Volume 7, Issue 1 (2018)

Journal of Accounting & Marketing
Salma and Hussain, J Account Mark 2018, 7:1
DOI: 10.4172/2168-9601.1000263
Research Article
Open Access

A Comparative Study on Corporate Diversification and Firm Performance across South Asian Countries

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Abstract

This study has thoroughly studied the previous literature on corporate diversification and firm's performance in different countries like, USA, EU, China, Malaysia and Bangladesh. To investigate the effects of different factors those affected the diversification decision/strategy of firms we have taken data of 465 firms from India, Sri Lanka and Pakistan in order to check how different factors affected the diversification decision of manufacturing firms across south Asian countries. Data was collected from financial statements of different firms and stock exchanges which is available at their websites and also from data banks. Present study is secondary in nature and 16-years data is collected from 2001 to 2016 of different firms. A two stage regression analysis is used with the dependent variable of "MAR, BOR SIZE GROW etc.". Results showed that variables i.e., managerial ownership, director ownership, size, and grow, debt ratio and firm risk found significant association with corporate diversification and firm performance. It is evidence found that all these variables have significant impact on the corporate diversification and firm performance across south Asian countries. From whole study and results we can say that diversification is deployed as strategy to reduce firm specific business risk. The increased volatility and aggressiveness of the industry has made the industry more endangered to fluctuations in demand, thereby aggravating the situation and making survival more pivotal. In order to survive in such aggressive environment, manufacturing industries must have resonated strategic planning and management frameworks. A firm's survival is dependent upon its ability to adjust successfully to the changing environment, whereas strategic planning and managerial capabilities are tools to survive in such challenging environment.

Keywords: Diversification; Firm performance; Capital; Market

Introduction

Diversification comes from the word "diverse" who means "different" or "varied". When this concept is applied to a company, it can be interpreted as a variation in the performed activities of a firm. In some way, every firm is diversified to a certain extent as it diversified in different departments like finance, marketing and the logistic area [1]. Moreover, Pitts and Hopkins [1] argue that researchers use the term "diversity" to indicate business diversity, rather than functional diversity. Another definition of diversification was given by Ansoff [2] who defined diversification as "a simultaneous departure from the present product line and the present market structure".

The need for privatization and the impact of globalization have made the manufacturing sector much volatile, more aggressive and less profitable, thus making survival in the industry very exigent [3]. This increased volatility and aggressiveness of the industry has made the industry more endangered to fluctuations in demand, thereby aggravating the situation and making survival more pivotal. In order to survive in such aggressive environment, manufacturing industries must have resonated strategic planning and management frameworks [3]. A firm's survival is dependent upon its ability to adjust successfully to the changing environment, strategic planning and managerial capabilities are tools to survive in such challenging environment [4].

Diversification allows firms to maximize value by enhancing the scope of markets and industries in which they compete and supply product offering to newer customer [5]. Erunza and Senbet [6,7] reported that diversified firms gain value by controlling systematic risk. Kogut and Kulatilka [8] added that diversified firms that may be nationally, internationally or geographically are more profitable than domestic firms because diversified firms have more financial and operational flexibility. Birgonul et al. [9] said therefore diversification is not a trend instead it has a logical reason behind it. These reasons may be of profitability, reduction in risk, increased market share, increased debt capacity, higher growth, and extension of business cycle, and productive utilization of human, capital and financial resources. Amit and Livnat [10] reported that firms that are efficiently manage their operating risk at low level and gain all benefits of related diversification. They further indicated firms that deployed diversification have higher profit and high market value of equity than other firms. Diversification refers to the extension of the span of goods made and sold in order to reduce any commercial risk. Moreover, diversification might be a strategy of reducing risk but not a development strategy to offers trade [11].

Chandler [12] argued that diversification is beneficial due to increased managerial economies of scale and reduce the overall cost of an organization. In addition, Lewellen [13] added that diversified firms have more access to debt than non-diversified firms. Moreover, diversified firms allot resources in well-organized manner than non-diversified firms through internal capital markets [14]. As per some researchers diversified firms deployed its firm specific assets more efficiently in external markets [15,16].

Additionally diversification is one of the important strategies for

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Received January 02, 2018; **Accepted** January 12, 2018; **Published** January 17, 2018

Citation: Salma U, Hussain A (2018) A Comparative Study on Corporate Diversification and Firm Performance across South Asian Countries. J Account Mark 7: 263. doi: 10.4172/2168-9601.1000263

corporate growth and good financial performance [9]. Furthermore, diversification refers to firm's strategy of entering and competing in new product market [17]. So, a firm undergoes corporate diversification if it increases the number of type of business it operates. And, this incrimination process is a way, in which a firm can grow; it involves changes in administrative structure, system and managerial process of a firm [18].

Besides this, corporate diversification is a strategy whereby firms try to maximize profits by diversifying their business operations. As diversification decisions may influence a firm's performance, it is interesting to investigate the relationships between, corporate diversification and firm performance. Diversification has been defined as "the entry of a firm or business unit into new lines of activity" [19]. Finally, corporate diversification is a strategy in which a firm enters in new sector, industry, and segment or in new line of business in order to reduce risk and seek growth opportunities [20]. Li and Zhang [21] stated that corporate diversification is old but forever new topic in corporate finance. Diversification is a powerful business strategy and its impact on corporate performance has long been an interesting topic. They also reported that diversification also characterized as complex multiple unit organization structure that include different industries under common control of one firm and has been a popular strategy of business expansion and reducing risk. Jonchi and Yen [22] diversification as one of the strategies for reducing risk of firm or seeking growth opportunities to continue firm are life. Similarly Doaei and Shavazipour [23] corporate diversification as firm enter new sector [24], or new industry [25], or new segment [26] or a new line of business [27]. Eventually, in recent years a special interest of the researchers has risen in relating the corporate diversification with the performance at different life cycle stages [28].

As the current research is a comparative study across south Asian countries and the previous research scope was limited to single country firms or stock exchange. By investigating the impact of cross border diversification on firm performance, the study highlights the principal agent problem, resource based view of diversification, converting modern portfolio theory into the domain of diversification and diversification under transaction cost theory contributing in emerging markets. As the effects of diversification on firm performance is unexplored in south Asian listed firms, this study examines the effect of corporate diversification decisions on firm performance. Moreover the study can be a useful for investor to make optimum investment decisions.

Many researchers have evaluated the impact of corporate diversification on firm financial performance. Shyu and Chen [22] had analyzed the diversification and performance relationship at different life cycle stages in Taiwanese firms. Moreover, Birgonul et al. [9] evaluated the impact of corporate diversification on performance for Pakistani firms. Further, Purkayastha and Lahiri [17] examined the impact of industry sector on corporate diversification and performance for Indian business group. Additionally, Adner et al. [29] have also evaluated the diversification and performance relationship by linking relatedness, market structure and decision to diversify. There is no study yet that has addressed the diversification and performance relationship across south Asian countries, as these countries have almost same economy and business standard. So, considering these gap the current research will evaluate diversification, performance relationship across south Asian counteries. After reviewing the comparihensive litrature and to the best of my knowledge the present research will be a new insight.

Literature Review

Diversification has crooked into a significantly controversial issue in business globe in current area [30]. Additionally, diversification is one of the important strategies for corporate growth and good financial performance [9]. So, corporate diversification is a strategy in which a firm enters in new sector, industry, and segment or in new line of business in order to reduce risk and seek growth opportunities [20].

Birgonul et al. [9] addressed the diversification and firm performance. Furthermore, that study evaluated that managers have to be careful while selecting the degree of diversification since the diversified firm may capture more market share but it can reduce its profitability.

Seifi et al. [31] evaluated the conceptual framework for new business opportunities for corporate diversification. The study found that the decision to enter into a new line of business is strategic one and involve high risk due to competition. Moreover, study proposed a systematic process for identification and evaluation of new investments for corporate diversification. The process involve three steps the initial identification of investment opportunities, assessment of market attractiveness and elimination of unattractive opportunities, and evaluation of corporation competencies and capabilities against key success factors for each of the new businesses.

Adner et al. [29] addressed the degree of relatedness and firm's diversification choices. Study gave results that a no monotonic effect of relatedness on performance, whereas greater relatedness increases the competitiveness of diversified firms. Shyu and Chen [22] evaluated the extent of diversification and performance. Further, study examined that firms in their growing stage experienced a significant diversification discount, and unrelated diversification leads to trading at a discount in all growing and mature firms. Purkayastha and Lahiri [17] evaluated the impact of industry sector on corporate diversification and firm performance. Additionally, result of the study indicated that the influence of corporate diversification on firm performance is greater for affiliated service firms than affiliated manufacturing firms. Lyandres et al. [18] addressed the systems view of global economy to corporate diversification. Moreover, the study concluded that it is necessary to combine these two types of linkages and take into account the volatility of the environment in order to provide a dynamic and full account of corporate diversification.

Meysam and Babooshka [23] determined the impact of corporate diversification on the technical efficiency. Results of the study showed that by increasing in the product and international diversification may leave a positive effect on efficiency and move up the efficiency score of corporations. Gao and Chou [32] suggested that multinational firms have low level of innovation efficiency as compared to domestic firms, and innovation inefficiency could somewhat explain the negative valuation effect of global diversification. Young [33] determined corporate diversification and production efficiency. Results addressed that after controlling for product diversification, industry and firm size, the degree of international diversification was positively related to production efficiency. Watson and Dickinson [34] contended that diversified firms allocate resources more efficiently because of more efficient internal capital markets.

Stulz [35] extend this literature by showing that as diversified firms have efficient internal capital market so these firms reduce the problem of underinvestment and make investments with more positive net present value. Caves [36] found that diversified firms are able to exploit superior information to make batter resource allocation choices through their internal capital markets than could financial markets. And one view is that diversified firms are plagued by inefficiencies due to agency problem and that resources would be batter allocated between businesses by financial markets. Rumelt [37], Christensen and Montgomery [38] showed that the firms that undergo related diversification are more profitable than other type of diversification. Chandler [39] argued that diversified firms with multiple business division create level of concerned management with coordination of specialized division. Such specialization of skills allowed firms to be more efficient and profitable.

Bettis [40] studied performance differences of related and unrelated diversified firms. Performance has been measured with the help of return on assets ROA and found that differences in performance are associated with advertisement expenditure, accounting determined risk, research and development expenditures and capital intensity. Moreover, it is also reported that research and development expenditures are an important determinant in the performance advantage enjoyed by related diversified firms.

Bettis and Hall [41] and Bettis and Mahajan [42] have examined that a trade- off exist between firm diversification and risk, they shown that firm that have unrelated diversification have low profitability but also have lower risk. While Figenbaun and Thomas [43] have found that in most of the industries a negative co-relation exists between profitability and firm's risk. Bettis and Mahajan [44] have examined the risk/return performance of related and unrelated diversified firms at the level of accounting data by applying accounting ratios and taking the period of (1973-77). It was found that on average the related diversified firms outperform unrelated diversified firms, related diversification offer no guarantee of favorable risk/return performance.

Kogut [45] argued that firms that undergo international diversification are more valuable than Des because of flexibility options under uncertain circumstances like change in government policies, rivals decisions and arrival of new technologies in some other parts of worlds. Amit and Livnat [10] have examined efficient corporate diversification, methods and implications by applying accounting measures and taking the period of (1973-77). It was found that efficient diversification manage to reduce the variability of their returns without sacrificing profitability. Chan et al. [46] has examined global diversification measures and found that by expanding Jacquemin-Berry entropy measures of diversification measures to global context, business strategy researchers are able not only to maintain computational simplicity and objectivity but also to decompose global diversification into managerially meaningful element.

Hill and Hensen [47] examined the impact of diversification on performance in pharmaceutical industry taking the period of (1977-86). They used diversification as a measure to reduce risk. Chatterjee and Wernerfelt [48] examined the link between resources and diversification under resource based view. However, it is found that firm diversifies in part to utilize productive resources which are surplus to current operations. Knowledge of these resources allow us know about the direction of expansion of firm. Physical resources, knowledge based resources and external financial resources are associated with related diversification while internal financial resources are associated with unrelated diversification. Datta et al. [49] uses an integrative framework to review existing empirical literature on the diversification-performance relationship along three different research streams. The article highlights the diversity in each stream and identifies some key theoretical and methodological issues which might help to explain the observed diversity.

Baker [50] examined the impact of related and unrelated diversification on firms value. It was reported that related diversification of firms produce firm value while unrelated diversification could not contribute in term of value addition. Chatterjee [51] took 246 Fortune 500 firms to analyze the relationship of risk and return with diversification. They found S-shaped relationship among these variables and conclude that diversification can reduce risk and return without obstructing economic performance of a firm. Lang et al. [52] determined the performance and diversification relationship by market based ratio Tobin's q and found that the diversified firm has lower average and median *q* ratios than single segment firms.

Michel et al. [53] extended the modern portfolio theory into the domain of corporate diversification for the period of 1975-80 and find that corporate diversification and both forms of stock return risk generates a U-shaped graph. Thus, an important way for corporations to minimize risk is to diversify into similar businesses rather than identical or very different business. Markides and Williamson [54] examined the corporate diversification and organizational structure and found that strategy of related diversification increase performance only when it allows a business to obtain preferential access to strategic assets and resources of these businesses. In addition relatedness must be measured at strategic asset level. Pandya and Rao [55] studied difference in performance among diversified and non-diversified firms and found that non-diversified firms perform better than the diversified firm. However, non-diversified firms have greater risk than the diversified firms.

Corporate diversification literature reports that almost 96% of the research papers published with single country analysis [56-62]. Considering this gap, the current research will be conducted for south Asian countries, including Pakistan, India, Bangladesh, Sri-Lanka. The south Asian countries are focused in the current study, because firm information, language of business, the accounting practices and standards are same in these countries.

H_1. There is a significant relationship between corporate diversification and performance across south Asian courtiers.

H_0. There is not a significant relationship between corporate diversification and performance across south Asian courtiers.

Method

Data and sample

In the current research convenient sampling is used for evaluation of cross border diversification and performance across south Asian countries. Data is collected for the 456 non-financial companies listed in each PSX, BSE and CSE of south Asian Countries, and these firms are selected on the basis of their market capitalization.

The data for the selected performance variables diversification (TD), managerial ownership (MAR), ownership of director (BOR), firm size (SIZE), growth opportunity (GROW) and debt ratio (DA) and for extent of diversification variables (MAR, BOR, SIZE, GROW, STD, RE/TE) and a dummy variable for whether a firm pays dividends or not. DD as control variables is gathered from annual reports of the firms which are available on the company website or the SBP site and SBP financial statement analysis reports. Time period for the present study is 16 years (2001-2016).

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In the present research descriptive statistic will be applied for the normality of data. Additionally correlation will be applied for evaluating the relationship among different variable. Moreover 2SLS will be applied to evaluate the relationship between corporate diversification and performance at different life cycle stages of a firm across south Asian countries.

465 companies are registered in Pakistan, 2667 are in India, 289 in Sri-Lanka and 554 in Bangladesh. Companies are registered in Bangladesh according to their stock exchanges annual report of 2014. There are out of 557 firms, 437 are non-financial in Pakistan, out of 2662 firms, 2170 are non-financial in India, out of 289 firms, 213 are non-financial in Sri-Lanka and out of 554 firms, 183 are non-financial in Bangladesh. In addition, a sample of 110 non-financial firms from Pakistan, 225 non-financial firms from India represent 75% of the market capitalization of their stock exchanges.

Model proposed for present study

Model 1:

$Q_{it}=\alpha_{it}+\beta_1(TD_{it})+\beta_2(MAR_{it})+\beta_3(BOR_{it})+\beta_4(SIZE_{it})+\beta_5(GROW_{it})+\beta_6(DA_{it})+\nu_{it}$… (1)

Where i=1,605 and t=2001... 2016. ν_{it} is the white-noise error term. Table 1 defines all variables used in the model. Tobin's q is a common measure of firm performance [63-68]. In addition, to the extent of diversification (TD), we use managerial ownership (MAR), ownership of directors (BOR), firm size (SIZE), growth opportunity (GROW), and debt ratio (DA) as control variables.

Model 2: Next, the current study constructs an equation that depicts why firms diversify [22]

$TD_{it}=\alpha_{it}+\beta_1(Q_{it})+\beta_2(MAR_{it})+\beta_3(BOR_{it})+\beta_4(SIZE_{it})+\beta_5(GROW_{it})+\beta_6(STD_{it})+\beta_7(RE/TE_{it})+\beta_8(DD_{it})+\tau_{it}$….. (2)

Where i=1... 400 and t=2001, ..., 2016. τit is the white-noise error term. Current study uses the entropy measure developed by Jacquemin and Berry [25] to calculate the extent of product diversification. This equation uses managerial ownership (MAR), ownership of directors (BOR), firm size (SIZE), growth opportunity (GROW), firm risk (STD), earned/contributed capital (RE/TE), and a dummy variable for whether a firm pays dividends or not (DD) as control variables.

Results and Discussions

Two stages least square (2SLS) results of Pakistan are given in Table 2, where Q is Tobin's *q*, measured by the ratio of the sum of the market value of equity and the book value of debt to the book value of assets. TD is the extant of the diversification measured by the HHI index. MAR is the common shares held by the managers divided by the common share outstanding. BOR is the common shares held by the directors divided by the common share outstanding. SIZE is the firm size measured by the natural logarithm of the total assets. GROW is the growth opportunities measured by dividing the capital expenditure by sales. DA is the debt ratio measured by dividing total debt by the total assets, and STD is firm risk measured by the natural logarithm of standard deviation of EBIT. RT is the earned/contributed capital measured by the ratio of retained earnings to common equity.

Present study applied two stages least square regression to evaluate the impact of corporate diversification on firm performance and impact of firm performance on corporate diversification in Pakistan. On the basis of above results researcher evaluated that overall model is significant on the basis of p-value. Moreover, the relationship of dependent variable with independent variables is strong with the value of R-Square. Further, researcher used the lag value of the independent variable as instruments variables as mentioned [22].

On the basis of above values the corporate diversification, firm risk, growth opportunities and size of the firms have significant impact on performance over the period of 2000-2016 in Pakistan. In this regard, the first question of the study is addressed here and researcher meet the first objective of the study, that is corporate diversification has significant impact on firm performance. Researcher analyzed that with the proper management of above mentioned variables significant organization can enhance their performance. Further, this result is also consistent [22]. In contrast; managerial ownership and debt ratio has insignificant impact on firm performance. Eventually, on the basis of above discussion, present study concluded that corporate diversification can influence firm performance across manufacturing sector of Pakistan.

Two stages least square (2SLS) results of Sri Lanka are given in Table 3, where Q is Tobin's *q*, measured by the ratio of the sum of the market value of equity and the book value of debt to the book value of assets. TD is the extant of the diversification measured by the HHI index. MAR is the common shares held by the managers divided by the common share outstanding. BOR is the common shares held by the directors divided by the common share outstanding. SIZE is the firm size measured by the natural logarithm of the total assets. GROW is the growth opportunities measured by dividing the capital expenditure by sales. DA is the debt ratio measured by dividing total debt by the total assets, and STD is firm risk measured by the natural logarithm of standard deviation of EBIT. RT is the earned/contributed capital measured by the ratio of retained earnings to common equity.

Present study applied two stages least square regression to evaluate

S. No.	Name of variable	Proxy/formula of variable	Data source
1.	Tobin's q (Q)	(Market value of equity+book value of liability)/book value of total assets	Birger [57]
2.	Corporate diversification (TD)	$(NON/NETOP)^2+(NET/NETOP)^2$ (HHI Index)	Aisha et al. [58]
3	Managerial ownership (MAR)	Common share held by manager/common share outstanding	Jensen [59], Jensen and Murphy [60]
4	Ownership of director (BOR)	Common share held by board of director/common share outstanding	Williamson [61]
5	Size (SIZE)	N(log) total asset	Chatterjee and Wernerfelt [62], Aggarwal and Samwick [63]
6	Growth opportunity (GROW)	Capital expenditure/Sale	Berger and Ofek [64], Hyland and Diltz [65]
7	Debt ratio (DA)	Total debt/total asset	Lewellen [13]
8	Firm risk (STD)	N(log) SD of EBIT	DeAngelo et al. [66]
9	Earned/contributed capital (RE/TE)	Retained earnings/common equity	DeAngelo et al. [66]
10	Dummy variable (DD)	1=if firms pays dividend 0=if firms pays no dividend	Lang and Stulz [67]

Table 1: Variables used in models.

Variable	Coefficient	Std. Error	t-statistic	Probability
C	-3.40895	1.74874	-1.94938	0.0514
DA	0.149023	0.107844	1.381838	0.1672
TD	70.1996	2.67607	26.23235	0
STD	3.065569	0.263239	11.64557	0
MAR	0.001231	0.004495	0.273724	0.7843
GROW	-11.324	0.218524	-51.8205	0
SIZE	9.201507	0.320125	28.74349	0
R-squared	0.795104	Mean dependent var		12.99746
Adjusted R-squared	0.794286	S.D. dependent var		11.81308
S.E. of regression	5.357906	Sum squared resid		43146.86
F-statistic	972.4375	Durbin-Watson stat		0.564366
Prob (F-statistic)	0	Second-Stage SSR		43133.91
Instrument rank				7

Table 2: Two stages Least Square (2sls) (Pakistan).

Variable	Coefficient	Std. Error	t-statistic	Probability
C	-4917115	479748.4	-10.24936	0
BOR	-6895.206	3332.887	-2.068839	0.0388
DA	-96410.28	173571.5	-0.55545	0.5787
STD	9573.218	22661.75	0.42244	0.6728
MAR	-213.8387	1235.881	-0.173025	0.8627
GROW	-48332.48	22584.71	-2.140053	0.0325
SIZE	416766.7	25483.3	16.3545	0
Q	1.567406	0.023276	67.33878	0
R-squared	0.859941	Mean dependent var		1449102
Adjusted R-squared	0.859059	S.D. dependent var		3178920
S.E. of regression	1193434	Sum squared resid		1.81000
F-statistic	974.7017	Durbin-Watson stat		3.32549
Prob (F-statistic)	0	Second-Stage SSR		1.81000
Instrument rank				9

Table 3: Two stages least square (2sls) (Sri Lanka).

the impact of corporate diversification on firm performance in Sri-Lanka. On the basis of above results researcher evaluated that overall model is significant on the basis of p-value. Moreover, the relationship of dependent variable with independent variables is strong with the value of R-Square. Further, researcher used the lag value of the independent variable as instruments variables as mentioned [22].

On the basis of above values the firm performance, ownership of director, growth opportunities and size of the firm have significant impact on performance over the period of 2001-2016 in Sri Lanka. In this regard, the first question of the study is addressed here and researcher meet the first objective of the study, that corporate diversification has significant impact on firm performance. Researcher analyzed that with the proper management of above mentioned variables significant organization can enhance their performance. Further, this result is also consistent with Jonchi and Yen [22]. In contrast, managerial ownership, firm's risk, and debt ratio have insignificant impact on firm performance. Eventually, on the basis of above discussion, present study concluded that corporate diversification can influence the firm performance across south Asian countries.

Two stages least square (2SLS) results of India are given in Table 4. As noted, Tobin's *q*, measured by the ratio of the sum of the market value of equity and the book value of debt to the book value of assets. TD is the extant of the diversification measured by the HHI index. MAR is the common shares held by the managers divided by the common share outstanding. BOR is the common shares held by the directors divided by the common share outstanding. SIZE is the firm size measured by the natural logarithm of the total assets. GROW is the growth opportunities measured by dividing the capital expenditure by sales. DA is the debt ratio measured by dividing total debt by the total assets, and STD is firm risk measured by the natural logarithm of standard deviation of EBIT. RT is the earned/contributed capital measured by the ratio of retained earnings to common equity.

Variable	Coefficient	Std. Error	t-statistic	Probability
C	-1.4095	1.7487	-1.9494	0.0514
DA	0.2190	0.1078	1.3818	0.2720
Q	7.9600	2.6761	26.2324	0.0000
STD	2.0656	0.2632	11.6456	0.0000
MAR	0.0212	0.0045	0.2737	0.0040
GROW	-7.3240	0.2185	-51.8205	0.0000
SIZE	7.2015	0.3201	28.7435	0.0000
R-squared	0.655	Mean dependent var		12.997
Adjusted R-squared	0.794286	S.D. dependent var		11.813
S.E. of regression	5.357906	Sum squared resid		43146.860
F-statistic	972.4375	Durbin-Watson stat		0.564
Prob (F-statistic)	0	Second-Stage SSR		43133.910
Instrument rank			7	

Table 4: Two stages least square (2sls) (India).

Present study applied two stages least square regression to evaluate the impact of corporate diversification on firm performance in Sri Lanka. On the basis of above results researcher evaluated that overall model is significant on the basis of p-value. Moreover, the relationship of dependent variable with independent variables is strong with the value of R-Square. Further, researcher used the lag value of the independent variable as instruments variables as mentioned [22].

On the basis of above values the firm's performance, firm's risk, managerial ownership growth opportunities and size of the firm have significant impact on corporate diversification over the period of 2001-2016 in India. In this regard, the first question of the study is addressed here and researcher meet the first objective of the study, that corporate diversification has significant impact on firm performance. Researcher analyzed that with the proper management of above mentioned significant organization can enhance their performance. Further, this result is also consistent with Jonchi and Yen study [22]. In contrast, debt ratio has insignificant impact on firm performance. Eventually, on the basis of above discussion, present study concluded that corporate diversification can influence on firm performance across manufacturing sector of Sri Lanka.

Conclusion

Business sector has got more attention in recent decades because it directly impact on country's economic growth. Because of its role in an economy it is necessary to constantly monitor and evaluate the performance of any business organization/industry or firm. Investor is also looking for different researches before investing their money. So it is important to compare time to time different organization that is more profitable for them. Similarly government is also monitoring theses banks and makes action for the betterment of the economy.

The main focus of this study was to evaluate the impact of corporate diversification on firm performance and impact of firm performance on corporate diversification across south Asian countries. For this purpose the present study used three countries i.e., Pakistan, India and Bangladesh by targeting the manufacturing sector of these countries. Data is collected from 456 listed firms having a market capital of 75% overall for the period of 2001-2016. The present study draws following conclusions.

Firstly, diversification activities of south Asian countries have significant impact on firm performance which is consistence with modern portfolio theory. As modern portfolio theory states the optimal approach regarding minimizing the systematic risk and maximization of expected return through diversification in different investment projects. Secondly, agency theory explains diversification; the managers of the firms are engage in diversification activities in order to minimize the exposure to professional risk and not to gain the private benefits. As in the south Asia most of the businesses are family owned because being less developed economies they enjoy less opportunities of foreign/outer investment. Moreover the investors are also reluctant to invest there because of default risk.

Finally, result of the study states that size of the firm has significant impact on diversification as well as on firm's performance. Most of the south Asian economies tend to increase their product lines with the increase in their assets to make the best utilization of the surplus. This business expanding brings an increase in the firm's performance ultimately. To avoid the recession phase in business cycle, firms follow the growth based approach. To stay in the market organizations pursue diversification strategies.

Limitations

The scope of the study is limited to only three south Asian countries i.e., Pakistan, India and Sri Lanka and the focus of the study was developing economies. Moreover, many other measures are available for performance evaluation but the current study used Tobin's Q. In addition to this, only one sector, i.e., manufacturing sector, is targeted. It could be more comprehensive with consideration of others sectors. The impact of diversification on performance is viewed in general context without keeping the view of business life cycle stages. Further this study does not include the type of diversification i.e., related and unrelated diversification.

Practical Implications

Research in the thesis may inform investors about the diversification on firm level and its impact on firm value, and therefore help investors make appropriate investing decisions. This study may help to explain the diversification motives of firms in emerging markets like Pakistan, Sri Lanka, and India. The result of the study will be fruitful for investor, banker, stake holder, regulator, policy maker, government as diversification spreads risks across many securities or stocks, so those that perform well offset those that do poorly. Diversification protects from devastating losses by picking the right group of investments, investors may be able to limit their losses and reduce the fluctuations of investment returns without sacrificing too much potential gain.

Recommendations for Future Study

As the focus of current study is only the manufacturing sector of developing economies in south Asian countries so in future the same study can be replicated in wide scope by considering financial sector or developed economies of other regions. The performance and diversification are measured by Tobin's Q ratio and HHI index respectively. While many other ratios such as ROA ROE can be used to measure performance whereas diversification can also be measured through entropy measures. The study used regression analysis to obtain the results while other statistical methodologies can also be opted for this purpose.

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Journal of Accounting & Marketing

Zayed, J Account Mark 2018, 7:1
DOI: 10.4172/2168-9601.1000e124

Editorial Open Access

Economic Trend: A Quest of Development and Growth

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Editorial

Is world economy in decent shape? Financial crisis underlies within the speed limit of economic growth. Spring back from recession is expected by the dint of growth of economy. Recession hides a bundle of problems. Emerging economies creating vital gap are sprinting along with the sluggishness of rich ones. Macroeconomic policies, embarking on programmers of austerity, are fragile to currencies rise. Economic structural reform, which is missing ingredients, is essential for economic growth.

Politicians consider growth as fragile in emerging macroeconomic errors. There is a healthy sign of productivity and government debt. For the quest of better return, policymakers are buying US dollars to stable currencies rising.

Dorfman [1] stated economic development as a leading concern. There are ups and downs of economic development like other economic fields. Instability and poverty trigger economic development the most in new countries. Morgan [2] stated that economic development, which is stimulated by incentives, is a reality of economic transition, globalization and technological advances.

The objectives of economic developments are increase in living standard, social justice, reducing economic inequality, comprehensive development, regional development, social services and welfare, economic stability, self-sufficient, increase employment and economic development. A high growth rate should be encouraged to improve living standard. Modernization of economy also plays a pivotal role in economic development. For instance, in Bangladesh, private investment and GDP increased where as public investment gone down sharply. Garment export increased. Large remittances incurred in services and construction sectors.

Policies should be improved in both for the rich and emerging countries. Macroeconomic policies should be recalibrated. Currencies need to rise on emerging economies. Microeconomic reform is also important in this regard though structural reform is not easy at all. Without microeconomic agendas, global growth is not inevitable. Inflation target could be raised when there is a chance for the economy to hit lower limit in short term nominal interest rate. Central Banks should be given the facilities with policy tools to implement regarding seigniorage revenue, funding mechanisms and countercyclical instruments of policy though public may assume in the other way. Reducing risk premium, repairing market failure of microeconomic financial market could be the act of substantiality though it seemed to be elusive. Macroeconomic policies should be reintegrated although the alternatives may become worse. Central banks should be responsible and accountable for the stability in price. To stabilize employment and inflation, the lead role should be played by the monetary policy of the country. Economic equity and efficiency should be focused by the fiscal policy. Governments and central banks should reassess current approaches critically and carefully. Volatile individual prices are making less efficient economy when inflation rises. Real interest rate becomes more negative when inflation is higher. Central banks should share responsibilities. But the learning has been too slow. However, policy discussion is taking long time. Focusing on liberalization, factor freeing, commodity and financial markets, macroeconomic stability and balance could be maintained for higher economic growth. Privatization and deregulations could be perused strongly. Economic freedom principle should be broadly followed.

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Received January 08, 2018; **Accepted** January 10, 2018; **Published** January 18, 2018

Citation: Zayed NM (2018) Economic Trend: A Quest of Development and Growth. J Account Mark 7: e124. doi: 10.4172/2168-9601.1000e124

Journal of Accounting & Marketing
ISSN: 2168-9601

Ellawule, J Account Mark 2018, 7:1
DOI: 10.4172/2168-9601.1000262

Research Article Open Access

Effect of Tax Evasion on Economic Development of Yobe State, Nigeria

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Abstract

This paper intends to evaluate the effect of tax evasion on the economic development of Yobe state, Nigeria. The importance of tax cannot be overemphasized. Taxes were used to administer the North in pre-colonial era before oil production in 1958. The current loss of fund by the Nigerian government resulting from fall in oil revenue leads to this question, why is Yobe not generating enough funds through tax to develop the state? This study also intends to find out why is tax revenue that are so far collected are not used to develop the economy of the state the way it is done in other states like Lagos and Kano? The data for the study is secondary and the research approach is quantitative and Chi-square is employed for data analysis using Statistical Package for Social Sciences (SPSS) version 20. Based on the objective of the study, it is found out the tax evasion has significant effect of the economic development of the state. It is recommended among others that the state government should improve on the governance and to reduce insurgency in the state.

Keywords: Tax evasion; Tax administration; Economic development; VAIDS

Introduction

Government needs money in other to provide social obligations. These social obligations amongst other are provision of infrastructural facilities and social services [1]. Nightingale [2] and Lymer and Oats [3], state that taxation is meant to address the following challenges:

- To raise revenue to finance government expenditure;
- For redistribution of wealth and income to promote welfare of the citizenry; and
- To regulate economy for conducive business activities.

Murkur [4], however, states that meeting these obligations is huge and therefore, citizens are enjoined to perform their civic duties by paying their taxes. In pre-colonial Northern Nigeria administration headed by the Emirs, there was an organized system of tax collection and distribution. The British took advantage of the centralized system of administering tax in Northern Nigeria to introduce tax in that region of the country as an alternative to raise funds to administer the region via the indirect system of government [1]. There were different types of taxes imposed on livestock and agricultural products; zakka, gada, kindin, etc. to raise funds. Fagbemi et al. [1] state that this tax was introduced in the Western and Eastern parts of the country in 1917 and 1928 respectively through the Native Revenue Ordinances. Naiyelu [5] states that success of any tax system depends on how it is managed the extent of the interpretation and implementation. ICAN [6] states that there is no generally accepted definition of taxation in any Nigerian tax laws but can however be defined as:

"A compulsory contribution levied by a sovereign power, on the incomes, profits, goods, services or properties of individuals and corporate persons, trusts and settlements. Such taxes when collected are used for carrying out governmental functions, such as maintenance of law and order, provision of infrastructure, health and education of the citizens, or as a fiscal tool for controlling the economy".

The lack of payment of tax by the informal sector, the connivance of the tax authorities and the union in the formal sector serve as a clog in the wheel of the successful implementation of tax policies in Nigeria [7]. Odusola [7] equally states the lop-sidedness of Nigerian tax systems which is characterized by inequitable tax laws and dominated by oil revenue. The importance of taxation as stated by Nightingale [2], and Lymer and Oats [3] has the Yobe state government used this avenue to develop her state?

This will afford the opportunity to examine critically how Yobe state has fared aside from the money from oil revenue. From research conducted by different researchers, there are different findings which range from the lack of tax authority's inability to manage tax matters in Nigeria to lack of implementation of tax laws and total waste of the funds generated.

The study will strive to unravel why despite the numerous tax strategies at the disposal of the state government; she cannot generate enough funds for her development and in addition determine the effect of tax evasion on the state economic development.

Review of Related Literature

Conceptual review

Tax evasion: Tax evasion is a situation whereby a taxpayer out rightly refuses to pay tax, or tries illegally to minimize his tax liability. Tax evasion is fraud and deceit, by deliberately refusing to declare all sources of income when filing returns or understate income in tax returns [6]. Incomes are supposed to be declared even if they are tax exempt. Gurama et al. [8] state that tax evasion is either full or partial; it's full when a citizen who qualifies to pay tax refuses to get registered for the purpose of paying tax while it's said to be partial when a tax payer manipulates his income in other to reduce his tax burden. Tax evasion and tax avoidance as opine by Adebisi and Gbegi [9] are one of the main problems of tax system in Nigeria and Africa and are described as 'twin devils' which cause the difference between actual

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Received January 18, 2018; **Accepted** January 29, 2018; **Published** February 08, 2018

Citation: Ellawule A (2018) Effect of Tax Evasion on Economic Development of Yobe State, Nigeria. J Account Mark 7: 262. doi: 10.4172/2168-9601.1000262

and potential revenue. ICAN [6] states that tax avoidance is a situation whereby a taxpayer arranges his financial affairs in such a way that he pays least possible amount of tax without breaking any tax law. ICAN [10] opines that tax evasion can be achieved through:

- Understating income
- Overstating expenditure
- Making false claims for allowances and relief; and
- Omission from tax returns of chargeable income.

"No one really likes paying taxes yet they are inevitable for the provision of social welfare" [2]. Impact of tax cannot be over emphasized yet some believe by paying tax is enriching selected few at the expense of all.

Good tax systems should be efficient, neutral, flexible and simple. "An efficient tax may not necessary be considered fair and the one that is considered equitable may not be efficient" [11]. Tax is a burden to some but to others it is a civic responsibility to pay tax, so people abhor tax payment and as such a few are enthusiastic when it comes to paying tax [12]. In other to avoid these sharp practices by some companies, the Company Income Tax Act contains general provisions on anti-avoidance rules. Companies are enjoined to comply with arm's length principle when dealing with related parties [13]. To encourage tax defaulters to pay their taxes that made the Federal Republic of Nigeria to introduce Voluntary Assets and Income Declaration Scheme (VAIDS).

VAIDS: VAIDS is an acronym for Voluntary Assets and Incomes Declaration Scheme. It is a scheme of the federal Republic of Nigeria which gives once-in-a-life-time opportunity to tax payers to fully and honestly declare all their assets and incomes from all sources which had previously not been exposed to the tax authorities and to pay tax on the assets and the incomes [14]. The then Acting President, Yemi Osinbajo, signed an Executive Order to back the Voluntary Asset and Income Declaration Scheme [15]. This executive order is an amnesty which covers the period of nine months, from 1st July, 2017 to March 31, 2018. Since it is a voluntary disclosure programme, the non-compliant taxpayers can regularize their tax position without being penalized or prosecuted during the amnesty window. The Minister of Finance, Kemi Adeosun says, "Many Nigerians have lost assets in the course of trying to conceal them from the authorities. Such losses typically occur in the event of death or an urgent need to liquidate assets when required documentation and proof of ownership cannot be provided. The global focus on illicit financial flows is such that global regulations will only become tighter with time, thus this opportunity to regularize ownership of assets should be seized as proper declaration allows assets to be legally and formally held by the true owner". The implementation of VAIDS is done by tax administration of different tiers of government [16].

Tax administration**:** Tax system has three components: the tax policy, the tax laws and the administration of these tax laws. Tax policy helps direct government intentions and actions towards achieving set goals. Government could decide to concentrate on consumption tax which could help reduce tax evasion or government could use tax reduction for individuals to stimulate the economy as a result of high disposable income [17]. Nigeria has different tax laws which are reviewed periodically. These tax laws are:

a. Personal Income Tax (Amendment) Act 2011;

b. Companies Income Tax Act Cap C21 LFN 2004 (as amended);

c. Petroleum profits Tax Act Cap P13 LFN 2004 (as amended);

d. Capital Gains Tax Act Cap C1 2004;

e. Value Added Tax Act Cap V1 LFN 2004 (as amended);

f. Education Tax Act Cap E4 LFN 2004; and

g. Stamp Duties Act Cap S8 LFN 2004.

Different tiers of government in Nigeria administer tax. Different machineries are set up by the federal government because of the exclusive legislative authority to ensure compliance and defaulters are penalized. Tax administration- to ensure implementation of these tax laws, different bodies are charged with the administration of tax in Nigeria. These bodies are:

a. The Federal Inland Revenue Service;

b. The State Boards of Internal Revenue; and

c. The Local Government Revenue Committee.

Taxes and levies to be collected by State Governments are;

1. Pay As You Earn (PAYE);
2. Withholding tax on individuals;
3. Capital gains tax on individuals;
4. Stamp duties on investments executed by individuals;
5. Pools betting, lotteries, gaming and casino taxes;
6. Road taxes; and
7. Business premises registration fees, for:

(a) Urban areas as defined by each State:

- N10,000.00 (maximum) for registration
- N5,000.00 for annual renewal of registration.

(b) Rural areas as defined by each State:

- N2,000.00 for registration; and
- N1,000 for annual renewal of registration.

8. Development Levy (individuals only), not more than N100.00 per annum on all taxable individuals;
9. Naming of street registration fees in State Capital;
10. Right of Occupancy Fees on Lands owned by the State in urban cities of the state; and
11. Market taxes and levies where state finance is involved [6].

Income generated by the state helps improve the economic development of that state.

Economic development: Measuring a country's economic development has gone beyond the country's Gross Domestic Product (GDP) or Gross National Product (GNP), which only measures economic growth. The measurement of the level of human development through the use of Gross National Product (GNP) for different countries was first criticized by the pioneer United Nation Report of 1954 in which recommendations against the standard of living was made. Human Development Index was developed in 1990 as part of United Nation Development Programme (UNDP) [18]. The measurement of standard of living has been represented by some indicators which serve as HDI. The intention of using this index rather than economic growth was for ease of comparison, transparent device for measuring human development progress and to attract the attention of policy makers [19]. There are three major dimensions of human development components: knowledge, longevity and access to resources. These three important choices are "…for people lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living" [20,21].

The attainment of HD can be measured through the following indicators:

- Life expectancy at birth;
- Mean year of schooling;
- Expected year of schooling; and
- Gross National Income per capita.

HDI is a geometric mean of indices used in the dimension [22]. An HD Index has four classes; low development, medium development, high and very high development. An index of 0-0.49 means *low development*; an index of 0.5-0.69 means *medium development*, an index of 0.7 to 0.79 means *high development*, above 0.8 means very *high development* [18].

Empirical review

From their study, ethics of tax evasion, Fagbemi et al. [1] used a survey for their study. The researchers focused on business tax payers and left out likely tax evaders like the contractors and professionals like the lawyers, doctors and accounting firms. The analysis of the study used both descriptive and inferential statistics. They found out that the level of tax evasion is significantly higher when government is corrupt than any other views. In their study, effect of tax avoidance and tax evasion on personal income tax in Nigeria, Adesi and Gbegi [9] administered questionnaires on employees of Federal Inland Revenue Service in Abuja. Just like Fagbemi et al. [1], some of the elements in personal income tax like contractors and professionals are left out of the study. ANOVA was used to analyse two hypotheses; the relationship tax avoidance, tax evasion and personal income tax administration in Nigeria, and the relationship between tax rates, tax avoidance and tax evasion. The researchers' use of ANOVA to test relationship brings to question whether the study is measuring 'effect' or 'relationship'. The study found out that good governance will discourage tax avoidance and tax evasion. It equally found out that tax avoidance and tax evasion is as a result of high tax rate. Okafor [23] in his study used regression to analyse a hypothesis on federal tax collected and GDP in Nigeria. The study found out that there is a strong significant relationship between GDP and federally tax revenue generation. The researcher failed to discuss what economic development is. Economic development of a country is more than just GDP, which is one of the dimensions of economic development. This study will not use a survey like other researchers but will however use actual tax generated compared with the expected tax of the state.

Theoretical framework

Theory of social Influence as propounded by Cialdini is a psychological theory but will, however, be used as a framework for this study. The theory of social influence as accessed from changing minds explains thus: In 1984, Cialdini [24] published Influence, where he discussed on topics like; reciprocity, social proof, liking, authority and scarcity. Reciprocity: it is a belief that when you give you expect in return. It is natural that when taxes are paid government should put the funds to judicious use. Consistency and commitment: this is an idea where government made promises to provide amenities, when this is done the taxpayers are inclined to pay their taxes. Social Proof: this shows lack of policy implementation where people evade tax and are not punished, copy and the cycle continues. Liking: when the citizens see good governance they feel liked and are obliged to do their civic duties. Authority: when a citizen knows that by not paying his tax there is consequence for not paying, he has no option than to pay. Scarcity: if government knows without acting in order to generate money through tax today, then the inevitable will happen, that is, lack of money to run the state.

Method of Data Collection and Analysis

To generate data for this study, Internally Generated Revenue (IGR) of the state from 2011 through 2016 was extracted from a report from National Bureau of Statistics (NBS), Joint Tax Board and Boards of State Internal Revenue. The IGR comprise of revenue from the Ministries, Departments and Agencies (MDAs), Pay As You Earn (PAYE), other taxes, road taxes and direct assessment. The challenge of tax evasion comes from personal income tax; taxes of individuals in business. Records from Corporate Affairs Commission (CAC) shows 105 businesses are registered in Yobe state. From this list, 57 are registered in Damaturu the state capital, 26 in Potiskum and 6 in Bade local government areas where there are a lot of business activities. The list has 19 educational institutions and 13 Health and Medical which are exempt from paying taxes in Nigeria. In 2016 where the state had relative peace, more than 100 businesses are not registered as such evade tax. This is taken into consideration in generating the expected IGR in the state. Literacy rate, one of the dimensions of HDI will be used in this study. The Federal Allocation Committee Report on sources of government revenue would be examined; equally important are scholarly literature, CBN fiscal policies and the strategic planning of the government and data will be sought from the office of the Voluntary Assets and Income Declaration Scheme (VAIDS). Chi-square is employed to analyse the data generated using Statistical Packages for Social Sciences (SPSS) version 20.

Data presentation

The Table 1 contains the population of the state, expected and actual IGR and literacy rate of Yobe state from 2011 to 2016. Tables 2 and 3 show that literacy level is strongly associated with tax evasion with value of 4.78, df 1 and significant level 0.02.

The result of the analysis shows tax evasion has significant effect on the economic development of Yobe state and it is a confirmation of Okafor [23] research. This is one of the reasons why the HDI and the educational index of the state are as low as 0.1063 and 0.3703 respectively and that of a state like Lagos are 0.5245 and 0.977

		IGR		
Year	**Population**	**Expected**	**Actual**	**Literacy rate**
2011	2,765,286	2,461,207,275	2,385,653,777	26.6
2012	2,863,785	1,936,328,058	1,785,221,061	25.5
2013	2,965,792	3,298,666,605	3,072,006,110	24.34
2014	3,071,433	3,451,547,653	3,073,780,161	23.7
2015	3,180,836	2,780,204,916	2,251,330,427	10.0
2016	3,294,137	4,480,202,318	3,800,220,832	7.23

Table 1: Internally Generated Revenue (IGR) [Data Source is from National Bureau of Statistics/2015 National Education Survey (NEDS)/ Joint Tax Board/ State Boards of Internal Revenue].

Tests	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	30.000[a]	25	0.224
Likelihood ratio	21.501	25	0.664
Linear-by-Linear association	4.785	1	0.029
No. of valid cases	6		

Asymp. Sig: Asymptotic Significance; [a]Constant, IGR (expected).

Table 2: Chi-Square tests.

Model	R	R Square	Adjusted R square	Std. Error of the estimate
1	0.604[a]	0.365	0.207	7.65153

Table 3: Model summary.

respectively. The effect of VAIDS introduced by the government has not been felt because the study does not extend to 2017 which is the period for the programme. From the outcome of regression analysis in table 2, R^2 is 37% and this means 63% of the effect of economic development of the state is due to other factors other than tax. This could be poor governance, insurgency, and lack of production in the state, etc. This is a clear evidence of the theory of influence; social proof, liking and consistency and commitment. People evade tax because of lack of performance by government and lack of policy implementation.

Recommendation and Conclusion

In conclusion, governments all over the world need revenue to run the affairs of their states. This fund is however not sufficient due to tax evasion by some companies and individuals. This has afforded the researcher the opportunity to determine the effect of this tax on the economic development of Yobe state, Nigeria.

The study recommends amongst others that the government of Yobe state improves on the lack of tax law implementation, looks into issues of inadequate and lack of qualified personnel in order to assess more businesses to tax, improve security situation of the state to enable the people farm and feed themselves and good governance in other to reduce or eliminate tax evasion in the state. It is advised that further studies be carried out to determine the effect of other factors like farming produce and industrial produce on the economic development of Yobe state and a comparative analysis of pre and post VAIDS programme implementation on the economic development of the state.

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Journal of Accounting & Marketing
ISSN: 2168-9601
Raskie, J Account Mark 2018, 7:1
DOI: 10.4172/2168-9601.1000261
Review Article Open Access

Managing the Stress of Caregiving: A Guide for Consumers and Financial Advisors

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Abstract

The aging US population increases the need for caregiving for this expanding demographic. People with or without long-term care insurance will still need care from professional caregivers or family. Caregiving from family members, while having some rewards, may cause stress and depression that leads to overall poorer quality of life for caregivers. The paper starts with a focus on defining and observing caregiver stress, as well as its symptoms and effects. The paper transitions to a guide for consumers and financial advisors, giving recommendations and resources beneficial for assisting consumers in the caregiver role and in need of help.

Keywords: Caregiver; Consumer; Mental health; Financial advice

Introduction

Although not formally recognized by the American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders (DSM), caregiver syndrome, also referred to as "caregiver stress," or "caregiver burden," can cause both physical and mental health afflictions. Often, caregivers are so intent on caring for the individual needing care that they ignore or neglect their own needs.

Many caregivers are found caring for individuals with Alzheimer's or dementia. Alzheimer's and dementia are different. Alzheimer's is a disease defined as abnormal changes in the brain that affect memory, decision making and reasoning. Dementia, while not a disease, is a term associated with cognitive decline. Dementia may have the same symptoms as Alzheimer's disease, but the causes of dementia may be entirely different, such as suffering severe head injury or stroke, Parkinson's disease, and others which may lead to chronic disorder of mental functioning.

Although labelled above as "caregiver syndrome," the condition can be broken down into two categories called "caregiver burden" and "caregiver stress" [1]. "Caregiver burden" is defined as the actual management involved in the tasks, while "caregiver stress" is the strain or emotional toll caregiving has on an individual. For brevity, we will use the term caregiver stress to include caregiver burden or caregiver syndrome for the remainder of the paper.

The main symptom of caregiver stress is depression. Other symptoms include fatigue, insomnia, and anger. The paper will act as a "reference guide" for advisors to individuals giving care or who see the role as inevitable. Advisors can help individuals identify causes, as well as provide potential ways to cope with the stress, while not necessarily eliminating it.

While caregivers can be family, friends, or professionals, this paper will focus on the impact of caregiving stress on families -particularly spouses and children of those individuals needing care. Those are the family members who are most likely to provide care to individuals [1].

ADLs and IADLs

Generally, the need for care arises when an individual is unable to perform activities of daily living (ADLs) and/or instrumental activities of daily living (IADLs). ADLs consist of being able to feed oneself (eating), bathing, getting dressed, transferring from a bed to chair, using the toilet and continence. ADLs are generally considered to be of more essential, basic living activities than their IADL counterparts. IADLs are activities such as paying bills, running errands, house chores and taking medication.

The difference between ADLs and IADLs is a crucial factor for consumers and their advisors to understand, as together, they are the skills needed to live independently [2]. However, differences between ADLs and IADLs may determine which policy an advisor recommends and which policy a consumer should choose.

IADLs are generally more complex, requiring more cognitive skill than ADLs, and thus, disabilities represent less-severe dysfunction than ADLs [3]. Thus, individuals often lose the ability to perform IADLs before losing the ability to perform ADLs. Paradoxically, most tax-qualified long-term care insurance policies do not have an individual's loss of ability to perform IADLs as policy "triggers".

Most tax-qualified long-term care insurance policies will generally trigger (start payment of benefits) if a covered individual suffers severe cognitive impairment (Alzheimer's or dementia) or is unable to perform the duties of two of six ADLs for a period expected to last for a period of 90 days, (certified by a licensed health-care professional). However, individuals and advisors can seek long-term care insurance policies that provide more flexibility covering both ADLs and IADLs [4]. Specific recommendations are provided later in the guide.

While the above description attempts to "quantify" long-term care, there is more to long-term care than acronyms. One study by the national alliance for caregiving participants explained the need for a better language or vocabulary when talking about caregiving. Participants described terms such as "informal caregiver," which makes their role in care seem small or insignificant and explained that

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Received January 18, 2018; **Accepted** January 31, 2018; **Published** February 06, 2018

Citation: Raskie S (2018) Managing the Stress of Caregiving: A Guide for Consumers and Financial Advisors. J Account Mark 7: 261. doi: 10.4172/2168-9601.1000261

using acronyms such as ADLs and IADLs diminished the true amount of work and difficulty in performing some of those tasks.

Caregiving can be done in the home, nursing home, assisted living facility, adult day care or a combination thereof. Regardless of where the care takes place, families rarely give up their duties of caregiving either at home or in the nursing home [1].

While long-term care insurance can relieve some of the physical and financial stress of caregiving, it may not eliminate it. Regardless of coverage, most caregivers will experience physical, mental and financial stress. It's important to provide caregivers with knowledge of the caregiving stress and how it applies to them. Then potential resources and solutions can be provided by the advisor to help consumers cope with, and potentially alleviate, the stress of caring for another individual.

Literature Review

In 2009 over 65 million people in the US served as unpaid caregivers, 66% of whom are female and caring for an individual for over 4.6 years [5]. The reasons for the necessity of care included the physical frailty of old age (12%) and Alzheimer's or dementia (10%) [5]. In other words, roughly 6.5 million caregivers are caring for someone with Alzheimer's or dementia.

Most caregiving is done by family members with the majority of care being provided by children, followed by spouses [1]. One study showed that caregivers of individuals with less severe needs or absence of dementia were younger and often employed full time. This added to the stress of their lives and the stress of care [6].

Most caregiving is being done by women with the majority being daughters and wives [1]. Another study found that 66% of caregivers are female providing care for an average of 4.6 years [5]. For daughters in particular, this can add to the caregiving stress, as they don't give up their other responsibilities such as working, raising a family and other obligations.

While children giving care experience stress, spouses are much more likely to have higher amounts of stress. The caregivers are around the spouse needing care almost all the time, and this situation means they are less likely to get a break from the constant care. One study by Reinhard and Samis [7] found that 60% of caregivers caring for individuals with challenging behaviors felt they didn't have a choice in providing care and felt more stressed because of that pressure.

Caregiver stress can lead to a number of different ailments, afflictions and health issues for the caregivers. Several studies have shown that caregivers can suffer from exhaustion, poor immune systems [8], depression, and high blood pressure [9]. More serious conditions may arise, such as heart disease, stroke, and increased mortality – particularly for those providing care for a disabled spouse [1].

Additionally, Shulz and Sherwood [10] found that caregivers helping family members with dementia found a higher degree of stress and challenge as opposed to those not giving dementia cares. People suffering from dementia require more supervision and are less likely to understand or be grateful for the care they are being given. Another study by AARP [11] found that nearly half of the survey participants felt higher levels of stress when performing medical or nursing caregiving as opposed other respondents not giving that type of care.

Caregiver stress has also been linked to increased levels of the stress hormone cortisol. Added levels of stress have been related to the length of the duration of caregiving, behavioral problems of the recipient, relationship of the caregiver (spouses more affected) and gender [10]. Some caregiving duties are more difficult than others. In the aforementioned six ADLs, continence and transferring can be some of the most difficult and frustrating tasks. For example, a small wife caring for her larger husband can experience tremendous physical and mental strain. Urinary and faecal incontinence are leading causes for nursing home placement [12].

In addition to the physical and mental stress placed on caregivers, there is also the financial stress placed on those providing care. Lack of or reallocation of finances in order to pay for caregiving has resulted in lost wages [13]. This can have a multiplicative impact, particularly on the caregiving daughter as she may have to leave work or reduce hours thus lowering her income. It may also impact her later in life as she is statistically likely to live longer than her spouse, but has not saved much for her own care or retirement. Some of this stress is potentially relieved, but not eliminated, through employers allowing flexible work schedules and the impact of the family and medical leave act [1].

Financially, the impact of caregiving is onerous. According to the MetLife study of caregiving costs [14] to working caregivers the total estimated amount of lost wages to caregivers is $3 trillion. Caregiving males can expect to lose a total of $303,880 in lost wages due to caregiving, while, not surprisingly, females can expect to lose more-approximately $324,044 in lost wages from caregiving. This impacts not only wages but long-term plans such as the ability to save for retirement.

The financial impact of care not only applies to the recipient needing or using funds to pay for care, but it can also impact the sibling caregiver after the parent(s) have passed away. Filial laws apply in 29 states in the USA, requiring children to pay any unpaid nursing home bills left by parents who used those facilities, with two states (Pennsylvania and South Dakota) enforcing the laws in order to recoup money owed by former nursing home residents [15].

The average annual cost for nursing home is care is approximately $80,000 for a semi-private room and just over $91,000 for a private room [16]. Certain states or geographical areas may have higher or lower costs. For example, Texas averages just over $51,000 while Alaska averages just over $281,000 for a semi-private room [16]. Financial advisors who recommend long-term care insurance are on the preventative side of transferring the financial risk of caregiving that long-term care insurance provides. Those advisors can also have information available to educate consumers on the resources available to family caregivers. In other words, instead of focusing on what should have been done, advisors can recognize when a client is stressed and help consumers recognize and focus on how to manage that stress going forward.

Financial advisors may find this information useful for a number of reasons. By the year 2030, adults age 65 and over will account for 20% of the population in the USA [17]. These individuals along with their children will have long-term care questions and needs that advisors can help with, directing them on possible products, as well as caregiving solutions to the stress noted above. Currently two out of three older Americans suffer from chronic illnesses such as cancer, heart disease, stroke, Alzheimer's, and diabetes [17]. This means that potentially 66% of the population may be in need of care.

The need for solutions to the caregiver stress will not go away. The goal of this paper is to help financial advisors identify potential caregivers and guide caregivers on solutions to the caregiving stress. While not an attempt for advisors to eliminate the caregiver stress entirely, advisors can certainly use this paper as a resource to aid consumers who need help, while also indirectly fulfilling their professional responsibility and adding value to the overall client/advisor relationship.

The Guide

While certainly not exhaustive and conclusive, this section intends to outline resources and solutions that financial advisors may find beneficial for caregiving consumers. The solutions are designed to help with the need for coping with caregiver stress. These solutions may provide some respite for caregivers looking for a way to alleviate the stress of caregiving without feeling guilty that they may be alienating the care recipient. Unfortunately, there is no single source to get access to resources and help. However, the advisor can provide a starting point and use the following resources in this section to benefit caregivers.

Before care is needed

How advisors can identify caregivers: Individuals who see themselves being placed in a caregiver role may need to look for resources before the care is needed. However, caregivers may not know where to find beneficial information. Financial advisors are in an excellent position to identify consumers with caregiving needs. As part of the initial fact-finding process, advisors may inquire about the consumers' long-term care questions and concerns, and may offer information regarding long-term care and potential stress it can place on caregivers.

Information may include reprints of articles on caregiving stress or brochures that will help the client identify whether they are experiencing, or may experience, similar stress in the future. Finally, the advisor can provide a list of resources available to assist the caregiver in managing their care duties. The list may include the following:

Long-term care insurance: Long-term care insurance can be an invaluable tool to help caregivers and recipients with the stress of care as well as potentially protecting the assets of the recipient. Tax-qualified long-term care insurance is generally defined as insurance that helps pay the costs of care associated with an individual who is expected to be unable to perform at least two of the six ADLs for a period of 90 days, or has severe cognitive impairment as determined by a licensed health care professional. To use its benefits, long-term care insurance must be in place before the impairments manifest.

When evaluating policy options, advisors and consumers must be cognizant of what a policy will and will not cover. An advisor or consumer may be keen on the tax benefits of a tax-qualified long-term care policy, but may be unaware that the policy may restrict losing the ability to perform IADLs as a policy trigger.

For example, a non-qualified long-term care policy may not have the requirement of certification by a health care professional of the insured being unable to perform the two of the six ADLs for a period of 90 days. Additionally, a non-qualified policy may be more comprehensive in that policy triggers can be both ADLs and IADLs. However, non-qualified policy premiums are not tax-deductible, and may be more expensive due to being less restrictive.

Families may find it beneficial to discuss long-term care insurance as an option to help with care. Families may also discuss potential ways to fund premiums with some policyholders funding the policy personally or siblings helping fund or purchasing policies on parents. One of the benefits of long-term care insurance is that it will pay for custodial care while Medicare does not. Qualified long-term care insurance premiums may also be itemized deductions, subject to an income floor [18].

Legal planning documents: Consumers may also consider talking to an estate planning attorney or elder care attorney. These professionals can establish legal documents in the event that the family member becomes incapacitated or incompetent. Legal documents, such as powers of attorney, living wills, and health care proxies can help the caregiver and care recipient make difficult decisions for the future. This may help caregivers and family members avoid potential arguments and can help assist medical staff.

The following is a list of legal planning documents and their benefit to caregivers and recipients [19]:

a. Will-identifies how a person's assets will be divided and distributed at death and may identify guardians for minors trusts (testamentary), and burial wishes.

b. Living will -identifies the wishes of a person's medical treatment toward the end of their life. Livings wills help establish the extent of medical care a person wants and the choice to die with dignity.

c. Durable power of attorney for health care (health care proxy)- allows the person with the power (called the agent or proxy) to make decisions when the person receiving care cannot, as may be the case with Alzheimer's or dementia. Such decisions may be continuation of life support, removal from a hospital, and organ donation.

d. Do not resuscitate order-tells medical staff not to initiate CPR or other lifesaving measures if the heart stops beating or a person stops breathing.

e. Durable power of attorney for finances-financial decisions can be made on the recipient's behalf.

f. Beneficiary designations-it will be important for the client to make sure their beneficiaries are updated and correct on IRAs, life insurance policies, and employer sponsored retirement plans (401(k), etc.).

If an individual doesn't have one or any of the above documents, their wishes may not be fulfilled and there is the risk that caregiver stress can increase. For example, dying without a will (intestate) leaves decisions on how assets are distributed up to the laws of the state in which the individual resided. If there isn't a health care power of attorney or living will established, family members will have to decide (and may argue about) what the person would have wanted. Individuals without family or if family cannot come to a decision may have a court establish a guardian to make decision on the individual's behalf [20].

From a practice management standpoint, this is an excellent opportunity for the advisor to recommend and or provide long-term care planning for the consumer and their spouse or partner. Consumers in the caregiver role will likely be more receptive to planning recommendations and will likely find value to the advice and recommendations the advisor provides.

Once care starts

Once caregiving has started and the caregiver is feeling stress, a starting point can be to simply admit that the caregiver is stressed and needs help. Advisors can discover consumers who may be undergoing the stress of caregiving by asking questions throughout the initial interview or subsequent reviews. Once the need for help has been established, the caregiver and advisor can look at several areas to see what methods, organizations, and people are available to help.

Advisors may need to refer consumers to other professionals more experienced and who specialize in this type of planning. The advisor and client may need to team with elder care attorneys, counsellors, or specialists in long-term care financing. In this situation, the advisor acts as the "general contractor," giving the client direction to the professional most suitable to help.

How caregivers can ask for help: Caregivers often find themselves confused on where to start and what action they need to take to help provide care. Participants in one roundtable discussion found that there was a need for coaches to help them navigate the technology available to assist with caregiving [21]. Caregivers may want to sit down with other family members to discuss the situation and formulate a care plan for the recipient. Talking with family and formulating a plan may also be beneficial when symptoms of diseases such as Alzheimer's and dementia first appear. Plans can be devised as to who will be the primary caregiver, who will help with finances, and what the family members' roles will be [22].

Asking family and friends to help with certain tasks may also be beneficial. While willing and happy to help, the caregiver must realize that it's up to the caregiver to ask for help and not expect family or friends to ask the caregiver [23]. Visits and assistance from family and friends can help with loneliness, caregiving, and emotional stresses involved with providing care. The main point is for the caregiver to ask for help.

Caregivers must realize that asking for help is not a sign of weakness or a sign of selfishness. Caregiving is very demanding, and caregivers often feel that asking for help is bothering the person they're asking, when in fact a person may want to help but doesn't know how. Mayo Clinic and Net of Care [24,25] give ways caregivers can ask for help:

- Identify specific areas where the caregiver needs help.
- Ask if there's a specific area where others would like to help.
- Identify areas where the caregiver thinks others can help.
- Be direct when asking (avoid beating around the bush).
- Match the helper's abilities to tasks needed to be done.

Caregivers must also be prepared if someone they ask says no. This doesn't mean the person they asked doesn't care. It may mean that they don't have the time, are uncomfortable helping, or have other personal priorities they need to deal with first.

In addition to asking for help, caregivers can look to professional geriatric care managers. Professional geriatric care managers are essentially coaches, and are qualified to assist caregivers with planning; coaching; identifying financial decisions to be made; and managing medical needs, housing, and safety issues [26]. Financial advisors can work with professional geriatric care managers and may be able to refer consumers to their local care manager when consumers are seeking help or looking for a place to start.

Resources to finance care-an inventory: Caregivers and family may consider searching for resources already in place that can help with the financial stress of caring for an individual. One study found in a telephone survey, that caregivers spend approximately $5,531 annually in caring for an individual, while long distance caregivers spend $8,728 (Evercare). The same survey also recorded the diaries of caregivers and those respondents reported paying $14,832 annually living with the recipient versus $14,064 for long distance caregivers (Evercare).

As part of the initial and on-going fact-finding process, advisors can help identify potential financial resources that caregivers and family may use to help pay for care. These resources may include in-force long-term care policies and in-force life insurance policies with cash value or long-term care riders. Additionally, more resources may include retirement plans such as IRAs, employer sponsored plans, and non-qualified investment accounts. Advisors can help caregivers take inventory of what assets are available and may find it beneficial to understand where such documents would reside (file cabinet, safe deposit box, an attorney's office). There's also the possibility of taking out a reverse mortgage on the home. If the need for a reverse mortgage arises, the advisor can direct them to HUD.gov [27] where they can research the benefits of a home equity conversion mortgage (HECM).

Respite: Respite care is when a caregiver needs a break from their caregiving duties and may hire formal or informal help to relieve the caregiver temporarily of their duties. Examples of formal care include the caregiver dropping the recipient off at an adult day care, hospital, or medical center such as a VA medical center. Informal care consists of the caregiver asking a family member or friend to sit with the recipient for a certain time while the caregiver takes a break to run errands, attend events, or take a nap. Respite care has been shown to increase quality of life for caregivers [28].

Caregivers concerned with the costs of adult day care, respite services, or other formal care may find it helpful to communicate with the respite providers to get an understanding of the costs. Some adult day care centers may provide cost reductions on a sliding scale according to caregiver and recipient income, and Medicaid may provide assistance in some states [29].

In addition to the respite given to the caregiver, adult day care centers are more affordable than in-home care [30]. Adult day care centers also allow the caregiver the ability to keep working, thus helping reduce, if not eliminate, the concern of lost wages during the period of caregiving. This option may also provide relief for caregivers struggling with the financial and mental stress of deciding whether or not to place their loved one in a nursing home.

Caregivers may be able to contact local colleges and universities to see if students in the field of health care or social services are looking for internships or service work in the field of long-term care to satisfy degree requirements. This may be a way for the caregiver to get assistance for very little, if any, cost. The following is a list (with URLs) that can assist advisors directing consumers to respite options:

- The Caregiver Action Network (also The National Family Caregivers Association) gives an excellent link to respite care for children, adults, and other family members [31].
- AARP has a section on their website dedicated to caregivers needing relief to help them develop a plan of respite care. Options include an eldercare locator to direct them to community resources and ways to develop community care co-ops and support groups [32].
- Caring.com [2] provides a wonderful resource article that walks a caregiver through some of the respite care options and how to access those options. Such options include how to ask family for help, personal care assistants, adult day care, and area agencies on aging.
- Advisors can direct consumers to their local Area Agency on Aging. N4A.org provides a list of agencies, state and city specific. For

Citation: Raskie S (2018) Managing the Stress of Caregiving: A Guide for Consumers and Financial Advisors. J Account Mark 7: 261. doi: 10.4172/2168-9601.1000261

example, the author was able to go to the site, click on the state, then city of residence and was taken to the website of the local agency and found a number of resources including a handbook on caregiving [33].

- Caregivers of veterans can take advantage of the caregiver resources offered by the Department of Veterans Affairs. In addition to the services provided for veterans, caregivers may find the VA's adult day health care centers beneficial as a way to take some personal time while the veteran engages in activates and socializing. Additional services include home based primary care and skilled home care for individuals who find it hard to travel from the home. The VA also allows up to 30 respite days per year at home or at on-site centers to allow caregivers time to relax and rejuvenate or in event of an emergency that requires the caregiver temporarily relinquish duties [34].

Work and caregiving: Often caregivers are doing double duty as a caregiver and working their normal job. The impact on caregiving affects employers also. According to the Metlife caregiving cost study [35], the employer's cost for full-time caregivers was $33.6 billion. Caregiving has shown to have a negative effect on employee mood and happiness, while also negatively affecting the employer's bottom line [36]. Increased stress on caregiving employees also led to increased work absences and increased spending on prescription medications [36]. The family and medical leave act can assist a caregiver should they need to take time off to care for a family member who is ill. Under the FMLA, a covered employee may be able to take as much as 12 weeks off of work (generally without pay) to care for an individual [37]. There are some restrictions, for example, the employer must be a covered employer (generally has 50 or more employees) and the employee must have worked for the employer for at least twelve months and must have worked at least 1,250 hours.

Caregivers can communicate with their employers regarding possible flexibility of work and the potential for telecommuting, working non-traditional hours, or other arrangements that are mutually agreeable. Employers can also help by establishing plans (whether or not they're covered by the FMLA) to support caregivers [21]. In addition, many employers offer employee assistance programs to assist caregivers.

Caregivers who find that they're hesitant to ask their employers for help or are looking for a way to "break the ice" may consider caregiver coaching resources. Caregiving coaches can help caregivers by informing them of their options through work, helpful approaches to use with employers and family, as well as ways to manage the daily chores of caregiving. Coaching may also be a beneficial way for the caregiver to learn to take time for them in a positive way, without feeling guilty that they may be ignoring the loved one receiving care.

Caregiver wellness: Caregivers need to make time for their own care and health. That is, caregivers are often so engaged in caring for the recipient that they neglect their own health and well-being. Financial advisors can be helpful to caregivers who would benefit from health and wellness suggestions. Advisors can direct caregivers to resources on wellness. Specifically, Caring.com [38] has a section on caregiver wellness that has links regarding healthy food choices, getting proper sleep, how to manage caregiver burnout, and a blog area that caregivers can go to take a break and relax while reading and enjoying non-caregiver reading and entertainment.

Caregivers can also improve their well-being by taking advantage of respite resources available (see above). Having time to focus on themselves and things they enjoy can relieve some of the stress involved with caregiving. This can reduce the psychological health effects of increased depressive symptoms that many caregivers face [39].

Conclusion

Caregivers can be considered individuals with long-term care needs as well. While not suffering from the same diseases and afflictions as their care recipients, caregivers do suffer from mental, physical and social stress. By using the resources provided in this paper, consumers and financial advisors can have resources available to assist caregivers in finding solutions that won't eliminate, but may certainly reduce the toll caregiver stress takes on a caregiver. By focusing on what can be done moving forward, advisors can help consumers effectively cope with the stress and turn a daunting task into a manageable one.

There has been focus on how financial advisors can assist consumers with asset protection using long-term care insurance. Asset protection aside, further research may warrant studying the impact stress has on the longevity of caregivers and recipients. This may assist financial advisors with helping consumers protect their well-being through quality of life counselling and a product independent financial planning approach.

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Journal of Accounting & Marketing
ISSN: 2168-9601

Pauly and Joshua Selvakumar, J Account Mark 2018, 7:1
DOI: 10.4172/2168-9601.1000265

Research Article | Open Access

Understanding the Top of the Mind Awareness/Brand Preference Congruence in Prospective Hospital Patients through Discriminant Analysis of Aaker's Brand Equity Model

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Abstract

This study was carried on to understand the influence of the assets of brand equity which are brand awareness, perceived quality, brand association and brand loyalty on the Top of the Mind Awareness/Brand Preference (TOMA/BP) congruence of a multi-speciality hospital. According to Aaker's theory these assets are linked to the brand and add value to the product or service offered. The TOMA/BP congruence refers to a relationship which exists between the Top of the Mind Awareness and Brand Preference and tries to answer the question: Is the hospital which comes first to a patient's mind the one they prefer to attend. For this study TOMA refers to the first hospital that comes to a patient's mind due to his/her exposure to some branding activity of the hospital. Brand Preference referred to the hospital the patient would attend in case a need arises. Having TOMA doesn't necessarily require the patient to have BP and hence this study was crucial. Three hypotheses tested whether the assets of brand equity had a relationship with a prospective patient's TOMA/BP congruence. They were after conducting a primary research in Coimbatore city. Statistical analysis using SPSS indicated that incorporation of Aaker's brand equity model would be significant in predicting the prospective patient's brand choice of attending hospitals.

Keywords: Top of the Mind Awareness (TOMA); Brand Preference (BP); Brand equity; Brand loyalty; Perceived quality; Brand awareness; Brand association; Brand congruence

Introduction

Healthcare is a human centered service due to which every section of healthcare experience must embody and convey the message that the hospital is the centre of health and wellness in the community. In the early years, healthcare professionals did not like the amalgamation of the marketing and hospital worlds. Marketing was equated to advertising and advertising healthcare services was considered inappropriate. However this scenario changed with the focus shifting from healthcare being a service oriented industry to a user oriented industry. The connection between the healthcare provider and the patient needs to be developed to improve delivery. However with the rise of healthcare costs, increasing knowledgeable consumers, hospital need to rework on their branding strategies.

Research suggests that the best way to attain competitive advantage was through the theory and concept of brand equity. According to Aaker [1] brand equity is a set of assets linked to a brand. These included brand loyalty, brand association, perceived quality and brand awareness. For this study a brand equity strategy for a hospital would involve understanding the relationship between the four assets to the value added or subtracted from the prospective patient's perception of the hospital brand.

Literature Review

TOMA/BP congruence

There is a range of awareness from aided recall to Top of the Mind Awareness. Recalling a brand when a name is presented to them is known as aided recall [2]. When consumers mention a specific brand name at the first place when they are asked about the type of retailer, merchandise category or a type of service is known as TOMA [3]. When a brand is included in a consumer's evoked set or considered during purchase evaluation, then the goal of advertising is met [4]. Habitual purchasing may lead to TOMA but healthcare is not such a service. Certain aspects like the length of stay need for a specialist etc. has made decision making in the healthcare sector very complicated [5]. Moreover hospitals may get limited chances to influence a prospective patient's preference and thus need to establish a means by which to increase the knowledge and TOMA of the brand in the mind of the prospective patients [6]. TOMA is equated to Brand Preference too often. Consumers with higher TOMA level towards a brand showed a stronger Brand Preference.

For this study TOMA is defined as the first hospital that comes to the patient's mind and BP refers to the prospective patient's preferred brand.

Brand equity

One of the most widely acknowledged definition states that brand equity is the added value endowed by the brand to the product [7]. Defenition by Keller [8] focussed more on marketing and he defined brand equity as the differential effect of brand knowledge on the response of the consumer to the marketing of the brand. Brand equity was also defined as a set of characteristics which make a brand unique in the marketplace [9]. Researchers suggest that brand equity management will emerge as the primary source of competitive advantage in the healthcare industry [10]. Most hospitals equate implementation of an advertising campaign as successful marketing [11]. But Johnson's research [12] shows that only 26% of the people chose advertising as

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Received March 07, 2018; **Accepted** March 24, 2018; **Published** March 31, 2018

Citation: Pauly LE, Joshua Selvakumar J (2018) Understanding the Top of the Mind Awareness/Brand Preference Congruence in Prospective Hospital Patients through Discriminant Analysis of Aaker's Brand Equity Model. J Account Mark 7: 265. doi: 10.4172/2168-9601.1000265

their means to brand awareness of a particular hospital. This contributes to the discussion surrounding the implementation of a comprehensive brand equity strategy for a healthcare organisation.

Brand association

Brand association plays an important role in consumer purchase decision making. Brand association would help consumers search and deal with information [13]. When it comes to customer based brand equity, brand association seems to be core important [14]. It is assumed that the knowledge of a brand is stored in the consumer's memory as individual pieces of brand information which are linked together to form a complex associative network of the brand [15]. In other words, it deals with how patients develop the sort of mental image a brand stimulates-whether the brand is seen as positive or negative. Positive brand image is created through building a strong, favourable and unique association to the brand in memory [8].

Brand awareness

Brand awareness represents the strength of a consumer's memory record for a particular brand [16]. It can also be defined as fostering people's ability to recall or recognise the brand in sufficient detail to make a purchase [17]. Awareness is mostly correlated with aspects such as trust, reliability, high quality, closeness to people, accessibility and traditional styling [18].

Perceived quality

According to Aker [1] high quality gives consumers a good reason to buy the brand and allows the brand to differentiate itself from its competitors. Perceived quality is defined as the customer's perception of the overall quality of a product/service with respect to its intended purposes [19]. Perceived quality is said to have an influence on the pricing in that organisation i.e., the organisation may be able to charge a higher price if the customers are able to equate price with quality [20].

Brand loyalty

The concept of brand loyalty has been recognised as an important construct in the marketing literature [21]. The literature has revealed that there was a lack of agreement among scholars both concerning brand loyalty definitions and measures [22,23]. Brand loyalty can be defined as the customer's unconditional commitment and a strong relationship with the brand, which is not likely to be affected under normal circumstances [23]. Perhaps the most common driver of brand loyalty is customer satisfaction. Loyalty will lead to customer's repurchasing behaviour which will improve brand equity and increase profitability. A purchase intention of a customer depends on brand awareness and brand loyalty of a particular brand [24].

Objectives of the Study

- To understand if congruence exists between Top of the Mind Awareness and Brand Preference.
- To study the statistical relationship existing between the assets of brand equity and TOMA/BP congruence.
- To study the external factors that influences the prospective patient's choice of a hospital.

Research Question

- Is there congruence between the TOMA and BP?
- Does the marketing theory of brand equity explain or predict a prospective patient's awareness and possible preference of that hospital?

Scope of the Study

The study deals with the TOMA/BP congruence in the field of hospitals. Hundred respondents participated in the survey where 9 prominent multispecialty hospitals were chosen and the study was limited to Coimbatore.

Theoretical Model

TOMA/BP congruence influenced by the assets of brand equity depicted in the model (Figure 1).

Research Methodology

Research approach

A quantitative design using the survey method was used in the study. In this research data are quantified to apply statistical techniques in order to understand the relationships existing between the variables. A quantitative approach was used as it was deemed suitable to test for relationships using hypotheses. The survey method was chosen as it facilitates easy collection of data from large group of respondents

Respondents

The target population comprised of prospective patients who have visited hospitals in Coimbatore. Convenience sampling was used for the study. Hundred respondents participated in the survey.

Data collection

Data was collected with the help of a structured questionnaire. The questionnaire was divided into two sections. In first section, respondents were asked for general information. In second section of the questionnaire, respondents were asked about their perception on brand awareness, brand association, perceived quality and brand loyalty. First section of questionnaire used the nominal scale and the other section used the combination of nominal and interval scale. The dependent variable was in nominal scale and the independent scale was in interval scale.

Discussions

Amongst the respondents, 54% were female and 46% were male. A majority of the population were between the age group of 20-50 (82%). Majority of the population were in Coimbatore for more than 2 years (74%).

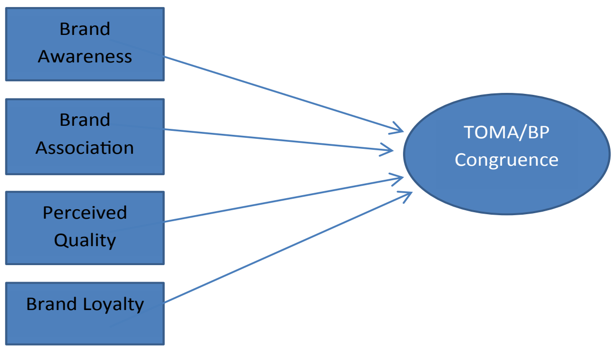

Figure 1: Depicts the theoretical model as to how the assets of brand equity seem to influence TOMA/BP congruence.

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Results and Findings

H01: There exists congruence between TOMA and BP.

Chi square test was implemented and significant association was found between TOMA and BP (Table 1). The significance value P=0.000<0.05 at 5% level of significance. Therefore we accept the hypothesis. And hence there is significant relation between TOMA and BP.

H02: There is predicted influence of assets of brand equity on informed decision and selection of hospital brands.

Discriminant analysis was used to obtain a predictive model for the study (Table 2). Statistical significance is found when Wilk's lambda is small ($p<0.05$). The method is statistically significant ($p=0.011$).

Analysis of discriminant coefficients revealed that the independent variables of perceived quality (w=0.240), brand loyalty (w=1.000), brand association (w=0.281) and brand awareness (w=0.462) were significant and contributed to the TOMA/BP congruence. Brand loyalty seemed to be the most significant and perceived quality was comparatively the least significant:

$$Dbe=0.240(PQ)+0.281(BA)+0.462(BAW)+1.00(BL)$$

Where PQ: perceived quality; BA: Brand Association; BAW: Brand Awareness; BL: Brand Loyalty

Results indicate (Table 3) that the data accurately predicted and classified 61.9% of the cases for the group with TOMA/BP congruence and 68.9% accurately predicted for those with no congruence. In addition data from the table indicated percentage of cases correctly classified was 64%. Thus there is predicted influence of assets of brand equity on informed decision and selection of hospital brands.

H03: External factors influence a patient's choice of hospitals.

Test statistics	
	TOMA
Chi-Square	15.059[a]
df	1
Asymp. Sig.	0.000

[a]0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 50.5.

Table 1: Shows the significance value using Chi-square independence test.

Wilks' lambda									
Step	Number of variables	Lambda	df1	df2	df3	Exact F			
						Statistic	df1	df2	Sig.
1	1	0.936	1	1	98	6.700	1	98.000	0.011

Table 2: Depicts the value of Wilk's lambda and a low value indicates better discriminating power of the model.

Structure matrix	
	Function
	1
Brand loyalty	1.000
Brand awareness[a]	0.462
Brand association[a]	0.281
Perceived quality[a]	0.240

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions. Variables ordered by absolute size of correlation within function.

[a]Variable not used in the analysis.

Table 3: Depicts the level of influence of the factors on TOMA/BP congruence.

One way ANOVA was used to study the influence (Tables 4 and 5).

Meyers-Levy [25] argues that male and female brains work differently and therefore the way in which they process information is different. Males tend to be selective processors of information whereas female tend to be comprehensive processors of information and pays attention to all information and hence their response to advertisements ought to be different (Figure 2).

From a psychological stand point, previous research has shown that repetitions of a message tend to induce beliefs more strongly in older individuals than younger ones [26] (Figure 3).

Older people tend to be brand loyal than the younger people. Older

Class of decision maker		Predicted Group Membership		Total
		Informed decision maker	Non-informed decision maker	
Original Count	Informed decision maker	44	27	71
	Non-informed decision maker	9	20	29

64.0% of original grouped cases correctly classified.

Table 4: This is the prediction matrix which gives the percentage of cases correctly classified.

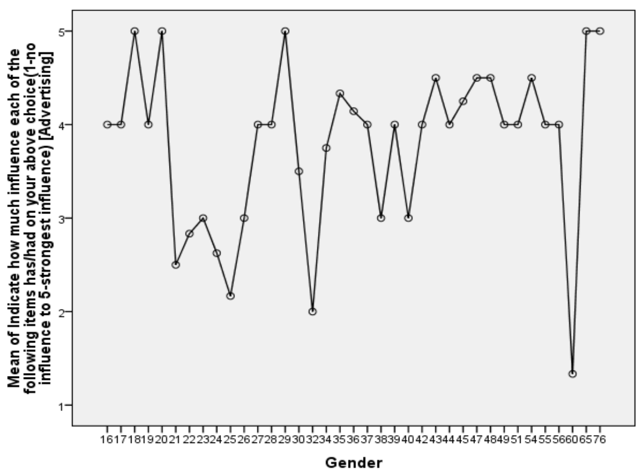

Figure 2: Plotting ANOVA results for gender and advertising.

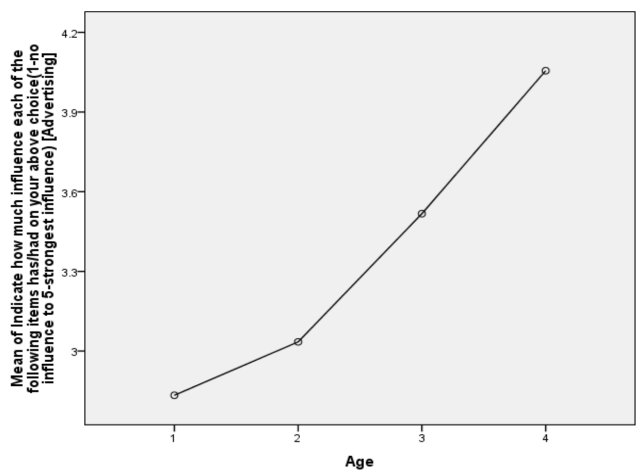

Figure 3: Plotting ANOVA results for age and advertising.

Dependent variables	Factor	F	Significance
Advertising	Gender	2.320	0.002
Advertising	Age	5.376	0.002
Brand loyalty	Age	4.910	0.003

Table 5: Depicts the significance values obtained through ANOVA test.

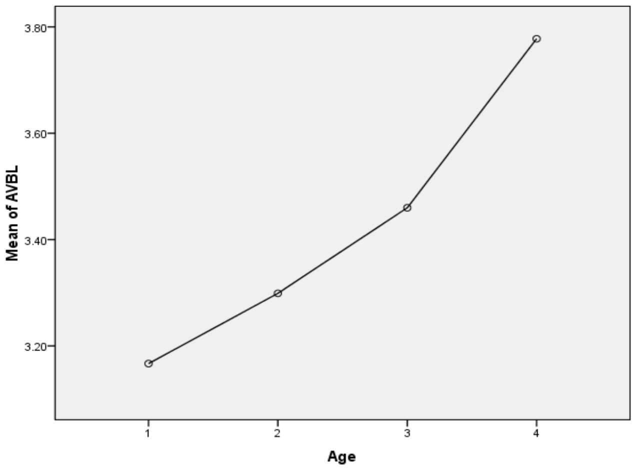

Figure 4: Plotting ANOVA results for age and brand loyalty.

people are not open to changes very easily. They need a lot of coaxing and convincing and may even be in a dilemma to shift to a new hospital even if they offer better services. The young people on the other hand are more open to changes and do not always stick to the same (Figure 4).

Thus external factors were found to influence a patient's choice of hospital. Thus the hypothesis was accepted.

Recommendations

In accordance with the study performed, it is found that significant relationship exists between Top of the Mind Awareness and Brand Preference. Also those hospitals must try to reach out to their target audiences as brand loyalty seems to play a major role in the prospective patient's choice of hospitals. Also brand awareness is another major sector in which the hospitals must put their efforts and advertisements must be designed to tap the target demographic market accordingly.

Conclusion

The study was undertaken to understand if relationship existed between TOMA and BP and find the impact of the assets of brand equity on TOMA/BP congruence. The first hypothesis was accepted as significant relationship was found between TOMA and BP. Brand loyalty and brand awareness seemed to have to highest influence on TOMA/BP congruence and the results showed that both these assets seemed to positively influence TOMA/BP congruence. External factors such as advertising seemed to influence age and gender. Significant relation was found between brand loyalty and age.

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