.10</td>
</tr>
<tr>
<td>2006</td>
<td>1,211,062,700</td>
<td>19%</td>
<td>367,672,700</td>
<td>43.59</td>
</tr>
<tr>
<td>2007</td>
<td>1,829,570,000</td>
<td>19%</td>
<td>618,507,300</td>
<td>51.07</td>
</tr>
<tr>
<td>2008</td>
<td>1,730,040,000</td>
<td>18%</td>
<td>-99,530,000</td>
<td>-5.44</td>
</tr>
<tr>
<td>2009</td>
<td>1,289,684,000</td>
<td>18%</td>
<td>-440,356,000</td>
<td>-25.45</td>
</tr>
</tbody>
</table>

Source: Bank Nagari Pasar Raya Branch
From the above table can be seen the number of loans granted from 2004 until 2007, there was improvement. In 2004 the number of credits that can be channeled Rp. 379,734 million in 2005-then the amount of loans amounting to Rp. 843,390,000 means an increase of Rp. 463,656,000, - a rise of 122.10%. If compared to 2006 the amount of loans amounting to Rp. 1,211,062,700-an increase of 43.59% from the previous. In 2007 the amount of loans amounting to Rp. 1,829,57 billion, up by Rp. 618,507,300, - an increase of 51.07% from 2006. In 2008 the amount of loans amounting to Rp. 1,730,040,000 -. Or a decline in lending cookies by 5:44%. And finally in 2009 the credit can be channeled Rp. 1,289,684,000 or decreased by USD. 440,356,000. When compared to the previous year occurred 5 times from the previous / decreased by 25.43%. From the data in Table 1 above shows that interest rates tend to decline, the number of loans disbursed tend to decline KUKI. This condition is clearly contrary to the law of demand, where interest rates declined, on the contrary the number of credits required KUKI should be increased. This would seem the paradox of the KUKI products of Bank Nagari. For it is a problem in this research is how much influence the interest rate on credit extended to customers KUKI?

Literature Review

Credit
According Rahmi (2005) states that a significant influence between interest rates on lending branch in Simpang Four Bank Nagari West Pasaman. Lending also consider the principles of lending that the banks really get a conviction that the credit to be disbursed is really going back with interest.

The principle is often used by the bank that is the concept of 5C (Sinungun: 1991) as follows:

1. Character; an assessment concerning the debtor's attitude about the willingness and responsibility for any liability that had been promised.

2. Capacity: a description of the ability of debtors to seek gain or profit from business that was involved so it can pay all the liabilities.

3. Capital: amount of funds / equity capital owned by prospective borrowers. Capital directed at the debtor's financial condition, especially in terms of liquidity, solvency and profitability as well as comparison of all debtors with debt capital.

4. Collateral; concerning the value of property pledged as collateral by the debtor as collateral for the credit application.

5. Condition of the economy; the conditions that affect the state of the economy of a country. This will affect the ability of business borrowers in the face of economic fluctuations and the business still has a prospect for a loan is still enjoyed by the debtor.
Interest

Flowers are important for banks in the withdrawal of savings and credit disbursement. Withdrawal of savings and loans are always associated with its interest rate. Flowers for banks could be a cost to be paid to depositors, but on the other hand, interest may also be the revenue received from the debtor's bank due to bank loans.

The smoothness of the credit repayment is also determined from the large and small flowers given to customers. The calculation of loan interest charged by the bank on its customers to follow a number of ways. According to cashmere (1998) there are 3 methods of calculation are used:

1. Sliding rate; the imposition of interest each month is calculated from its lending services so that the amount of interest paid each month the customer declines with the decline in loan principal. But the principal payment each month equal, customers installments (principal plus interest) automatically from month to month decreases.

2. Rate plate; loading fixed interest every month than the amount of the loan, as well as the loan principal each month are also to be paid the same, so that equal monthly installments until the loan is paid off.

3. Flooting Rate; this type of interest charge associated with money market rates existing in the amount of interest paid can be higher or lower than bersangkutan.Bunga months of credit is an a "Contra Achievements" on the transfer
of money that is returned from the customer service / borrowers of loans granted by banks.

Credit interest rate charged to debtors is influenced by various factors as follows:

1. Government policy; for loan rates and deposit rates set by the bank may not exceed the interest rate set by the government.

2. Target desired profit; if large profits to be achieved then the interest rate established by also getting larger and vice versa.

3. Duration: the longer the loan term the higher the interest rate, this is due to the risk of loss in the future. And vice versa shorter loan period then the interest rate is relatively lower.

4. Competition; in getting the deposit of funds in addition to the promotion of factors, most notably the banks should pay attention to competition. In a sense if you need quick funds should be raised above deposit interest rate competition, and if you want to do the credit expansion can be cultivated with melakukam decline in lending rates.

5. Quality assurance; more liquid collateral given the lower the loan interest charged to borrowers and increasingly illiquid collateral given the greater the loan interest charged. The reason is related to the disbursement of a loan guarantee if problematic. Guarantee a liquid such as certificates of deposit or checking account will be easier for thawed compared with land security.
6. Third party guarantees; in this case those who give a guarantee to loan recipients. Usually if the party providing bona fide loans, both in terms of ability to pay, good name and his loyalty to the bank then the interest rate set is also different.

7. Rapport; usually classify bank customers among the major customers (primary) and regular customers (secondary). This classification is based on the activeness and customer loyalty related to the bank. Main Customers usually have a good relationship with the bank so that in determining the interest rate is also different from regular customers.

8. Corporate reputation; bonafides of a company that will obtain credit so that will determine the interest rate charged. Because the company is usually a bona fide risk of potential bad debts in the future are relatively smaller and vice versa.

9. Competitive products, meaning products that will be funded is selling products on the market. To obtain competitive mortgage interest charges are relatively modest compared to the products less competitive.

10. Funding requirements; if banks short of funds, while loans increased pemohom then made by the bank for these funds can be met is by increasing savings rates. However, if the funds are much less then the loan application while deposit interest rates will fall.

Method
Research Object

The research object is the Bank Nagari Pasar Raya branch. This bank is located in an easily accessible location and surrounded by traditional traders. In addition, this bank is a pretty good development banks in West Sumatra.

Operational Definition

There are two variables used in this study are:

Independent variables ie Interest Rate (X). Interest Rate is the weight given by banks to customers who borrow in the amount of money.

Dependent Variable Lending ie (Y). Credit is: an agreement between a lending institution or bank legal entity with another party that requires the borrower to repay the debt after a certain period with the amount of interest that have been promised.

Population, Sample & Data Collection

Population and Sample

Population is a customer using credit facility KUKI in Bank Nagari Pasar Raya branch.
A sample is a customer using credit facility KUKI ini Bank Nagari Pasar Raya branch. The sampling technique used is random random technique.

To select respondents used the method of random sample, and to determine the sample size of a population was used Slovin formula approach quoted by Umar (1997) as follows:

\[ n = \frac{N}{1 + Ne} \]

where, \( n \) = sample size, \( N \) = population size, \( e \) = Percent leeway carefully situations lack of sampling error can still be tolerated in this study, population size, \( N = 140 \), percentage; \( e = 5\% \). So the number of samples taken in this research is

\[ n = \frac{140}{1 + 140 (0.05)^2} = 100 \text{ people} \]

then based on the results above, the sample size of 100 people.

**Types and Sources of Data**

Data used in this study:

a. Primary Data
Primary data is data obtained directly from respondents, through questionnaires at random.

b. Secondary data

Secondary data is data obtained through the publication.

Technical analysis

The analysis technique used in the regression analysis. This analysis is used to measure the effect of interest rates on loans extended to customers of Bank Nagari Kingdom Market Branch. Form formula that is used as follows:

\[ y = a + bx \]

where:

\( Y = \) Distribution Cookies

\( a = \) constant Numbers

\( b = \) coefficient

\( x = \) Interest Rate

Research Results & Discussion

Profile of Respondents
Demographics of Respondents

The data was collected by giving questioner to the respondent directly without using the postal service. The number of questionnaires that have been deployed as many as 100 questionnaires. Of the total questionnaires were returned questionnaires that all that is 100%.

Table 2
Questionnaire Distribution and Return Rate

<table>
<thead>
<tr>
<th>Questionnaire distributed</th>
<th>100 sheets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires returned</td>
<td>100 sheets</td>
</tr>
<tr>
<td>The questionnaire did not return</td>
<td>0</td>
</tr>
<tr>
<td>Rate of return</td>
<td>100%</td>
</tr>
<tr>
<td>Total questionnaires that can be processed</td>
<td>100 sheets</td>
</tr>
</tbody>
</table>

Source: questionnaire prepared

Respondents who used the study sample is the customer who become customers of cookies that can be sorted by age, gender and occupation. This can be described in tables 3, 4 and Table 5.
### Table 3
**Tabulation of Respondents by Age**

<table>
<thead>
<tr>
<th>Information</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 21-27 years</td>
<td>16 people</td>
<td>16 %</td>
</tr>
<tr>
<td>Age 28-34 years</td>
<td>60 people</td>
<td>60 %</td>
</tr>
<tr>
<td>Age 35-40 years</td>
<td>20 people</td>
<td>20 %</td>
</tr>
<tr>
<td>Age&gt; 40 years</td>
<td>4 people</td>
<td>4 %</td>
</tr>
</tbody>
</table>

*Source: questionnaire prepared*

The table above the age of respondents is dominated by customers between the ages of 28-34 years of age with the percentage of 60%. Customer age range 35-40 years with a percentage of 20%. And is followed by 21-27 year-old customer by 16%. The lowest percentages are found in the customer who was 40 years old and over 4%.

### Table 4
**Tabulation of Respondents by Gender**

<table>
<thead>
<tr>
<th>Information</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>75 people</td>
<td>75 %</td>
</tr>
<tr>
<td>Female</td>
<td>25 people</td>
<td>25 %</td>
</tr>
</tbody>
</table>

*Source: questionnaire prepared*
Furthermore, table 4 above the dominant gender is male that is equal to 75% (75 people), while female customers as much as 25% (25 people).

Table 5

Tabulation of Respondents Based Work

<table>
<thead>
<tr>
<th>Information</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Textile Merchants</td>
<td>20 people</td>
<td>20 %</td>
</tr>
<tr>
<td>P &amp; D Traders</td>
<td>70 people</td>
<td>70 %</td>
</tr>
<tr>
<td>Draper</td>
<td>10 people</td>
<td>10 %</td>
</tr>
</tbody>
</table>

Source: questionnaire prepared

Table 5 above shows that customers work more dominant is the trader P & D that is equal to 70%. While ranking second and third of the jobs customers are in the work of textile traders and merchants Apparel.

Customer Perceptions on Interest Rate and Loan Disbursement

Interest Rate
Based on questions asked to customers who take the credit cookies through the questionnaire, it appears that the interest rate on bank holiday village markets lower branches from other banks. The majority of Bank Nagari Pasar Raya branch customer feel strongly agree, except that there are also a feeling of agree, undecided and disagree. Customer KUKI on Bank Nagari Pasar Raya branch was also there who feel really strongly disagree, although only a small part. For the moment can be estimated that customers KUKI of Bank Nagari Padang Raya branch could more agree if interest rates affect the proposed credit.

**Loan disbursement**

Before customers apply for credit, banks will always do the assessment themselves in terms of the ability of our customers seek. Customers always pay off the loan at the due date of payment. Bank to audit the financial statements of the business customer. Goods must be given assurances of credit has been received. Customers in the proposed credit will have an exemption if the customer's business prospects are very good. Because of national economic conditions that are less good, the bank always assess the price of goods provided collateral on loans diterima. Bank the classification of customers as prospective borrowers into a classification based on the capital, loyalty and character in a different get credit facilities from banks, both in terms of amount of interest and requirements. Loans and advances by the bank to provide benefit to the customer. Guarantee that customers do not give the desired affect of the credit.
The majority of bank customers Nagari supermarket branches feel strongly agree, except that there are also a feeling of agree, undecided and disagree. Customer cookies on supermarket branch of Bank Nagari was also there who feel really strongly disagree, although only a small part. For the moment can be estimated that customers of Bank Nagari cookies in Padang Raya Pasar Branch could not agree if there is an assessment of credit application made by customers KUKI.

**Research Results**

**Simple Regression**

Research on effects of interest rate on loans to customers of Bank Nagari Padang Raya Branch using simple linear regression model as follows:

\[
Y = 21.78362832 + 0.384955752x \\
\text{t-count} = (4.099752753) (7.672824939) \\
r = 0.960662335 \\
r^2 = 0.921644853 \\
\text{Adjusted } r^2 = 0.958434086
\]
From the calculation it can be in the know the influence of interest rates on loans to the Bank Nagari Raya Pasar Branch. Obtained a constant value of 21 784 which shows changes in KUKI credits amounting to 21,784 which is caused by other factors. The coefficient of interest rate loan obtained for 0385, meaning that any increase in interest rates (X) of 1% will increase lending (Y) equal to 0384%. Here we can see that the relationship is directly proportional (Positive) where the decrease of credit interest rate, then a reduction in lending experiences with Bank Nagari Pasar Raya branch.

Simple regression model is significant. This is evident from the calculated t test (7.672) and F-count (7143), which is larger than t-table (6.3137) and F-table (3.92) at level \( \alpha = 5\% \). This regression model is good, because it looks great determinant coefficient that is 96%. This means that 96% independent variables / interest rate determine the credits KUKI.

**Conclusion**

KUKI lending is influenced by interest rates. It means lending KUKI credit will increase if interest rates also increase and vice versa. As soon as the amount of working capital loans KUKI has increased from year to year. Although mortgage interest rates rise, customers are still using credit facilities provided.

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THE OVERVIEW OF CULTURAL BACKGROUND OF MINANGKABAU AND CHINESE CUSTOMERS IN PADANG, WEST SUMATRA

Heryanto Musa, PhD

Abstract

The objectives of the research are to analysis the cultural background between Minangkabau and Chinese customers to using the financial products. Analysis techniques is used consisted of descriptive analysis. The study shows that there was the Minangkabau’s enterprising attitude has been imminent since the colonial epoch, but has not grown to be as strongs as the Chinese. Financial product consumption still characterizes the way they support their business effort. On the contrary, the quanxi and quanxiwang systems are strong among the Chinese.

Keyword: Cultural, Minangkabau, Chinese & Customers

Introduction

The value orientation makes Minangkabau customers loyal to the bank. The bank has given them financial services in personal basis and this has increased their feeling of security in using the Bank Nagari products. The security feeling further encourage them to use the Bank Nagari products consistently and continually.
The product security is part of security feeling. Consumer will not buy a product if they do not feel secure. The security feeling influences preference to buy. The security feeling is obtained from close consumer-business location, close to society, Bank Nagari commitment (to construct image to develop regional), and *kenagarian*.

The Chinese preference consisted of values regarding sense of achievement, self-fulfillment, and security (Roziqin, 1997). This is important values for Chinese customers. Chinese is immigrant ethnic, who should be survived in business activities. As a survivor, Chinese have to succeed in doing business. Chinese customers typically have of high sense achievement. Bank Nagari offers different kinds of financial products to support the business. Furthermore, Bank Nagari has network in each region in West Sumatra, which might encourage Chinese customers to use the bank.

Sense of achievement among the Chinese customers is influenced by the teaching of Han San Wei Yi, paternalistic family materialism philosophy and business organization concept. Han San Wei Yi’s teaching consists of Koh hu-tsu (Confucianism, Taoism and Buddhism). While *guanxi* operates on a good personal relationship. *Guanxiwang* Chinese is strong. *Guanxiwang* is attained when one set of separate, personal and total relationship between two individuals and another set are interlinked through a common agent acting as a witness and facilitator.
The self-fulfillment of Chinese customer refers to the feeling of having a good image. There are many ways customers could reach self-fulfillment. As Chinese customers have strong guanxiwang, they are reluctant to move to another bank. Thus self-fulfillment of Chinese customers depends on to who extend that the Bank Nagari fulfill their needs.

In terms of security of the product, Chinese customers like Minangkabau value security of the bank products. The consumers are more careful and they have a lot of information especially bank products. Guanxiwang is an information distribution media among Chinese customers. This makes them differ from Minangkabau customers. The present study analyzes the cultural background between Minangkabau and Chinese customers to using the financial products.

Cultural Background of the Minangkabau Traders

According to Eriksen (1991), ethnicity is a source of cultural meaning and is a principle for social differentiation. Ethnicity in many contexts is the single most important criterion for collective social distinctions in daily life; ethnic distinctions are rooted in perceptions of differences among lifestyles, and the others are held to represent lifestyles and value, which are regarded as undesirable. Cultural differences are sometimes activated in non-ethnic situations, such as location (rural vs. urban), social class (middle-class vs. working-class) and gender (male vs. female) contexts (Eriksen, 1991).
The concepts of human value and value systems have been widely used by social scientists to explain a variety of behavioral phenomena. A value refers to a single belief that transcends any particular object, in contrast to an attitude, which refers to beliefs regarding a specific object or situation. Values are more stable and occupy a more central position that attitudes, within a person’s cognitive system (Kamakura & Novak, 1992). Therefore, they are determinants of attitudes and behavior and hence provide more stable and inner-oriented understanding of consumers.

One alternative to Value of Life Style (VALS) is List of Value (LOV). There are nine values in the LOV, including self-respect, security, warm relationships with others, sense of accomplishment, self-fulfillment, sense of belonging, being well respected, fun and enjoyment in life, and excitement (Kahle et al., 1986). As mentioned earlier, values are determinants of attitude and behavior. For example, people who value a sense of belonging especially like group activities. People who value fun and enjoyment in life especially like dancing, bicycling, backpacking, camping, and reading *Playboy*. People who value warm relationships with others give gifts for “no occasion”.

The Minangkabau are minority ethnic. It is consisted of only 3% of Indonesia’s population. The Minangkabau have sense of accomplishment. They begin as informal traders until become success businessman. The Minangkabau are Moslems, where Islam and the *Adat* (traditions) of Minangkabau are practised together. Minangkabau traditions are based on the Islamic teachings of “*adat basandi syarak, syarak basandi kitabullah*”. The tradition’s goal is happiness that is to be reached based on the principle of ‘from all, by all and for all’ (Nasroen, 1971; Koentjaraningrat, 1975). Happiness is part of LOV which can be seen in Minangkabau tradition.
In Minangkabau traditional rural families or communities, women still do most work in the rice fields, looking after poultry and rear animals to be sold. Menfolk, assist their wives and other female family members in certain phases of the agricultural activity and are very involved in activities that require traveling. In this context, the Minangkabau society is largely constituted of small traders, food businesses (stall and small restaurants), tailors and so on (Peletz, 1999).

Transitions of men’s roles as brothers, husbands and fathers are taking place in the Minang society. A long time ago, a husband need not responsible in providing his wife and children needs, or make decisions in his household (Mitchell, 1969). It is the responsibility of the wife or member of her clan namely his wife’s brother, or his wife’s uncle. A husband is responsible for his clan, including his sisters and their children. It is noted that a husband need not be faithful and he can leave his wife with the simplest reason. One is able to draw this from an inveterate expression with reference to men in their roles as husbands “Like ash on wood stubble, even small wind will be able to fly it” (Mitchell, 1969). Changes in the distribution of men’s responsibilities expand farther in Padang, compared to many other Minang societies.

In Padang Indonesia, men who start their own families are very pressed to fulfill economic expectations and demands from their wives’ families. In this case the value developed in Minangkabau is self-fulfillment. It seem that these expectations and demands reflect the increasing self regards among women who assess and ranking one another’s pursuant to what their husbands bring home. Due to this, there are frictions within drives the mother lineage. The psychological burden which becomes an issue here urges Minangkabau to travel and become entrepreneurs, which results in upraised prestige (Peletz, 1999). In fact most Minangkabau men
are still expected to support their mother lineage families, especially female relatives and their children apart from economic responsibilities towards their own wives and children.

The society’s traveling tradition was initially influenced by their quest to conduct commercial relations with other states. The Minangkabau are known as capable merchants. Strong commitment to traditional values drive the Minang society to inculcate cultural influence abroad. As they travel, they hold to the philosophy that “di maa bumi dipijak, di sinan langik dijunjuang” representing a guiding value which inspire the Minangkabau when they are in a place far from home. This philosophy rises image that Minangkabau ethnic is being well respected and has warm relationships with other.

In addition, the personal abilities of the Minangkabau are shown by the fact that many Minangkabau become leaders even in foreign communities. Moreover, their orientation of going abroad has changed from trading to working in companies and in famous hotels. In fact, their orientations can be divided into several periods. First, is the initial orientation to trade. Before Europeans arrive in the ‘Nusantara’, the Minangkabau had an active commercial connection with Aceh and other foreign merchants in the east. The competition between the Chinese merchants and the Minangkabau merchants did not happen only recently, but have begun a long time ago. But the Chinese merchants have solid network, so that the Minangkabau merchant tend to “fail” in the competition. Besides their inability to compete with the Chinese is also caused by lack of entrepreneurship criteria among the Minangkabau (“Orang Kaya”1997).

Some factors have forced the Minangkabau to leave the agriculture sector. One of the most important factors is that the sector gives small revenue. Beside that, the Minangkabau’s
education level has improved (Koentjaraningrat, 1975). Naim, as cited in Rizal (2000) identifies factors that urge the Minangkabau to leave their region and agriculture. The factors are ecological pressure, geographic pressure, demographic pressure, economic pressure, the motivation of education, and attractive cities. The economic pressures have become the primary reason why the Minangkabau leave their region.

The Minangkabau sense of belonging values are known as good traders and they have a fanatical attitude towards their villages (Rizal, 2000). The financial products and services of Bank Nagari have supported businesses outside of Minangkabau. The regional linkage and secure feeling of Bank Nagari’s financial products are assurances for the Minangkabau traders (“Hebat, BPD,” 2000 ; “Salah Satu,” 2001). Thus, the Minangkabau become more competitive. They have the orientation to progress and place themselves differently on a higher level in small business entrepreneurship (Swift, 1971). The Minangkabau traders began with informal trading and conversely the Chinese traders began with formal trading. There is lower solidarity among the Minangkabau merchants as compared to Chinese traders (Djambek, 1995). Moreover, the Minangkabau traders are using micro banking products, which means that their efforts emphasise on small industries. Conversely, the Chinese have been forming its capital since the colonial epoch. They have had many experiences in business and are tied to a form of quanxi-business. Their businesses have developed and elaborated considerably fast. Therefore the Chinese require corporate banking products from their banking institutions.

**Cultural Background of the Chinese Traders**
The Chinese are also a minority in Indonesia’s population. In 1930, the Chinese formed only 2.3% of the total population of Indonesia. In 1997, they formed approximately 4% of the total population of Indonesia and controlled 70% of Indonesia’s economy (Rozigin, 1997; Peletz, 1999). The Chinese concentration is greatest in Java, the centre for political and economic activities and the Chinese outside of Java tend to be concentrated in regions like Medan, Palembang, Bagan Si Api-api, Padang, and Jambi (Twang, 1998). In Java and Sumatra, the retail trade appears to have been dominated by the Totok of various dialect groups, especially Hakka, many of whom were stall (warung) owners. The Peranakan and the Hokkien ² tend to play important roles in the local produce trade in the towns, which usually require more capital than running shops (Twang, 1998).

The Chinese are known to be quite faithful to their ancestors culture, influenced by the teaching of Han San Wei Yi, a paternalistic family materialism philosophy and business organization concept. Han San Wei Yi’s teaching consists of Koh hu-tsu (Confucianism, Taoism and Buddhism) and in Indonesia it is known as San-Jiao or Tridharma. The Chinese family embraces a patriarchal system. In the patriarchal family, as is indicated by its name, the male head (jiazhang) is dominant and self-respect among the members. There are some distinctive characteristic of the patriarchal family system (Frey, 1992). Patriarch (1) allocates the tasks among the members of his family, (2) distributes the family income among its members by implicitly and explicitly imposing taxes and paying out transfers, and (3) determines the size of the household. The patriarch supports the most talented son and not the eldest. The most talented son receives more education because he is expected to contribute more to family

² Hakka and Hokkie are Chinese dialect groups. The Hakka, Cantonese and Teochew, who did not arrive in large numbers until the latter half of the nineteenth century, the vast majority of the Peranakan were Hokkien in origin, particularly in Java (Twang, 1998)
income in the future. For a long time education investments were restricted to male descendants (Seagrave in Frey, 1992).

Chinese immigrants spread out in some regions. In the process of acculturation, the Chinese are still Chinese. They can adapt but find it difficult to assimilate (Roziqin, 1997). The Chinese are divided into two groups i.e., Chinese-Totok (foreign-born and Chinese speaking) and Chinese Peranakan (who were no longer fluent in Chinese but were equally inadequate in their command of western languages) who need to read newspapers, magazines, and books in a language that they understand. They are also interested in acquiring further knowledge about the Chinese culture (Suryadinata, 1993).

The Chinese have a rich and unique heritage. Family and kinship relations are extremely important in the Chinese culture (Yau, 1988). Although the Chinese-Padang family structure and sub-cultural values are changing, the Chinese-Padang in general retain many values from the past. Chinese cultures tend to value responsibility to family, the interdependence of family members, and conformity to rule of good behavior. Kluckhohn and Strodbeck (1961) introduced a value orientation model to explain Chinese culture that includes the following culture orientations: man-to-nature orientation (back to nature), man-to-himself orientation (self-capabilities), relational orientation (good personal relationship), time orientation (convenient situation in doing business), and personal activity orientation (person interest in doing business).

Efficacy of the Chinese is often attributed to company image which is legendary, hard work, economical, family solidarity, education, and kindliness of other entrepreneurship and neo-
confucian. They are not only economical and assiduous but also hold up to sufferings, believe in their abilities and dare to risk, qualified to be modern entrepreneurs from a small society which is expanding with imperfect market and the expense of high transaction (Bastin, 1954; Wu, 1983). Omohondro carefully concluded in his perfect research of Chinese merchant families in Iloilo, that the Chinese are better entrepreneurs than the Philippines because of the existing advantage in social structure. Cultural buttonhole of Chinese relate to efficacy of visible business is once looked after. Thereby merchant environment and Chinese immigrant culture have interaction to with a few the way (Omohondro, 1981).

A research was done by Haifeng and Jing (1999) in Beijing, dividing Chinese customers to four types namely pragmatic, commercialized, sociable and conservative. Among them, 50.8% are pragmatic, who seek practical aspects of customer goods and ignore commercial information, 33.9% are commercialized, pursuing commercial information and brand name products, 11.7% are sociable, getting information mainly from friends, and only 3.6% are conservative, resenting commercial information and disliking social changes.

Furthermore the majority of small Chinese businesses were established with personal savings accumulated over long periods. The successful immigrant Chinese worker who saved money to open a small business hoping to pass it on to the next generation would not wish to see others step into the family business. If these single family enterprises expanded at all, it was normally through marriages with persons of the same emigrant areas (Wu & Wu, 1980).

Unlike indigenous business, the Chinese business is supported by bank funding. Since the Dutch colonial rule, the indigenous business has been dead as the Chinese traders acted as
intermediate traders between the Dutch and indigenous for marketing consumer goods (Suryadinata, 1992, 1993; Roziqin, 1997). Chinese traders own higher capital and are prioritized to receive loans from banks. According to Jiang and Ma (2002) the Chinese business achieve success by following 10 principles, which are speed, surprise, innovation, packing, quality, usage mind, flexibility, reputation, benefit and good name.

In a family-run enterprise, decision-making power is highly centralized in the hands of the father-entrepreneur, often described as ‘carrying the entire business on his shoulders’ and delegation of responsibility to subordinates is low. There are traces of traditional authority structure in Chinese Multinational Corporations (MNCs). Even when a Chinese firm becomes very large, the authority structure remains highly centralized, in spite of modifications to the organizational structure of the firm (Kiong, 1996). Competition with non-Chinese owned MNCs results in Chinese firms having to adopt more ‘rational’ methods of management in order to remain competitive. When Chinese firms grow larger they take on the organizational structure of ‘Western’ companies while retaining the basic rules of ownership and control (Kiong, 1996). It is a centralized structure with control given to a small core of family members. This personalized style of leadership has two major implications for capital formation: 1) the possibility for profit to be retained and reinvested is much enhanced, and 2) capital mobility within the family group of enterprises is high since funds belong to a common, unified clan (jia) budget. When it comes to the management of jia property, it is unambiguous that the traditional bias against women in the family still prevails. Succession to the managerial positions in a family firm is largely the prerogative of male heirs, who receive their positions based on individual merit rather than age seniority (Wong, 1985; Panglaykim & Palmer, 1970).
Moreover the guanxi has been regarded as a special relationship between two persons (Alston, 1989), that is a special kind of personal relationship in which long-term mutual benefit is more important than short-term individual gain (Zamet & Bovarnick, 1986), and represents the status and intensity of an ongoing relationship between two parties (Kirkbride, Tang & Westwood, 1991). Bian (1994) argues that guanxi has three meanings attached to it: indirect relationship between two people, direct relationship between two people and contact person.

While guanxi operates on dyadic relationship (a good personal relationship), guanxiwang (network) certainly goes beyond that level. Guanxiwang refers to a network of exchanges or transactions between two parties and beyond (Wu, 2000). Goods and services such as physical products or favours exchanged can be anything of value and of mutual benefit to the parties concerned, for example, raw material, promotion, gifts, information, and facilitation. Guanxiwang is attained when one set of separate personal and total relationship between two individuals, A and B, and another set of such relationship between B and C are interlinked through a common agent, B, acting as a witness and facilitator (Figure 1).
As a result, the originally “total and personal relationship” (Alston, 1989) transforms into a complex network of social exchanges with such interlinkage extended into other sets through numerous common agents like A, B, and C. Therefore, it can be concluded that guanxi is not

Figure 1: Guanxi and Guanxiwang

simply, as many believe, one of the key features of Chinese culture (Lockett, 1988) or one of the key “themes” which depict core aspects of Chinese values (Kikbride et al., 1991). Instead, it is the mother of all relationships.

Although there are various kinds of guanxiwang in overseas Chinese communities, they can be divided into two main groups: social networks and business networks. Social network can be broadly defined as a web of social relationships established within the sphere of core family members, entended family members, friends, classmates, fellow townsmen and so on. According to Redding (1991), a Chinese social network consists of a lineage, village or neighbourhood, clan or a collection of lineage and special interest associations. Its main function is to protect and help each other and to have an ethnic or unique identity in a wider social context.

According to Barton (1983) says that sun-yung has various meanings and one of them is credit rating. The level of sun-yung has an implication on the trustworthiness and creditworthiness of a person. The higher the level of sun-yung, the more trustworthy and creditworthy a person is and vice versa. The verification of the level of sun-yung of a particular person is easily done through the social network whereby perhaps a few telephone calls would be all one needs to obtain information.

A business network can be defined as a web of business organizations to create or internalize a market for the purpose of profit-maximization or cost-minimization for all members concerned (Hamilton, Zeile, & Wan, 1990). The Confucian philosophy is deeply enmeshed in human
relationships. The highly personalized nature of relationships creates an environment where social harmony is of utmost importance.

The efficacy of Chinese trade can be explained fully or mostly according to their values and by what is referred to as cultural heritage of neo-confucian. Chinese arriving in South-East Asia mostly come from a Mandarin social class which has permeated high confucian culture in China (Wang, 1992). Main problem of new Chinese immigrant is all sword from shang class (merchant), even hierarchy most under in simin normative worker group hierarchy, holding values and trust which do not too Confucian (Wang, 1992).

Wang’s (1992) perception, with reference to the social genesis of values held by Chinese trader’ values is that their work yield autonomous values for the efficacy of trade, and they further familiarize themselves with other Chinese merchants. Generally, (what is in Taiwan, Hong Kong, Singapore or Korea) well-established merchants of shang (in Taiwan, Hong Kong, Singapore and Korea) adapt the modern ways and capitalist attitude from Confucianism, which differentiate them and explain their economic efficacy. Moreover, the linkage of Confucian values to guanxi formation is premised on two elements; (1) the emphasis of Chinese familism in Confucian philosophy instills the value of obligation and loyalty, among others, which are the normative bases of guanxi; and (2) Confucian values are culturally specific, and provide Chinese everywhere with a common cultural repertoire to appreciate the norm and expectations of guanxi (Li, 2000).
As a broad philosophy, Confucianism promotes many values, including the one that happens to be important to guanxi formation, but there are also others that are not supportive of business undertakings. Wang’s (1991) argument suggests that, historically, Chinese merchants achieved business success not by adhering to Confucian values and codes, but by being flexible in adopting only Confucian rhetoric to suit their business undertakings. From this vantage point, it would seem that Confucianism had not been strong among the Chinese merchant class, and that the adherence to such values as obligation and loyalty probably did not arise from the Confucian tradition.

While there is no research on kinship preference conducted among ethnic Chinese business circles in Indonesia, research on ethnic Chinese in other parts of Southeast Asia (DeGlopper, 1978; Yang in Amir, 2000; Menkhoff, 1992) reveal that preferences based on kinship in business practices is a greatly exaggerated concept. Persons who have no relations to the family are often hired at executive and managerial positions to run the company as a rational business organization. Outsiders are sometimes invited to join the Board of Director (Kiong, 1996). Menkhoff (1992) goes further by establishing that kinship has become so flexible that relatives do not necessarily create business, but business can also create relatives by transforming certain strategic friends and business partners into reliable and trusted trading partners based on fictive kinship terms.

Additionally, values’ growth and trust are mirrored from both ethnic cultures that are discussed in this chapter. On the one hand the Minangkabau ethnic embraces the matriarchal system, where husbands work to earn for the maternal family and to fulfill their needs. The compulsion to travel and become entrepreneurs are dominant among the Minangkabau. The
Minangkabau’s enterprising attitude has been imminent since the colonial epoch, but has not grown to be as strong as the Chinese. Financial product consumption still characterizes the way they support their business efforts. On the contrary, the Quanxi and quanxiwang systems are strong among the Chinese. Quanxiwang is always used as a business solution in attaining financial products.

The Survival of the Minangkabau and Chinese Economies

It is tempting to use cultural difference to explain why ethnic Chinese in Padang are economically more successful compared to the Minangkabau. However, such a mode of explanation will fall into the trap of essentializing the culture involved. One must take into account the discourse and interactions within and between the two cultures. The focus is on the reproductive mechanism (how business ventures survive through time) and adoptive mechanism (how the other is incorporated into the business venture). Both are deeply related to both confidence in group members and trust in outsiders.

For Chinese small-businesses, networking is an integral link in doing business. The network consists of familial, friendship, clan, association and guild ties. The extensive use of networking brings about a larger pool of customers, which ultimately contributes to a greater volume in business. The owner-manager also sources for suppliers through the social network where he is
exposed to a more varied range of suppliers. Therefore, the risk of dependency on one or two suppliers is reduced through the network process.

Networking is a very important source of capital. In most instances, the owner-manager lacks initial capital when venturing into a business. Borrowing from financial institutions is difficult as venture capitalism is not well-developed and commercial banks in Indonesia place a heavy emphasis on track-record and collateral. More often than not, the familial-friendship network provides cash gifts or soft loans to kick off the business. The social network is also used in establishing the *sun-yung* of a business client. Conversely, in the Minangkabau society, the formation of *sun-yung* is lacking altogether.

*Sun-yung* is all the more important in an environment where business dealing is mainly verbal in nature. If one were to lose his *sun-yung*, the other members in the network will sanction him by not providing credit access. News travel fast and the bad news variant travels even faster in such a network where the application of sanction is almost immediate. This also amounts to a lose in *face* and consequently deep reservation from others in the network in future undertaking.

Furthermore, the role of *guanxi* exchange in Chinese economic behavior can be seen both in the organizational forms and business practices of the ethnic Chinese. This is seldom in the organizational forms and business practices of the ethnic Minangkabau. Proprietorships and partnerships are still the dominant forms of organization for ethnic Chinese enterprises mainly because of historical precedents.
One frequently noted characteristic of smaller Chinese firms is extreme centralization of decision-making characterized by little downward consultation by managers prior to decision-making, a general encouragement of passivity, and dependence on the part of subordinates. The problem with this system is continuity. Early studies condemn Chinese family enterprises as unavoidably short-lived and seldom lasting beyond three generations, a tendency often blamed on the practice of equal inheritance among brothers born to the same father and the nearly inevitable emergence of the ‘prodigal son’ who squanders the family resources. The family is therefore viewed as a poor vehicle for sustaining capital accumulation and the entrepreneurial drive.

However, the Chinese family firm actually provides the mechanism for breakaway or ‘branching off’ while retaining some continuity with the original firm. Brothers who receive the same share of inheritance would gladly (or even expected to) relinquish control or management of the business and estate to the most skilled and gifted among them, and would settle into the role of the ‘silent partner’. In the case of more than one business-inclined brothers, if they are deemed skilled enough to ‘go at it on their own’ they would still receive the support of the parent family. If this is taken into account, one can see how close the Chinese family firm is to applying both the principles of individualism (one broken-away, the branching firm in on its own) and of evolution (survival of the fittest family firm branch) in its development.

In Minangkabau business, the Minangkabau family firm do not develop as well as the Chinese family firm. If any problem in business, they do not received supported from the parent family. Almost of all they are individual businesses.
The Chinese is not an exclusively kin-based control group. While members of the family are educated and prepared to take over relevant fields of the family business, others who are already involved in the business are also sent to upgrade themselves. As the education level of younger generations improves, modern management methods are used more widely. In this sense, the quanxi-based adoptive mechanism actually works in larger, more international level.

Additionally, The Chinese totally marginalize the role of women. Men have access to both wealth and prestige. Activities in the economic and status sphere can be held at the same time instead of separately. The economic actors are motivated further to become economically successful.

In Padang, a Chinese trader feels compelled to resist pressures of borrowing since he is never ‘a real member’ of the village community. On the other hand, because the ethnic Chinese in Padang are ‘forced’ to operate in a hostile environment, they are certainly discouraged from making further efforts toward their integration into the nation-state and this strengthens the identity and cultural practices not necessarily brought from Mainland China. Different cultural perceptions of economic behaviour create stereotypes that persist for a long time, which kindle the Chinese-indigenous mistrust of each other.

By comparison the Minangkabau, consider their budget decisions at the beginning of their quest for business and often this consideration becomes one of the heuristics commonly used to limit the guest. The Chinese, on the other hand, follow a truncated search pattern where the product is first chosen, a budget set, and then they save for the product. When the money is saved, a follow-up search is made to update their knowledge.
Chinese customers tool their time and generally expect products to last. One of the most interesting contrasts uncovered by the research is the difference between the Chinese and Minangkabau in their perception of thrift. For the Chinese, buying a high-quality product that will provide superior performance over a long product life is considered thrifty. On the contrary, most Minangkabau equate thriftiness with cheap, easily replaced items. Budgeting is also found to shape the search processes of the two groups.

**Conclusion**

Minangkabau dan Chinese customers are known as the trader ethnics. The regional linkage and secure feeling of Bank Nagari’s financial products are assurances for the Minangkabau traders. The Minangkabau traders began with informal trading and conversely the Chinese traders began with formal trading. Moreover there is lower solidarity among the Minangkabau merchants as compared to Chinese traders. The Minangkabau traders are using micro banking products, which means that their efforts emphasise on small industries. Conversely, the Chinese have been forming its capital since the colonial epoch. The Minangkabau’s enterprising attitude has been imminent since the colonial epoch, but has not grown to be as strongs as the Chinese. Financial product consumption still characterizes the way they support their business effort. On the contrary, the quanxi and quanxiwang systems are strong among the Chinese. Quanxiwang is always used as a business solution in attaining financial products.

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