

Journal of Asia Entrepreneurship and Sustainability



Volume XIII, Issue 5, December 2017

Credit rating and rating migration
among lending investors

Junette A. Perez

The Future of Job Seekers
in China

*Lee Poh Wah Dennis, Zheng Shaoman Estelle,
Jens Mueller*

Evaluating Selected Aspects
Of Economic Growth Push
Factors As Experienced By
Prospective Entrepreneurs:
The Case Of The Democratic
Republic Of Congo

David Mukuna Kashala, Larry E. Jowah

Assessing contract farming in India

Sazzad Parwez

China's social networks:
Culture, business, and the
gender gap

*Jiali Lin, Jeretta Horn Nord,
Joanna Paliszkiewicz,
Magdalena Madra-Sawicka*

Refereed Edition

Print: ISSN 1177-4541

On-Line: ISSN 1176-8592

www.asiaentrepreneurshipjournal.com

Editors:

Jens Mueller, New Zealand (Managing)
Rosel Fonacier, Philippines
Dennis Lee Poh Wah, China
Manliu del Giudice, Italy



© 2017, The Editors



Table of Content

Volume XIII, Issue 5, December 2017

Credit rating and rating migration among lending investors <i>Juanette A. Perez</i>	Page 3
The Future of Job Seekers in China <i>Poh Wah Lee Dennis, Zheng Shaoman Estelle, Jens Mueller</i>	Page 33
Evaluating Selected Aspects Of Economic Growth Push Factors As Experienced By Prospective Entrepreneurs: The Case Of The Democratic Republic Of Congo <i>David Mukuna Kashala, Larry E. Jowah</i>	Page 61
Assessing contract farming in India <i>Sazzad Parwez</i>	Page 100
China's social networks: Culture, business, and the gender gap <i>Jiali Lin, Jeretta Horn Nord, Joanna Paliszkiewicz, Magdalena Madra-Sawicka</i>	Page 132

Credit rating and rating migration among lending investors

Junette A. Perez

Financial Management Department, Dela Salle University

Manila, Philippines

junette.perez@dlsu.edu.ph

Abstract

The paper designs a synthetic credit rating system for selected microlenders in the Philippines. The microlenders are rated using the S@P transition probabilities, Markov Analysis is used to preview microlenders chances of an upgrade or a downgrade in rating over a period of five years. Twenty nine(29) lenders have BB rating. They are characterized to have intensive capital and normal expected earnings while two(2) lenders have B rating described to have low capital but good earnings. Fifteen (15) lenders have CCC rating ascribed to have good levels of capital but low earnings and four (4) lenders has default rating described to have low capital adequacy and earnings. Unfortunately however, transition probabilities reveal that the chances of an upgrade in a lender's rating are lower than the chances of a downgrade in a lender's rating over time.

Introduction

The paper incorporates a sophisticated risk management technique into microfinance in the Philippines. It identifies a credit rating transition matrix associated with a synthetic credit rating system and explores to predict transition probabilities of a microlender's credit rating state over time. A breakthrough approach in categorizing lending investors according to a synthetic credit rating system, it expounds the use of the S@P rating migration state to several lending investors for an extended period of over three to five years.

To address concerns on financial sustainability of microfinance institutions, several sustainability studies on microfinance borrowers default rate(Perez, 2005) and poverty scorecards (Schreiner,2009) are based on risk profile of the individual borrowers or institutions. Very few studies however discuss credit rating and rating migration in microfinance and its credit risk components and impact translated into measurable factors. The paper further exhausts the implications of credit rating migration of lending investors and assesses its transition from its credit rating state over a three to five year period S@P credit rating transition matrix through Markov Analysis.

Review of Related Literature

Poverty Scorecards are required to be objective, accurate and practical and universal. Schreiner(2009) uses the Philippines' 2004 Annual Poverty Indicators Survey to construct an easy-to-use scorecard estimating the likelihood a household would have an income below a

given poverty line. The scorecard uses ten simple indicators which can be computed on paper in about five to ten minutes. It is a practical way for pro-poor programs in the Philippines to monitor poverty rates, track changes over time and assess target services.

Scorecards use scoring of the knowledge of the performance and characteristics of past loans to predict the performance of future loans. Although the evaluation is constrained with quantifying repayment risk and identifying its risk component as key to managing risk, the innovations of microfinance to date have been the use of joint-liability groups and detailed evaluations of individual applicants to measure judged risk.

There are several restrictions however to credit scoring both theoretical and at practical level. Some of which are theoretical in perspective as to the share of risk in the scorecard and its weight in the allocation and certainty. As practitioners assess, most scores are simply numbers reflective of a probability and definitely not a reflection of certainty.

Nevertheless, the proven and tested approach has always been the harder way, evaluation and assessment of the borrower characteristics through investigation and background checks. A number of characteristics include past arrears, experience as borrower, demographics, business characteristics et al, matching such characteristics of the loan profile; its term, interest rates, guarantees, amortization schedule and so on.

Subsequent studies deal most importantly on the type of risk to include in the scoring, first attempting to identify the risks then verifying on how to measure such risk into the scoring model. Among others, it goes in effect to judging risk of borrowers based on preconceived factors like employment and repayment capacity.

As of the moment, the technology is crude and substantially subjective, but definitely may grow and become concrete and viable with time and more likely with the track record of the “scoring judge”.

Other than that, recent studies indicate that Scoring is said to be the next breakthrough in Microcredit. The levels of outreach and sustainability seem promising as it hastens credit assessments and evaluation but then again the factors for evaluation may involve bias and may be affected with the marked sophistication of the database where the scoring is derived.

In an example of an IDB-funded project with affiliates of Women’s World Banking in Colombia and the Dominican Republic, significant predictive indicators are found among repeat borrowers.

- Days in the longest spell of arrears in the previous loan
- Length of time as a client
- Type of business
- Age of applicant
- Identity of the loan officer
- Telephone ownership
- Household structure
- Years in business
- Cash-on-hand
- Number of scheduled installments
- Years in the current residence
- Number of installments in arrears in the previous loan

- Number of installments paid-off early in the previous loan
- Experience of the loan officer
- Number of businesses run by the household
- Days of delay between application and disbursement
- Total assets
- Days of rest after paying off the previous loan
- Accounts receivable
- Home ownership
- Debt/equity ratio

Although several questions arise as to how will weights be allocated or how will the measurement be finalized, using such variables would allow microlenders focus and valuable directions for initial attempts to keep microfinance scoring and evaluation feasible and transferable as a technology .

Theoretical Framework

Credit Risk Theory explains the potential loss from fluctuations in asset liability structure of the firm. The idea comes from Merton (1974) and extends to include random interest rates by Shimko, Tejima and van Deventer (1993). It assumes that the evolution of the value of the firm's underlying assets depends with the firm's asset value fluctuations in the event of default. Jarrow et al. (1999) continues to work with the credit risk modeling until the discovery of the Heath, Jarrow, Morton (1992) term structure modeling technology. There reduced form approach imposes directly on the prices of the firm's traded liabilities, primarily debt and default free term structure of interest rates. He concludes that the credit risk models are based on the option pricing theory underlying the Black – Scholes formula. Called the “risk neutral”

valuation, derivatives are priced by synthetic replication in complete markets and are arbitrage free.

In Table 1, the history of the development of the credit risk modeling is illustrated. It attempts to capture the risk of financial loss suffered when companies default, or when market sentiment determines a company is more likely to default (Best, 1998). Market risk covers two components: general market risk and specific risk. General market risk relates to a change in market value resulting from broad market movements while specific risk relates to adverse price movements due to idiosyncratic factors related to individual issuers. The problem is that it has been impossible to disentangle market from credit risk as market participants anticipate forthcoming credit events before they actually happen. Economic theory also reveals that market risk and credit risk are intrinsically related to each other and are not separable (Jarrow and Turnbull, 1999).

Crouchy, Galai and Mark (2000) further elaborates several issues on this matter. First is about spread risk which is a function of both market and credit risk. Spread risk fluctuates with equilibrium status in capital markets change, or because credit quality of obligor change or because both conditions have occurred simultaneously. Another is downgrade risk where the credit quality of an obligor deteriorates relative to the Treasury curve and vice versa.

As culled from an integrated paper on Value at Risk Modeling Microlending (Perez, 2005) Table 1 shows several credit risk modeling such as the Credit Migration Rating Based, Option Pricing Structural Approach, Actuarial Approach and the Macroeconomic Approach. Credit rating migration adopts more of the Credit Migration Rating Based as developed by Credit Metrics.



Approach	Credit Migration Approach - Rating Based	Option - Pricing/ Structural Approach - Merton Based	Actuarial Approach	Macroeconomic Approach	Integrated (Structural & Reduced) Approach
Popular Name	CreditMetrics CreditVaR	KMV	CreditRisk+	CreditPortfolio View	PROPOSAL
Proposed by	JP Morgan (1997)	Stephen Kealhofer, John McQuown and Oldrich Vasicek (1989)	Credit Suisse Financial Products (1997)	Developed by Wilson (1987), Proposed by McKinsey (1997)	Adaptation of Merton (1974) and Jarrow and Turnbull (1995) with stress testing of Perez, EB. (2002)
Definition of Risk	Δ Market Value	Default Losses	Default Losses	Δ Market Value	Default Losses Δ Forward Treasury Rates
Credit Events	Downgrade/ Default	Continuous Default Probabilities	Default	Downgrade/ Default	Borrower Default Lenders Credit Migration
Risk Drivers	Asset Values	Asset Values	Expected Default Rates	Macro Factors	Microfactors: Ind'l Economic and Demographic; Forward Treasury Rates w/ synthetic credit rating
Transition Probabilities	Constant	Driven by: Ind'l term structure of EDF; asset returns (sophisticated factor model)	N/A	Driven by: Macro factors	Driven by Microfactors & Macrofactors
Correlation of Credit Events	Standard Multivariate normal equity returns (ordered probit model)	Standard Multivariate normal asset returns (sophisticated Factor model)	Correlated Default Processes	Factor Loading: Correlation of Residual Risk	Probit Regression & Correlation of Forward Treasury Rates
Recovery Rates	Random (Beta Distribution)	Random (Beta Distribution)	Loss given Default	Random	Random
Numerical Approach	Monte Carlo Simulation/ Analytical Approximation	Monte Carlo Simulation/ Analytical Approximation	Analytical Approximation	Monte Carlo Simulation	Monte Carlo Simulation
Return Measurement	N/A	RAROC	N/A	N/A	N/A

Source: Courchy et al., Journal of Banking and Finance (2000) 59-117; Courchy et al., Financial Stability Review (June 1999) 110-112; Proponent (2002)

Methodology

Correlational/Prediction Research is the research design employed by the paper. The design follows a three pronged procedure which begins with CAMEL Ratio Computation, ANOVA, Cluster Analysis and Markov Analysis.

CAMEL. Stands for capital adequacy, management, earnings and liquidity and is used as a standard benchmark for measuring credit risk of banks and other financial institutions.

Cluster Analysis. Determines significant cluster variates using CAMEL ratios as cluster variates to partition the 50 lenders into group rating categories.

Synthetic Credit Rating. Adopts the Standards and Poors(S&P) rating categories given its 20 years of data as the surrogate credit rating. Furthermore, Credit Portfolio View of Wilson (1987) and McKinsey (1997) shows default probabilities as feasible and measurable migration probabilities required for Markov analysis.

Table 2: Standard & Poor's Rating and Definition

Rating	Definitions
BB	An obligation rated 'BB' is less vulnerable to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions that could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.
B	An obligation rated 'B' is more vulnerable to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.
CCC	An obligation rated 'CCC' is currently vulnerable to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.
Default	An obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Source: Standard & Poor's Rating (Perez, 2005)

In Table 2, S&P credit rating state is extensively defined given two types of rating:

- (1) investment grade (highest quality with AAA); (high quality very strong with AA); (upper medium grade strong with A); (medium grade with BBB).
- (2) not investment grade (lower investment grade, somewhat speculative with BB); low grade (speculative with B); poor quality (may default with CCC); most speculative with CC; no interest being paid or bankruptcy petition filed with C; in default with D.

Credit Rating Probability Transition Matrix. In Table 3, the S&P transition matrix exhibits probabilities of credit rating migrating from one rating to another, within a year. This procedure is material to proceed to Markov Analysis.

Table 3. Standard & Poor's Transition Matrix

Transition matrix: Probabilities of credit rating migrating from one rating quality to another, within 1 year^a

Initial rating	Rating at year-end (%)							
	AAA	AA	A	BBB	BB	B	CCC	Default
AAA	90.81	8.33	0.68	0.06	0.12	0	0	0
AA	0.7	90.65	7.79	0.64	0.06	0.14	0.02	0
A	0.09	2.27	91.05	5.52	0.74	0.26	0.01	0.06
BBB	0.02	0.33	5.95	86.93	5.3	1.17	1.12	0.18
BB	0.02	0.14	0.67	7.73	80.53	8.84	1	1.06
B	0	0.11	0.24	0.43	6.48	83.46	4.07	5.2
CCC	0.22	0	0.22	1.3	2.38	11.24	64.86	19.79

^aSource: Standard & Poor's Credit Week (April 15, 1996).

Markov Analysis. Predicts credit rating state of lenders, using transition probabilities with matrix algebra. This analysis relies on S&P's probability of default transition matrix; S&P being the synthetic credit rating. It claims to agree that the S&P rating migration matrix is affected by the movements of the economy of the U.S. in this scenario as measured substantially from the interest rates (CreditPortfolioView: McKinsey, 1997). Furthermore, microlenders are rated according to S&P rating state with assistance Philippine Rating Services (Philratings).

For its usefulness, Markov Analysis has been applied to predict the credit rating migration of the lending investors. It is a method of analysing behavior of some variables in an effort to predict future behavior of that same variable (Levin, et al., 1992). To compute transition probabilities displayed in a pattern called a matrix, an array of numbers arranged into rows and columns is required. The numbers in a matrix will represent default probabilities, Markov then assumes that lenders do not change default probabilities or credit rating state at a random but instead, default probabilities are a function of default events made in the past.

The concept of credit rating migration adheres to structural approach to modeling changes in the credit quality of a firm and capitalizes on the transition probabilities of Credit Migration Rating Approach. The basic premise is that the underlying asset value evolves over time (e.g. through the a simple diffusion process) and that default is triggered by a drop in firm's asset value below the value of its callable liabilities. In this paper, it refers to the drop or the fluctuations in the repayment capacity of the borrowers.

Results and Analysis

Table 4 ANOVA uses CAMEL ratios for rating classification. CAMEL ratios are conventional measurement of credit risk to assess banks and other financial institutions. After CAMEL ratios are computed, cluster analysis then partitions 50 lending investors into groups based of specified characteristics in this case, referring to CAMEL ratio characteristics.

Table 4: ANOVA

	Cluster		Error		F	Sig.
	Mean Square	Df	Mean Square	df		
CAPITAL	20.103	4	.186	45	107.966	.000
ASSET	.260	4	.143	45	1.8222	.141
MANAGEMENT	13.833	4	.205	45	67.363	.000
EARNING	1.947	4	1.623E-02	45	119.978	.000
LIQUID	4.031E-02	4	8.785E-02	45	.459	.765

Source: ANOVA results (Perez, 2005).

The ANOVA shows capital adequacy, management and earnings as significant cluster variates that could classify the 50 microlenders. Given the nature of the business, the assets of the microlenders is not significant to group the lenders as most microlenders do not use capital infused equipment and machinery in running its operations.

Perez (2005) states that capital adequacy represents portion of total funds put in by the owners to support company's operations. It is basic own-sourced funds indicating commitment of owners to the company and is considered permanent commitment on part of owners, restricted from being used to pay out debt and other obligations.

Table 5: Group Descriptive Statistics CAMEL

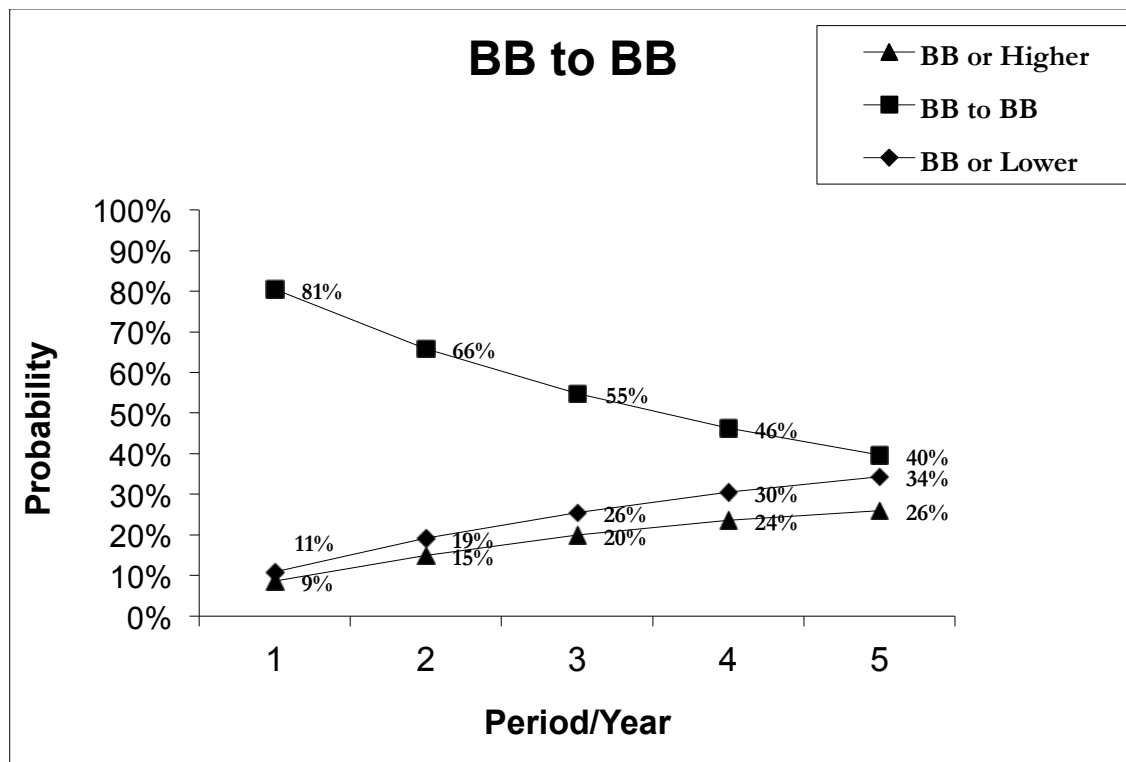
Variable	Mean	StDev	Min	Max
CAPITAL	8.971E-02	1.346120	-5.9504	1.0000
ASSET	0.178338	0.390089	0.0017	2.2416
MANAGEMENT	1.216344	1.147970	0.2000	7.4195
EARNING	-9.47E-02	0.416993	-1.9624	0.4802
LIQUID	0.709590	0.289772	0.0190	1.0000

Source: Descriptive Statistics (Perez, 2005).

In Table 5, capital has the largest standard deviation attributed to considerable differences observed in the capital adequacy status of the microlenders within the sample. This is quite obvious as the asset of the business is its capital invested by the owners used to grant loan.

Transition Probabilities using Markov Analysis. Generate migration probabilities for the rating of the microlenders benchmarked from the S & P transition probabilities.

Figure 1: BB to BB credit rating state



Source: Markov Results (Perez, 2005).

Markov Analysis assumes that lender performs similar operations and the exact policy and strategy over the period covered. Using the [S@P](#) transition probabilities as reference, cluster analysis then establishes four groups of rating categories for the lenders.

Table 6. S@P Ratings Applied to Microlenders

RATING	LENDERS	DESCRIPTIONS
BB	29	Capital intensive and earnings

		expected normal
--	--	-----------------

Source: Cluster Analysis (Perez, 2005).

Table 6.1. Identified Microlenders Companies with BB Ratings(on initials for confidentiality)

<i>BB</i>		<i>RATIOS</i>	
COMPANY		CAPITAL ADEQUACY	EARNINGS
1	(ACC)	81.76%	1.55%
2	(ADC)	93.50%	9.70%
3	(ALCC)	77.78%	0.29%
4	(AFI)	5.17%	0.35%
5	(CHCTC)	12.97%	0.78%
6	(CLCI)	99.64%	0.40%
7	(DDLI)	92.55%	6.95%
8	(FOFGI)	28.28%	7.04%
9	(GSLIC)	99.52%	0.76%
10	(IIC)	21.84%	2.08%
11	(LFLC)	23.56%	0.43%
12	(LJSLC)	100.00%	1.80%
13	(LTVCC)	15.53%	0.97%
14	(MVI)	96.01%	1.99%
15	(MLII)	51.77%	0.59%

16	(NHC)	74.73%	13.32%
17	(PCFC)	76.77%	0.29%
18	(PMC)	36.74%	2.69%
19	(PLI)	2.05%	0.09%
20	(PLC)	34.88%	0.47%
21	(PLI)	43.73%	12.79%
22	(PFI)	67.23%	2.95%
23	(RFCI).	19.26%	1.61%
24	(RKLIC)	46.13%	1.26%
25	(RTDLII)	44.39%	9.98%
26	(SWLI)	34.88%	2.91%
27	(SFC)	67.44%	6.45%
28	(SLII)	25.63%	2.85%
29	(SDLIC)	20.08%	1.22%

Source: Cluster Analysis(Perez, 2005).

Table 6 and 6.1 show that BB rated microlenders counting a total of 29, are the most stable in terms of coping with potential capital loss from default. This is a natural effect as these companies are heavily infused with resources given the nature of business. The 29 lenders are more often profitable to sustain and stabilize operations.

LJS Lending at 100 percent capital adequacy has an earning of at most two percent. Although it stands as the most stable to cope with capital requirements, Prosperity Lending comes the

most profitable at most 13 percent with a capital adequacy of at most 44 percent. The figure reveals that Prosperity Lending seems to indicate that it be more savvy in managing its business.

Table 6.2. Transition Probabilities or Credit/Rating Migration Year/Period

RATING	PROBABILITIES		
	HIGHER	SAME	LOWER
3 RD YEAR	22%	55%	23%
5 TH YEAR	25%	40%	35%

Source: Markov Results(Perez, 2005 updated 2011)

Table 6.2 exhibits lenders rated BB has a 55 percent chance to retain its rating and only 23 percent chance of downgrading in rating. It seems predictable that in the long run, a lenders rating would more likely decline or experience a downgrade.

Table 7. S@P Ratings Applied to Microlenders

<u>RATING</u>	<u>LENDERS</u>	<u>DESCRIPTIONS</u>
B	2	Low capital but good earnings

Source: Cluster Analysis(Perez, 2005).

Table 7 exhibits B rated microlenders as the second most stable in terms of coping with capital loss from default of borrowers. What is different with these two lenders compared with the 29 lenders in BB rating is there tendency to be aggressive in granting smaller loans to borrowers at a faster turnover.

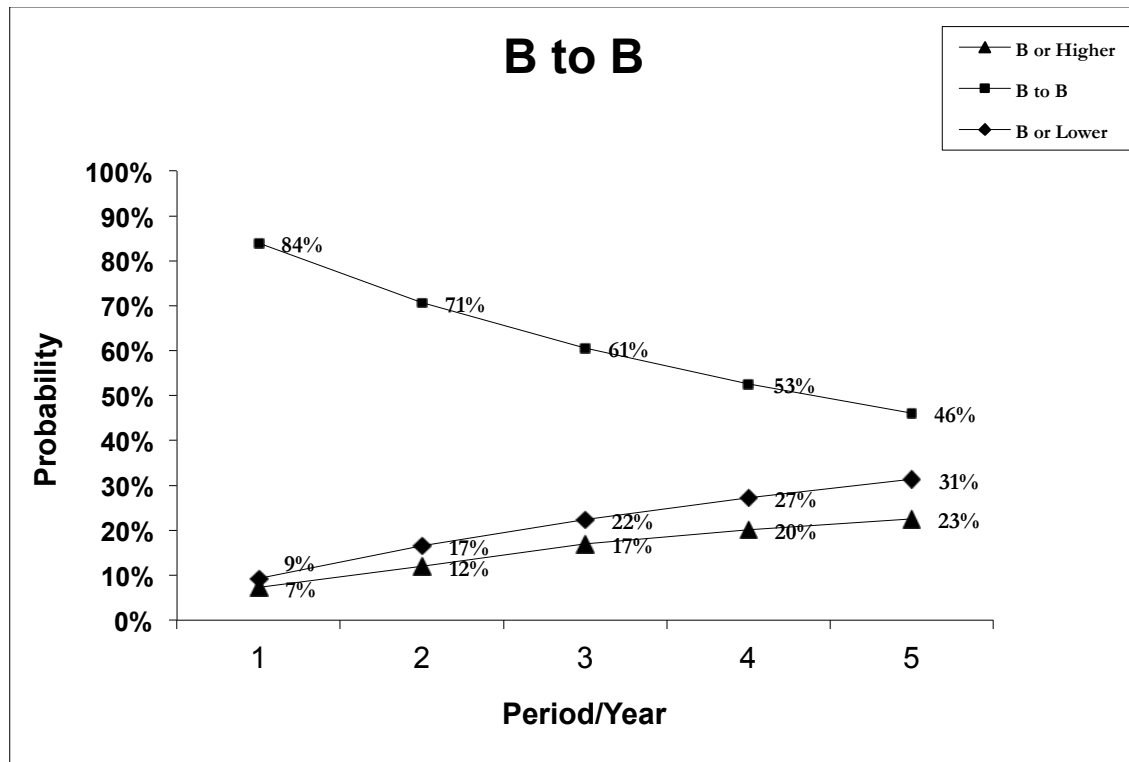
Table 7.1. Identified Microlenders Companies with B Ratings

<i>B</i>		<i>RATIOS</i>	
COMPANY		CAPITAL ADEQUACY	EARNINGS
1	(EI)	-14.51%	0.31%
2	(MFC)	-595.04%	48.02%

Source: Cluster Analysis(Perez, 2005).

Table 7.1 reveal that there are only two lenders rated B. Having missed slightly to being qualified to rated BB, the two lenders may have applied a more aggressive credit risk policy compared to the rest. They tend to prefer taking chances by granting loans to moderately risky borrowers to adopt faster turnover of smaller valued loans compared to allowing large valued loans at slower turnover. These lenders are showing strength in earnings but are consequently more volatile as shown in their capital adequacy.

Figure 2: B to B credit rating state



Source: : Markov Results(Perez, 2005).

Table 7.2 as illustrated in Figure 2 exhibits that lenders rated B has a 61 percent chance to sustain its rating and only to downgrade from B at a 46 percent probability over the period of five years. This downward trend in rating is similar to the BB rated microlenders.

Table 7.2. Transition Probabilities or Credit/Rating Migration

RATING	PROBABILITIES		
	HIGHER	SAME	LOWER
3 RD YEAR	17%	61%	22%
5 TH YEAR	23%	46%	31%

Source: Markov Results(Perez, 2005 updated 2011)

Table 8. S@P Ratings Applied to Microlenders

<u>RATING</u>	<u>LENDERS</u>	<i>DESCRIPTIONS</i>
CCC	15	Good capital but poor earnings

Source: Cluster Analysis(Perez,2005).

Table 8 and 8.1 describe 15 microlenders rated CCC. CCC rated microlenders are the most sensitive in adjusting to sudden changes in economy and borrower repayment profile. Although the four rating categories in its normal tendency is to follow the easier flow which is a downgrade rather than an upgrade, in this category, a downgrade however alarm a sure default.

Table 8.1. Identified Microlenders Companies with CCC Ratings

CCC		RATIOS	
COMPANY		CAPITAL ADEQUACY	EARNINGS
1	(ACC)	35.31%	-8.97%
2	(ALC)	11.41%	-12.44%
3	(EPCI)	25.09%	-0.25%
4	(FGFCI)	10.58%	-6.62%
5	(FCLC)	42.45%	-0.06%
6	(GLC)	16.32%	-1.34%
7	(IIFC)	7.10%	-3.48%
8	(ILSTC)	17.20%	-1.98%
9	(JKACCC)	88.98%	-0.90%
10	(KLII)	50.72%	-0.14%
11	(MII)	70.39%	-0.75%
12	(MPLC)	45.24%	-8.41%
13	(SHKCI)	88.21%	-56.45%
14	(TFSCC)	56.79%	-20.16%
15	(TULC)	42.20%	-1.94%

Source: Cluster Analysis (Perez,2005).

JKA Countrywide Credit Corp and Sun Hung Kai Credit have the highest capital adequacy status with an interesting loss of at most 57 percent for Sun Hung Kai Credit. Noticeable as well is the

negative earnings among the 15 microlenders. It can be deduced that the lenders may have taken more risk in lending and not enough positive returns to outweigh losses.

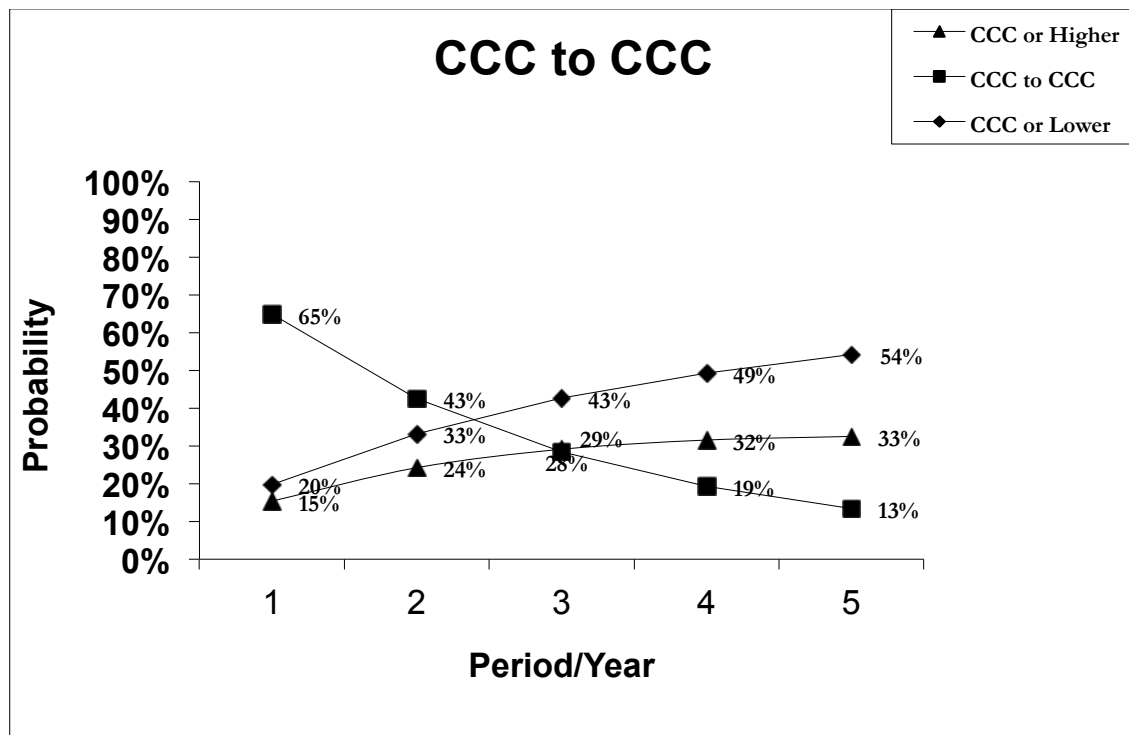
It is critical as a shift in the credit risk factors of CCC rated lenders is dramatically significant so much so that only 28 percent chance these lenders will be able to maintain its CCC rating as shown in Table 8.2. There is a higher 43 percent chance that CCC rated lenders would downgrade to a much dangerous grade such as default.

Table 8.2. Transition Probabilities or Credit/Rating Migration Year/Period

RATING	PROBABILITIES		
	HIGHER	SAME	LOWER
3 RD	29%	28%	43%
5 TH	33%	13%	54%

Source: Markov Results(Perez, 2005 updated 2011)

Figure 3: CCC to CCC credit rating state



Source: Markov Results(Perez, 2005).

Furthermore, any other movement or shift in the CCC rated lenders becomes alarming as its probability to retain its CCC rating stand at only 13 percent, thus facilitating its chances to downgrade faster to its lowest that being rated in default. Again this trend has been observed in both BB and B rated lenders.

Table 9. S@P Ratings Applied to Microlenders

<u>RATING</u>	<u>LENDERS</u>	<i>DESCRIPTIONS</i>
DEFAULT	4	Poor capital and low earnings

Source: Cluster Analysis(Perez, 2005).

Default rated microlenders are considered bankrupt even before it occurs. It only takes a slight change in the borrowers profile to destabilize the microlender. Default rated lenders has 100 percent certainty to remain in default over period of five years.

The five rated microlenders in default, both in capital adequacy and earnings indicate among other things, poor asset management, poor selection of borrowers or simply bad lending practices.

Table 9.1. Identified Microlenders Companies with Default Ratings

DEFAULT		RATIOS	
COMPANY		CAPITAL ADEQUACY	EARNINGS
1	(CPI)	-180.99%	-109.96%
2	(PCC)	-398.96%	-178.87%
3	(SLLIC)	-11.03%	-9.44%
4	(UTLC)	-452.73%	-196.24%

Source: Cluster Analysis(Perez, 2005).

Table 9.1 show that Uni Team Lending would suffer the most impact in default. This status is captured both in negative capital adequacy of 453 percent and a negative earnings of 196 percent.

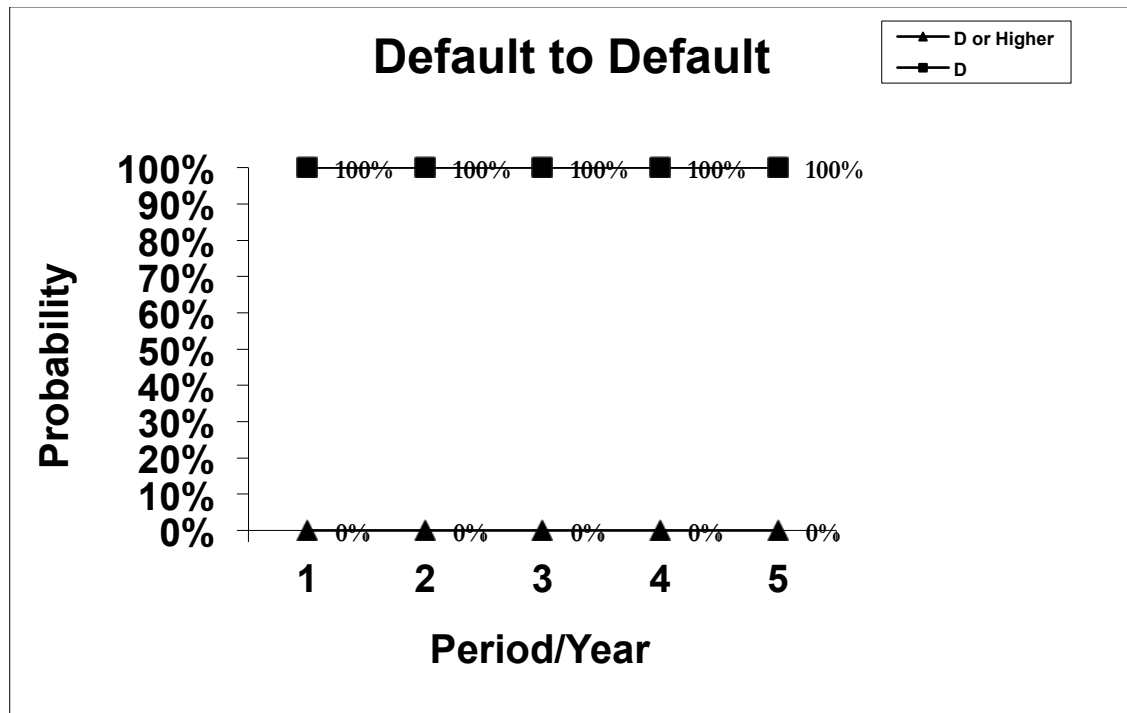
Table 9.2 as illustrated in Figure 4, as trend continues, default rated lenders experience no changes in rating as they may have probably stop lending from the 1st year they are already in default.

Table 9.2. Transition Probabilities or Credit/Rating Migration Year/Period

RATING	PROBABILITIES		
	HIGHER	SAME	LOWER
3 RD	0%	100%	0%
5 TH	0%	100%	0%

Source: Markov Results(Perez, 2005 updated 2011)

Figure 4: Default to Default credit rating state



Source: Markov Results(Perez, 2005).

Trend in Probabilities. Observing its pattern over five years, ratings BB to BB, B to B, CCC to CCC and default to default, show that the chances for a downgrade are higher than the chances that the lender's rating to upgrade.

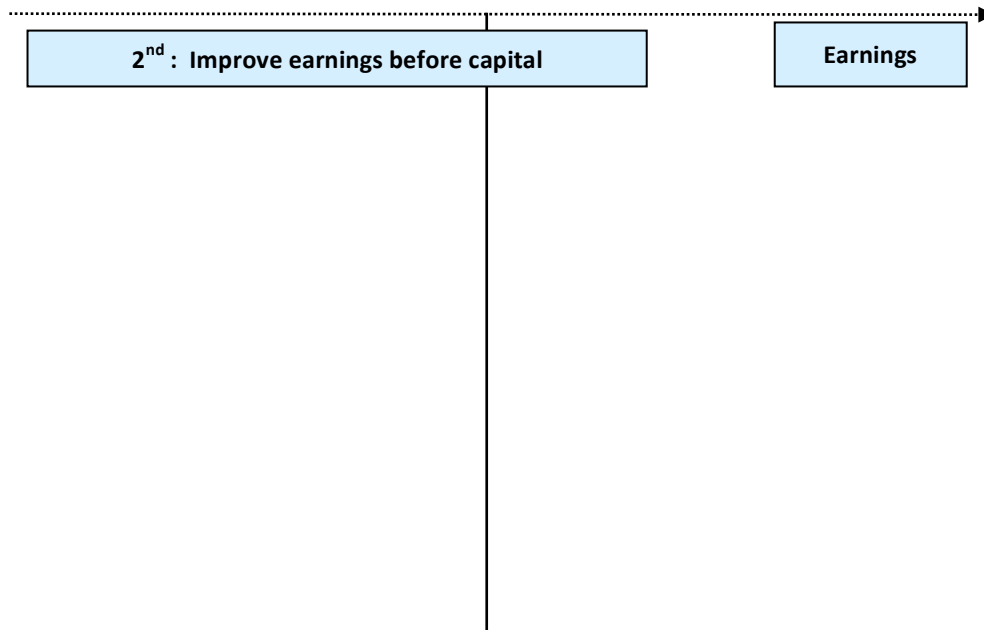
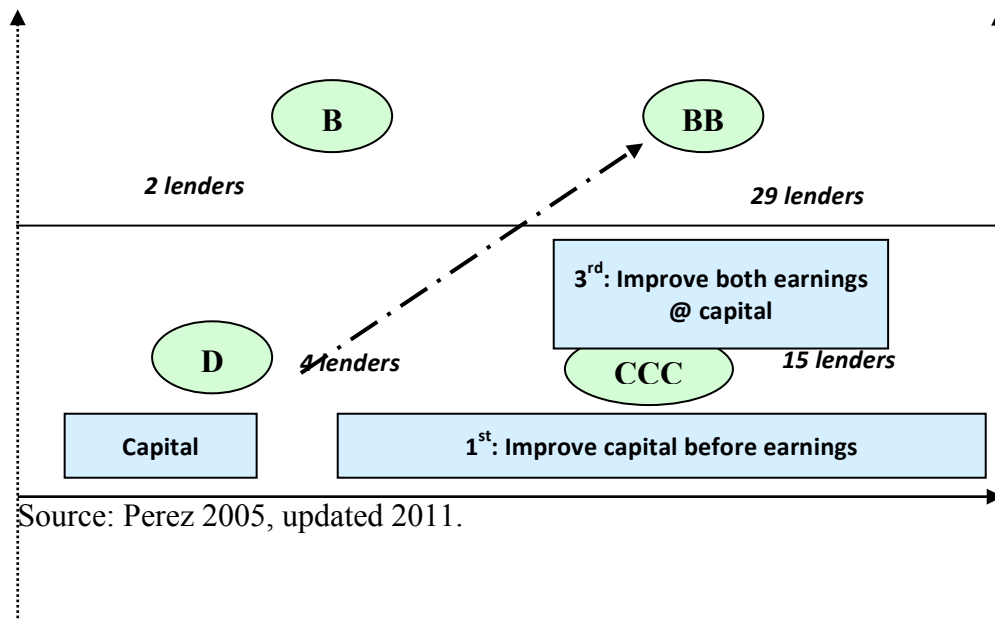


Figure 5: Chart on Three Managerial Strategies (Perez, updated 2011).



In fact, it is certain that given the nature of the business, a significant chance of the lender's rating would downgrade from its current rating category over time.

Implications. Figure 5 show all lenders to aim to be in the BB rating or higher category. As such three strategies could anchor a change through improving capital before earnings, improving earnings before capital and or improving both capital and earnings simultaneously. The third strategy is the fastest way to improving rating except that it would require capital infusion from the lender or from the lender's prospective investor.

Over in the long run in Figure 5, several events could interact with a lender's capital and earnings ratio thus making it uncertain which growth driver of the two factors (capital or earnings or both) would propel rating for all the lenders.

Conclusions

One of the breakthrough contribution of the paper is its use of novelty procedures to answer its research objectives. From the basic statistical techniques, the paper capitalizes on a concept of attempting to apply a synthetic credit rating to conduct credit rating for the microlenders. Not only are the microlenders rated, at the same instance, using Markov Analysis the lenders also know their chances of upgrade or downgrade.

Several insights are revealed from the paper.

It is quite obvious that the logic of the industry determines the significant factors which will affect an institutions credit rating and its corresponding transition probabilities. In this case for instance, capital adequacy is tantamount to the business itself as no microlender can operate and sustain lending without more than adequate capital to protect from its loan exposure.

It seems also a trend as it may be predictable that in the long run, a lenders rating would more likely decline or experience a downgrade in rating as manifested among the four rating categories.

Finally despite inadequacy of microfinance, an innovative technique to resolve a problem statement in a research scenario is not limited by the nature or inadequacy of the industry in this case, microlending. All it needs is a mind willing to think more than what is in the box.

References

- Carty, L. *Moody's Rating Migration and Credit Quality Correlation, 1920-1996*. Moody's Investors Service. Global Credit Research. July 1997.
- . *A MultiFactor, Markov Chain Model for Credit Migrations and Credit Spreads*.
- . *Credit Risk Modeling: Current Practices and Applications*. Basle Committee on Banking Supervision. April 1999.
- Crouchy, M., Galai and Mark(2000). Comparison of Current Credit Models. *Journal of Banking and Finance*, 24, 59 -117.
- Croft, R. *Yield curves and what they mean*. <File://A:\yieldcurves....#5.shtml>
- Eliason, Scott R. *Maximum Likelihood Estimation: Logic and Practice*. India: Sage Publications, 1993
- Glassermann, Paul. *Probability Models of Credit Risk*. Columbia Business School.
- Greene, W.E.(1997). *Econometric Analysis*, 3rd Edition. Prentice Hall, New Jersey.
- Gujarati, D. (1996). *Basic Econometrics*. John Wiley and Sons.
- Khindanova, I., Rachev, S., & Schwartz, E. (1999). *Stable modeling of value at risk*.
- KMV. *Modeling Default Risk – Private Firm Model*. *Portfolio Management of Default Risk*. A comment on Market vs. Accounting Based Measures of Default Risk. September 1993
- Lopez, J. *Evaluating Credit Risk Models*. Economic Research Department. Federal Reserve Bank of San Francisco. CA.
- . *Modeling Default Risk* . KMV (2002).
- Mody, A and Dilip Patro. *Methods of Loan Guarantee Valuation and Accounting*. November 1996. Retrieved May 1, 2000 from <http://vivasimo.loanguaranteeevaluation.htm>
- Saunders, A. *Loans as Options and the KMV Model*. *The Financier*. Vol.6, no.1, 1999 July 12, 2000 from <http://www.thefinancier.com>
- Schreiner, M. *Scoring: The Next Breakthrough in Microcredit? Paper prepared for the Consultative Group to Assist the Poorest*. 2002 <http://www.microfinance.com>
- Schreiner, M et al. *Credit Scoring, Banks, and Microfinance: Balancing High-Tech with High-Touch*. 2005, <http://www.microfinance.com>
- Schreiner, M. *Credit Scoring for Microfinance: Can It Work? Introduction Benefits and Pitfalls of Statistical Credit Scoring for Microfinance*. 2004 <http://www.microfinance.com>
- Schreiner, M. *Poverty Scorecard for the Philippines*. 2009. <http://www.microfinance.com/#Philippines>.

The Future of Job Seekers in China

Dennis Poh Wah Lee, 1st Author,
Business School, Shantou University,
Shantou, CHINA
dennislee@stu.edu.cn

Estelle Shaoman Zheng, 2nd Author,
Business School, Shantou University,
Shantou, CHINA
13smzheng1@stu.edu.cn

Jens Mueller, MNZM, 3rd & Corresponding Author,
Waikato Management School, University of Waikato, Hamilton, NEW ZEALAND
Business School, Shantou University, Shantou, CHINA
Northern Illinois University, College of Business, DeKalb, Illinois, USA
jens.mueller@waikato.ac.nz

Abstract

Nowadays, Gen Y/ Millennials (the young generation) employees have become an important part of enterprise development. Compared with previous generations, this new generation shows higher expectations of work context and participation in management. The aspirations and expectations of the 1990s workforce have shifted. This creates an urgent requirement for employers to understand Gen Y employees. Moreover, globalization and the explosion of new

technologies have led to a situation where new employees must continually upskill themselves to adapt to the fast-changing environment and prepare themselves to match the expectations of businesses. The purpose of the study is to explore Gen Y employees' aspirations and the expectations of businesses and identify the fit and gaps between both sides. A questionnaire survey is conducted among the new generation employees, HRs and CEOs. The findings can inform businesses to create an effective environment to attract and develop Gen Y employees and to harness their talents.

Introduction

In recent years, the social and economic environment has changed dramatically. With the accelerating pace of economic globalization, the intensity of competition among businesses has continually increased. Thus, businesses are focusing on their strategies and developing their core competitive advantages to remain sustainable and succeed. Human resource management has become an important part of the effective development and management of an enterprise for the future.

In the 21st century, Generation Y/ Millennials¹ (the younger generation) employees have become a major factor in enterprise management. In China, they are the first generation to have wide access to higher education domestically and abroad. In the past, if a person had a bachelor's degree, he/she would easily find a good job. But nowadays, previously 'elite' education with Masters/Doctorates from universities within China or worldwide, has evolved into mass

¹ Although definitions vary for the age range of Generation Y and Millennials, there is consensus that the main target group of this paper are defined as both Generation Y and Millennials. (For example, see <https://www.theatlantic.com/national/archive/2014/03/here-is-when-each-generation-begins-and-ends->

education available without any requirements other than a satisfactory under-graduate completion of education. Historically, businesses would look to hiring a prospect candidate with both basic educational achievements and adequate skills, suitable for further development in the workplace.

The number of university graduates in China is rising each year, while the corresponding job opportunities fluctuate with the expansion rate of the economy as a whole. The resulting mismatch of supply and demand in some years also leads to a stricter demand by employers (Xiaobing Zhang, Xin Zou, 2013)². Every year, job search is the most difficult challenge for fresh graduates. Students are keen to know early what specific skills employers value most in different sectors so that they can future-proof their careers. They are anxious about their abilities to develop their career, but often lack the requisite knowledge to plan for succeeding in the most suitable entry-level positions.

As for the employer, attracting and retaining talents have become an important factor of competitiveness for their businesses. With the rising number of Gen Y employees, employers need to keep up with this growing number of qualified and ambitious job applicants to better understand Gen Y employees. This requires new ways to interact with applicants, new structures for skills development and new compensation systems. In order to attract and retain talents, businesses have resorted to use innovative means such as establishing a more flexible talent management mechanism, flatter organization structure, etc. The purpose of the study is to explore Gen Y employees' aspirations and the expectations of businesses, and identify the gaps and fit between both sides. This enables both employers and employees to better understand each

² Xiaobing Zhang, Xin Zou, "University Students' Employability Skills Model Based on Chinese Employer Perspective", Journal of Human Resource and Sustainability Studies, 2013, 1, 29-33

others' expectations and produce a more sustainable match with potential hires' aspirations as to their career development.

Literature Review

A. The Generation Y employees

Due to differing socio-economic backgrounds, each generation of employees have different characteristics, values, behaviors and expectations. In order to understand the generational diversity and improve the competencies of organizations, especially with regards to talent attraction and retention, a lot of research has been offered by domestic and foreign academics. In this paper, we refer to younger generation employees as Generation Y (Gen Y)/ Millennials. Gen Y is a descriptor that is used to identify and label the newest generational cohort entering the workforce (L. Dulin, 2005)³. Gen Y employees have become a significant and growing part of the workforce in China and globally.

Compared with traditional employees, Gen Y Chinese demonstrate characteristics of self-realization orientation and interpersonal harmony orientation. As such they pay great attention to the collective interests and also pursue for self-value (H. C. Xu, Y. Zheng, and X. T. Huang, 2008)⁴. They pursue openness and fairness, dislike traditional hierarchy and are more used to the democratic and consultative mode of communication (Yuhua Xie, Jia Chen, and Peipei Chen, 2014)⁵. They do not like to work overtime and do not want their private time dominated by work requirements. At the same time, they also know how to collaborate with others to complete tasks

³ L. Dulin, "Leadership Preferences of a Generation Y Cohort: A Mixed Method Investigation," Doctoral Dissertation, University of North Texas, 2005.

⁴ H. C. Xu, Y. Zheng, and X. T. Huang, "Research on Chinese young people's life value," Journal of Southwest University (social sciences edition), vol. 52, pp. 35-39, October 2008.

⁵ Yuhua Xie, Jia Chen, and Peipei Chen, "Influence of Organization Cultural Internal Integration Perception on New Generation Employees' Job Satisfaction", Journal of Economics, Business and Management, Vol. 2, No. 2, May 2014.

in a team environment (C. J. Yang, R. Liu and T. R. Li, 2013)⁶. In contrast to the generations of prior employees, Gen Y Chinese employees want individualism and collectivism in a balanced win-win relationship. They do not have preconceived notions about workplace specifics. Rather, they exhibit a set of diverse and broad interests. Their thoughts and actions change quickly based on external factors of influence. In addition, they have a wide variety of important features (Qing Xia, Hongyan Li, 2013)⁷ which differ from those of other employee groups.

B. Employability Skills

When businesses come to college career fairs looking at the available pool of applicants from which to hire the 'best fit' employees, they are in fact looking for a broad set of skills (Doyle, 2011)⁸. Employees are keen to know what skills the respective employers value most and then hope to match their expectation by exhibiting the critically matching skills. So, what then are the most successful skills to secure employment in today's competitive job market? The definition of these employability skills is described differently in the literature. Employability skills can be separated into generic skills (UWA, 1996)⁹ or workplace basic and know-how skills (Hollenbeck, 1994)¹⁰. They may include not only strong technical skills but also soft skills. Soft skills are those skills easily transferable to a variety of industries and sectors, like communication, decision-making, problem solving, and self-management. This contrasts with specific disciplinary, or technical, professional skills (Pat Crawford, Robert Dalton, 2016)¹¹. A practical approach postulated by Hillage and Pollard identifies employability as possessing the

⁶ C. J. Yang, R. Liu and T. R. Li, "Multinational Why Expatriates Back after Leaving Office Frequently? Work- Based Embedding Theory Interpretation," Northeastern University (Social Science Edition), No. 1, 2013, pp. 44- 49.

⁷ Qing Xia, Hongyan Li, "The Incentive Problems Study of the Employees of the New Generation under the Structure of Grade in China", American Journal of Industrial and Business Management, 2013, 3, 715-718

⁸ Doyle, T. (2011). Learner Centered Teaching: Putting the Research in Learning into Practice. Sterling, VA: Stylus Publishing, LLC.

⁹ UWA (The University of Western Australia). (1996). Generic skills survey, Careers Advisory Board, The University of Western Australia.

¹⁰ Hollenbeck, K. (1994). The workplace know-how skills needed to be productive (Technical report). MI: Upjohn Institute for Employment Research. (ERIC Document Reproduction Service No. ED 413 712).

¹¹ Pat Crawford, Robert Dalton, "Providing Built Environment Students with the Necessary Skills for Employment: Finding the Required Soft Skills", Current Urban Studies, 2016, 4, 97-123

capability to obtain and maintain a job that is fulfilling. Furthermore, employability is the capability of individuals in effectively utilizing their knowledge, skills, and attitudes within a particular context to self-sufficiently realize their potential by sustaining their own employment (Hillage, J. and Pollard, E, 1998)¹².

Because of the global shifts in economies, industries and corresponding job requirements,, job security is now much harder to guarantee. Similarly, businesses now rapidly change their competencies to adapt to the changing situation in competitive markets. Understanding the employability skills requirements is now more important for the individuals than before given the opening of labour markets across borders. Facing the complex economic environment and the new networked information society, employers will pay more and more attention to these skills to cope with the changing economic environment (Xiaobing Zhang, Xin Zou, 2013)¹³.

C. Talent Attraction and Retention

Management consulting company McKinsey reported that employers face a “war for talents” in which it is hard for businesses to recruit suitably talented people. Since then, talent attraction and retention has become a hot topic discussed both in the academic literature and practiced in business. It has been claimed to be “more critical than ever to organizational strategic success” and a “fast-gaining top priority for organizations across countries” (Hartmann, et al. 2010)¹⁴. Corporations have learned that, depending on what your business strategy is and what challenges you may face, at any given time you need the right talent to execute that strategy or deal with

¹² Hillage, J. and Pollard, E. (1998) Employability: Developing a Framework for Policy Analysis. Department for Education and Employment, London.

¹³ Xiaobing Zhang, Xin Zou, " University Students' Employability Skills Model Based on Chinese Employer Perspective", Journal of Human Resource and Sustainability Studies, 2013, 1, 29-33

¹⁴ Hartmann, E., Feisel, E. & Schober, H., 2010, Talent management of western MNCs in China: Balancing global integration and local responsiveness, Journal of World Business, 45, 170.

that challenge (Gebelein, 2006)¹⁵. The talent can not only give the high performance but also show the great potential and benefit the organizations for a period of time (Petra, 2009)¹⁶. This presents modern employers in China and globally with unique challenges to proof their workforce for a competitive future.

Research showed that employers aim to get smart, enthusiastic and flexible people on their payroll, even if their existing skills are not an exact match for the roles required. Nurturing talent is a major issue for organizations to attract talents, which means that organizations must have the right training and mentoring plans for employees (Preeti, Shikha, Kapil, Santosh, 2010)¹⁷. And employees are selecting prospective employers with a reflection on the employer brand. Significant clusters of research support the relationship between employer brand and talent attraction and retention (Minchington, 2010)¹⁸. Especially the modern Knowledge Workers prefer a company culture of career growth and innovation, challenging work, pay for performance, which stands for a value-driven organization and company brand. This kind of company is in a better position to easily attract and retain talent (Annelize, Mark, Lucas, 2011)¹⁹.

Research Methodology

This research aims to better understand the new generation employees' career aspiration and the expectation of businesses, and with its conclusions suggest approaches for firms to better match the expectations of employees. The methodology used is literature review and questionnaire

¹⁵ Gebelein, S., 2006, Talent management: Today's HR departments do much more than just hiring and firing. *Personnel decisions international (PDI)*. Minnesota Business Magazine.

¹⁶ Petra Horvathova, "Enterprise: performance and business processes", *Perspectives of Innovations, Economics & Business*, Volume 3, 2009

¹⁷ Preeti Khatri, Shikha Gupta, Kapil Gulati, Santosh Chauhan, "Talent Management in HR", *Journal of Management and Strategy* Vol. 1, No. 1; December 2010

¹⁸ Minchington, B. (2010). *The employer brand manager's handbook*: Torrens: Collective Learning.

¹⁹ Botha, A., Bussin, M., & De Swardt, L. (2011). An employer brand predictive model for talent attraction and retention. *SA Journal of Human Resource Management/SA*, 9(1), Art. #388, 12 pages.

survey- winning with post 90s in China 2015, which was implemented by Generation Leadership Academy. The survey has been conducted with two different samples, each representing employers and undergraduate student employment aspirants. A total of 6,200 valid questionnaires were collected from university students and 500 from young professionals. 95% of these respondees are born after 1990. Graduates from top-ranked schools represent more than 40% of the sample. The sample includes responses from 32 Chinese provinces and cities including the regions of Hong Kong, Macao, Taiwan (only excluding Qinghai, Tibet). From the employer perspective, more than 60 Human Resources executives and more than 10 CEOs completed the survey. Most the employers are representing Multinational Corporation.

I. Research Findings

A. The New Generation Employees

1. The View on Gen Y

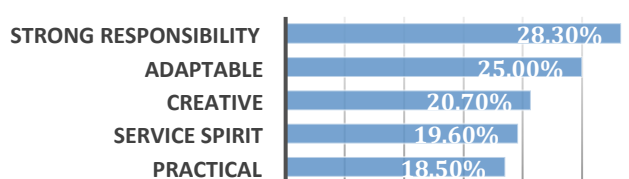
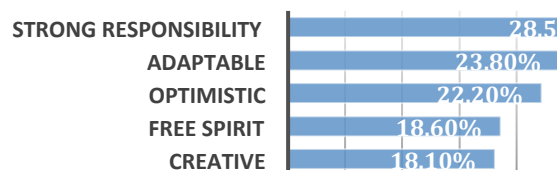


Figure 1. Top Five Words Chosen by University Students for Self-Description Figure 2. Top Five Words Chosen by Gen Y in Workplace for Self-Description

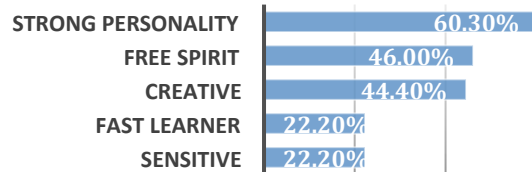


Figure 3. Top Five Words Chosen by HRs to Describe Gen Y
Five Words Chosen by CEOs to Describe Gen Y

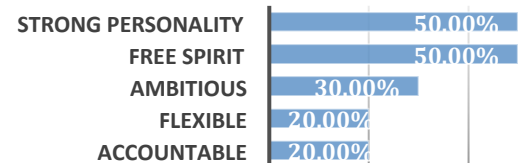


Figure 4. Top

Gen Y's Self-evaluation: Most of the Gen Y did not identify themselves with "sensitive", "fashion", "high profile", and "idealized". Instead, they associated with terms such as "strong responsibility", "optimistic", "free spirit", "creative", "practical" and "ambitious". The responses suggest that Gen Y members were not averse to effective work contributions but they desired to chase their dream in their own way.

The different views on Gen Y from university students and Gen Y in workplace: Gen Y already workplace value more focus on "practical" instead of "optimistic" while university students selected different drivers, suggesting that when the 90s generation become employees, they will likely be more rational and mature when dealing with the problems that they encounter.

The different views on Gen Y from Gen Y and employers: The employers preferred to describe Gen Y with "strong personality", "free spirit". More than half of Human Resource executives and CEOs described this group as being as demonstrating a "strong personality", but only 10% of the 90s students used this term to describe themselves. More than 20% Human Resource executives chose "sensitive", but the 90s students disagreed quite strongly. 30% of CEOs believed that Gen Y are very "flexible" while Gen Y did not label themselves in the same way.

The employers did not even mention attributes such as “strong responsibilities”, “adaptable”, which the Gen Y students considered as important qualities.

The same views on Gen Y from Gen Y and employers: More than 20% of CEOs chose “creative” to describe Gen Y, which was the only one term that was chosen by Human Resource executives, Gen Y students and Gen Y in the workplace. Objectively, Gen Y grew up in an environment where more people can access higher education and the therefore gain greater skills. Thus, they are ready for trying new things or changing.

2. Clarity of Career Development

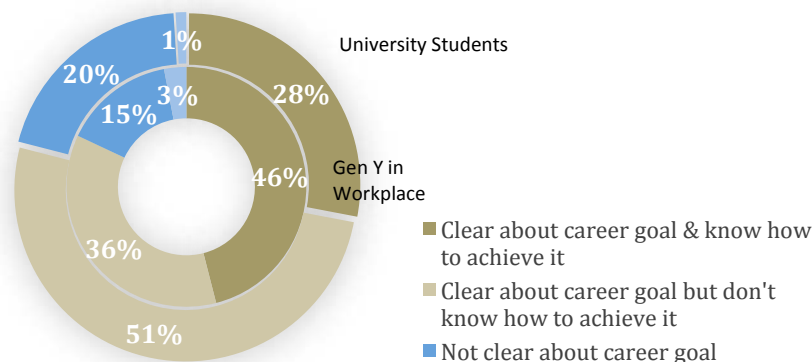


Figure 5. Clarity of Career Development for Gen Y

Nearly 80% of Gen Y stated that they knew exactly what their career development goals are. They believed they perfectly understood the power and resources they possessed. Nearly half of the students who are already in the workplace believed that they knew exactly how to achieve their goals. This trend shows that the future competition for employment will be fought among well-equipped Gen Y students with plans of how to position themselves in the workplace. Only

an insignificant number of students chose “never occurred to me”, suggesting that they are not yet aware of the competition requirements in their prospective workplaces.

3. People Who Will Affect Gen Y’s Decision of Career Choice

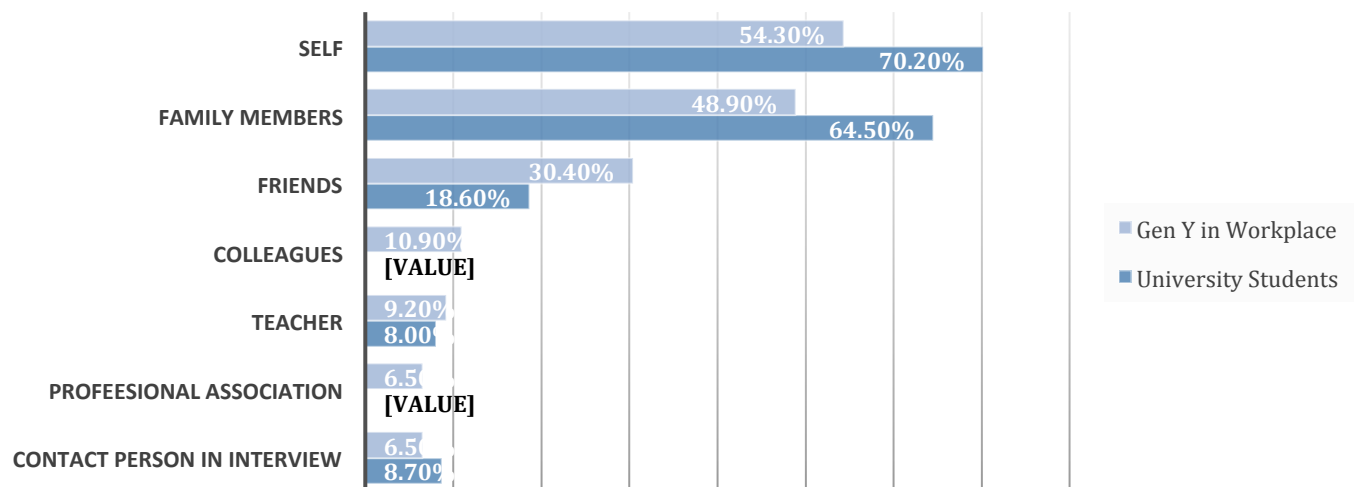


Figure 6. People Who Will Affect Gen Y’s Decision

Gen Y place value on the suggestions from families. They will also take friends’ suggestions into consideration. This evidences that Gen Y students think with some traditional values and attitudes. Sometimes, suggestions from family and friends include stereotypical emotive content that may not be calibrated to the modern work environment. This suggests opportunities to offer career counseling and coaching as additional pathways to distribute knowledge to Gen Y students about choices of their future employment strategies.

4. Nature of Enterprise Gen Y's Preferred

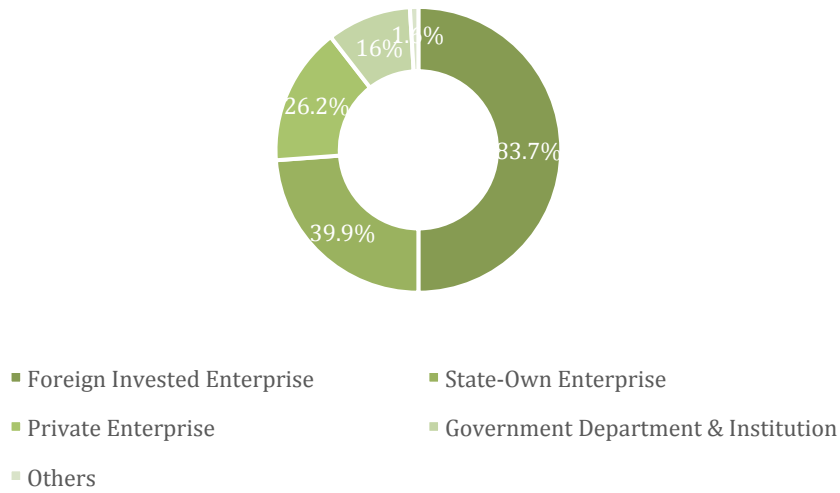


Figure 7. Nature of Enterprise Gen Y's Preferred

Gen Y students most often chose foreign companies as preferred employers. The previously often expressed attractiveness of government and SOEs is declining.

Compared with students' ideal employer, the actual employers for alumni are quite equally distributed among Foreign Invested, SOEs, and Private Chinese firms. The attractiveness of Private Chinese companies is improving for young professionals because these people already had some working experience and they want to get more experience for starting their own business.

B. Employability

1. Employers Value Most When Hiring

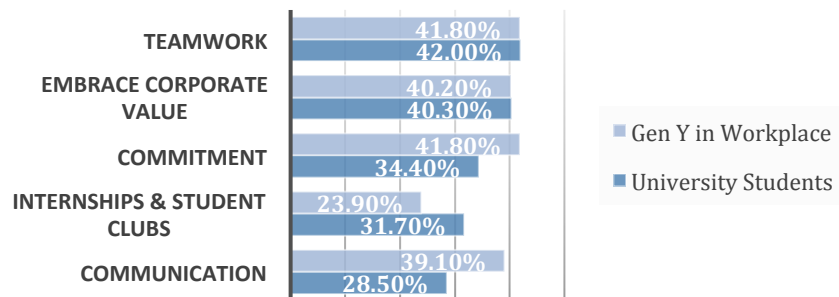


Figure 8. Top 5 Qualities Gen Y Thought Would be Valued Most by Employers

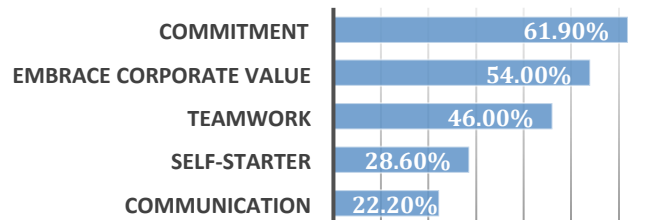


Figure 9. Top 5 Qualities HRs Would Value Most When Hiring Candidates

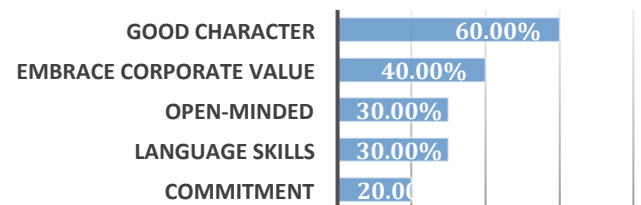


Figure 10. Top 5 Qualities CEOs Would Value Most When Hiring Candidates

The opinions about what employers would value most when hiring from Gen Y and HRs: Both 90s students and employers agreed that the attributes “commitment” and “embrace corporate value” are important for successful interviewees. Human Resource executives and Gen Y almost had the same opinion on which qualities were valued most by employers. Gen Y believed that the experience in internship and student clubs would be highly valued by the employers and they

truly invested effort to excel in these activities. However, the employers considered the same terms in a slightly different context. Employers will attach more importance on what was learned as a result of focus on these attributes, rather than the abilities itself. This suggests that the learning experiences need to be deepened and enriched before students are ready to successfully interview for jobs.

The opinions about what employers would value most when hiring from CEOs: CEOs will focus predominantly on personal traits such as “Good Character” and embracing “Corporate Values”. They focused on several additional attributes which were absent from the Gen Y list of features: Open-minded, language skills, good character and self-starter.

To summarize, though the ranking of importance shows different priorities between Gen Y students and employers, they both agreed on the common views on “embrace corporate value”, “commitment”, “teamwork” and “communication”. The 6th-ranked attribute by Gen Y students is “top school”, but employer ranked this feature quite low. This suggests that although many companies have list of target schools from which they might consider candidates preferentially, the emerging trend is to focus on candidates’ skills regardless of their university’s standing and reputation.

2. The Key Skills Developed Through Enactus Match with the Skills that Employers Seek for from Potential Talents

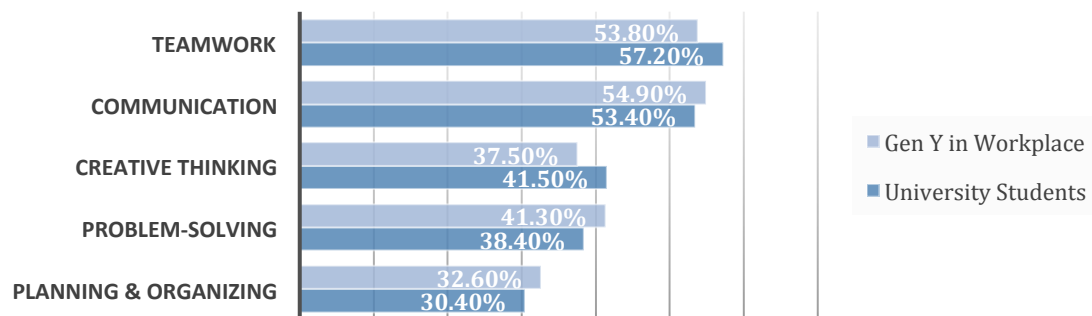


Figure 11. Top 5 Skills Developed in Enactus Programs

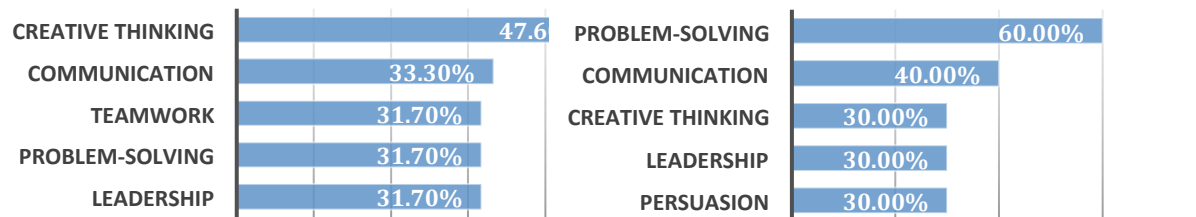


Figure 12. Top 5 Skills HRs Sought for from Potential Talents

Figure 13. Top 5 Skills CEOs Sought for from Potential Talents

University-based activities such as “Enactus” endeavor to develop students skills in the areas of: “teamwork”, “creative”, “problem-solving” and “communication skills”, which were highly valued by employers as well. This suggests that such activities, i.e. Enactus, might improve Gen Y’s employability and future career success on the basis of a better match between developed

skills and employer requirements. Where practically relevant experiences are developed during university learning, Gen Y will likely be able to interview more successfully than where learnings are focused purely on academic parameters.

The ranking of importance is different between employers and Gen Y students. Human Resource executives valued creativity as one of the most important factors, and CEOs valued “problem-solving” the most important. Compared with Gen Y students and Human Resource executives, CEOs’ expectations were more explicit and result-oriented. Both Human Resource executives and CEOs valued “leadership”.

Talent Attraction and Retention

1. Motivation

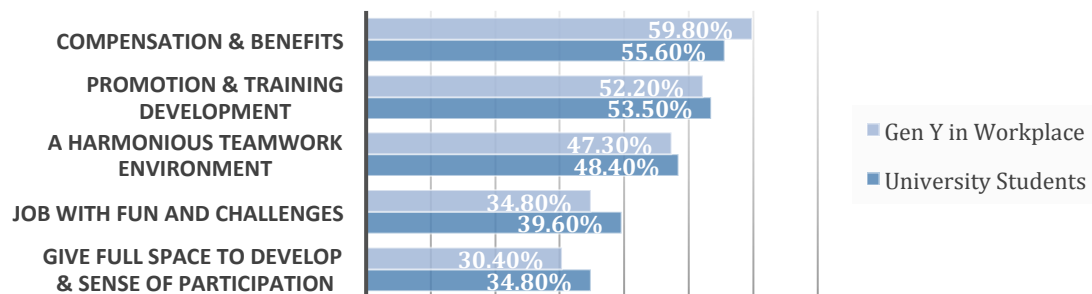


Figure 14. Top 5 Things to Motivate Gen Y- Chosen by Gen Y

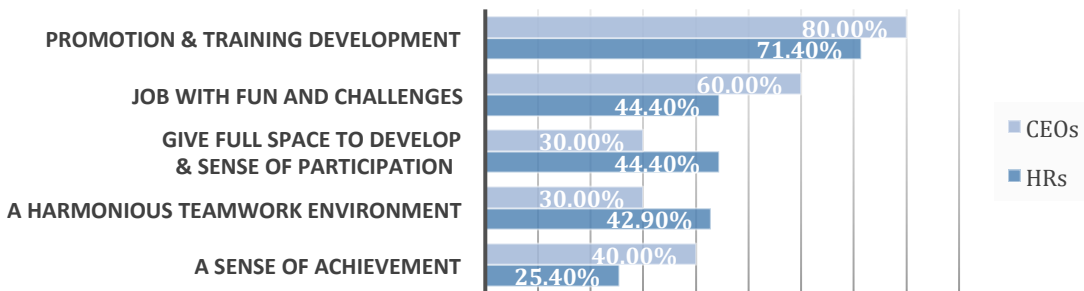


Figure 15. Top 5 Things to Motivate Gen Y- Chosen by Employers

Gen Y students chose “compensation and benefits” as the most important feature in an employment setting, followed by “promotion and training”, “harmonious team environment”, and “job with fun and challenges”. Even when students were facing a hard time in finding a job, they did not lower their expectation as to salary. It suggests that there are well-entrenched beliefs as to self-value together with a realization of the rising cost of living. We propose that they can attempt to achieve financial independence, even when they are supported by a resource-rich family. Not surprisingly, employers did not indicate that “compensation and benefits” was the primary concern.

Gen Y students did not choose the “a sense of achievement” that was mentioned prominently by employers. It reflects that Gen Y will place more emphasis on the work itself rather than achieving specific outcomes. In contrast to achieving an effective relationship with their managers, they believe their relationships with peers are more important.

2. Favorite Corporate Culture

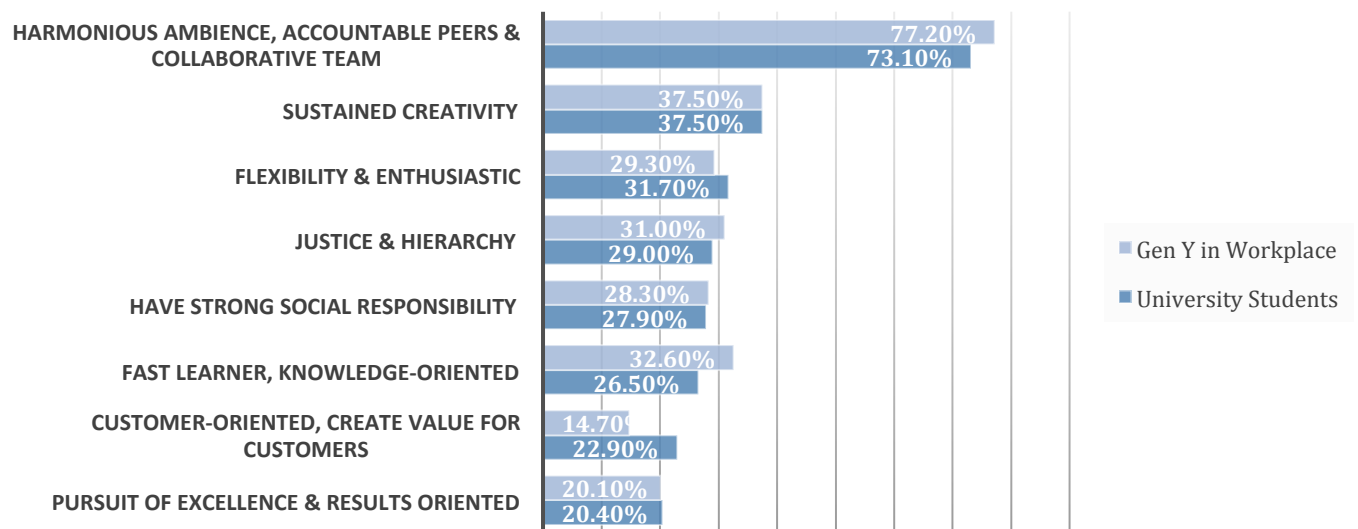


Figure 16. Gen Y's Favorite Corporate Culture

More than 70% of Gen Y students chose “harmonious atmosphere, accountable peers and collaborative team” as their favorite corporate culture features. They are looking forward to establishing classmates or peer-to-peer team relationships. They’d prefer to be part of a team. And nearly 40% of Gen Y students chose “sustained creativity” for favorite corporate culture, showing that Gen Y feel more comfortable in a more creative working environment. Stable work has gradually lost attractiveness to young workers because the passion will be easily drained away without creativity. The “result-oriented” attribute ranked in the bottom of the list which reflects that Gen Y prefer to improve themselves through a supportive environment instead of working in a result-driven company.

3. Ultimate Career Goal

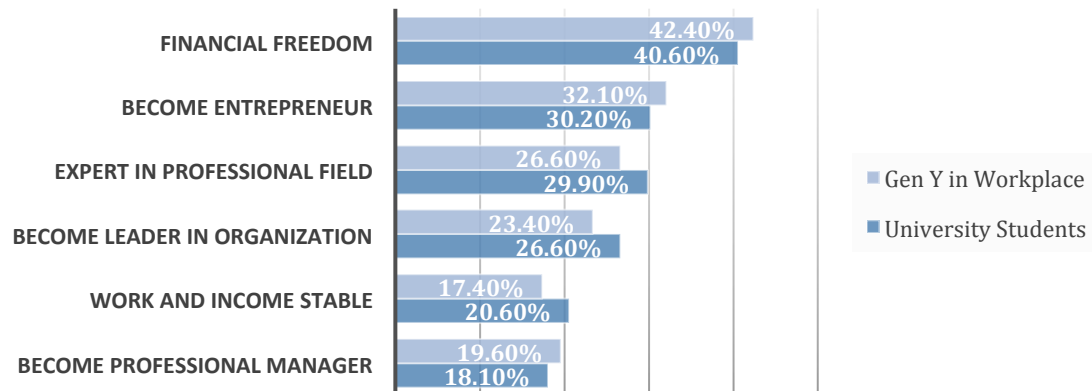


Figure 17. Gen Y's Ultimate Career Goal

Gen Y ranked “financial freedom” No.1 as their ultimate career goal. Almost at the same level of choice as entrepreneurs is to become expert in one particular professional field. Except as “entrepreneurs” and “professional expert”, Gen Y chose “leaders”, “middle or high level managers” and “stable income and work” quite equally.

Nearly 30% of Gen Y students chose to become an entrepreneur as ultimate career goal. This is a way to realize self-value. People who had working experience would like to prove their value in a way which is within their control. This suggests that the government's encouragement of startup activities will resonate well with this group. This political support may well boost the Gen Y's confidence to start their own business.

4. The Boss that Gen Y Prefer to Work with

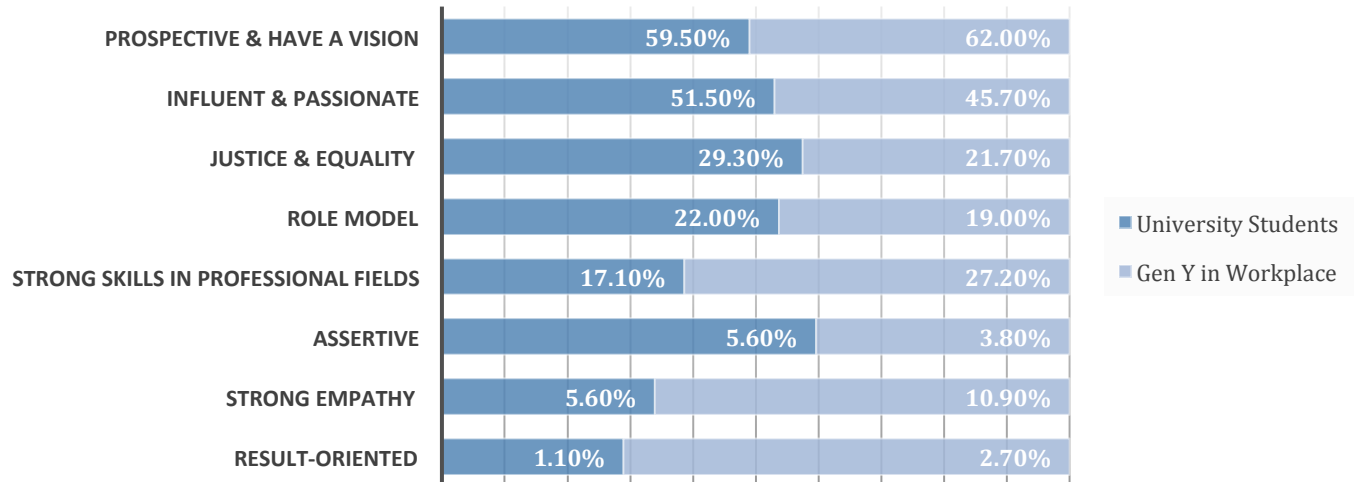


Figure 18. The Boss that Gen Y Would like to Work with

More than half of Gen Y students appreciated these attributes: Influential and passionate, prospective and have a vision. On the contrary, Gen Y students did not place a heavy emphasis on “assertive”, “strong empathy”, “result-oriented”. They show great tolerance and are willing to work together for a better future. In the internet age, the manager who is a good storyteller and passionate about life will be more attractive to young workers. Gen Y will prefer leadership to directive authority. They exhibit a very high expectation as to their managers’ professional skills, suggesting that Gen Y students place value on learning additional knowledge and skills. They also believed that the leaders should be role models.

5. Communication Way at Work

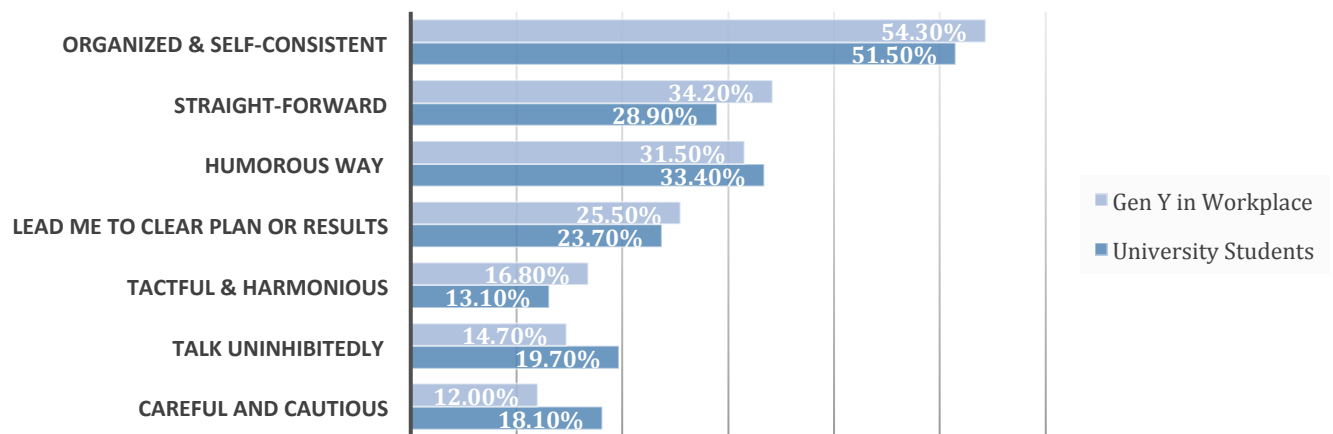


Figure 19. Communication Way Gen Y Preferred at Work

Gen Y hope the communication style is well-organized, straight forward and result-oriented. It will enable them to understand the work expectations and achieve the desired outcome. Gen Y wish they can be treated in a fair when communicate with others. Gen Y students reported a dislike of “casualness” in the workplace. They expect that communication should be clear and directive. More importantly, feedback should be timely. Gen Y grew up in the “entertaining” environment from internet, so even in working environment they are willing to tolerate some humour.

6. The Effective Way to Manage Gen Y

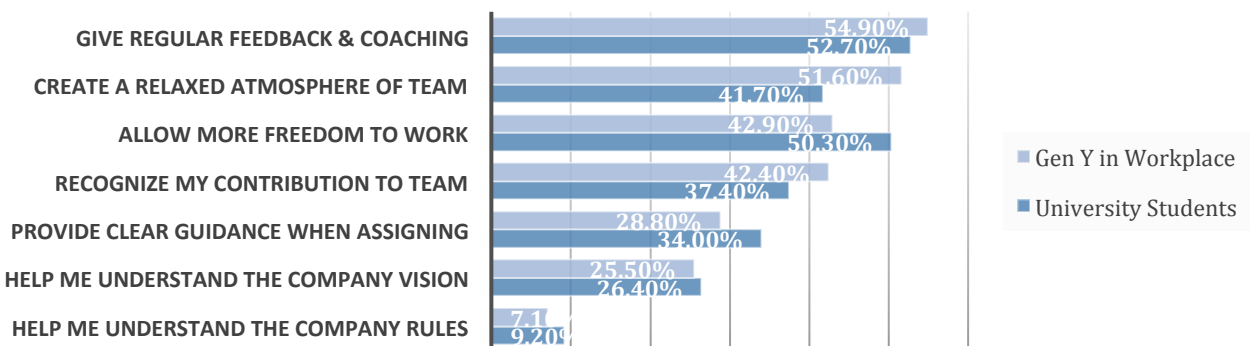


Figure 20. The Effective Way to Manage Gen Y

More than 50% Gen Y students described that “giving regular feedback and coaching” and “creating a relaxed atmosphere of the team” as effective and preferred ways of management. More than 40% Gen Y student chose “allow more freedom” and “recognize my contribution to the team” as desirable. They are tolerant to experiencing supervision and coaching in the workplace because they are used to the ways that teachers and parents treat them. We suggest that with trust, coaching, support and encouragements, Gen Y will perform well. Drawing this out further into the future we posit that Gen Y workers will reform the way management operates in the future: From assignment commitment to nature commitment.

Conclusion and Implication

Based on the previous findings, we suggest that employers’ and students’ expectations as to the workplace environment and manager leadership do not match perfectly. We suggest that our findings allow students and employers to alter their expectations for a better fit:

More freedom to Gen Y employees and more trust to complete tasks

More than half of employers used “strong personality” and “free spirit” to describe Gen Y students while only 10% of Gen Y students agreed that they have strong personalities. “Free spirit” was selected by some university students while Gen Y in workplace didn’t self-identify with this term. We suggest that this confirms a process by which Gen Y mature after they enter the workplace. They will increasingly recognize the systems and structures of their employer. Although they are the generation that grew up in a peaceful environment with many choices to develop their lives, they realize the necessity of being accountable to performance requirements. Gen Y students used “strong responsibility” and “adaptable” to describe themselves but employer did not agree with these two descriptors to the same extent.. We suggest that employers might well be influenced by some stereotypical and anecdotal descriptions of traits for this Gen Y group and believe that Gen Y employees may not be as responsible as the previous generations. These perceptions might be supported by literature showing that Gen Y’s level of commitment to the organization is lower than previous generation (刘红霞, 2010)²⁰. By contrast we show that Gen Y students exhibit a significant sense of responsibility for their own tasks and their company’s wellbeing. They are not afraid to accept responsibility. Our data affirms that when employers trust them and give them challenging tasks, they will perform their best with their creativity.

Create a new working environment for the working main force- Gen Y

We suggest that Gen Y students prefer a working environment similar to what they experienced at their universities. Most of Gen Y spend more than 15 years in educational environments. They

²⁰ 刘红霞. “80 后”与“80 前”员工组织承诺的比较研究[J]. 中国青年研究, 2010(5):69-73.

are used to this education environment. They want to establish classmates or peer-to-peer team relationships with their colleagues, while getting along with a manager who is more like their teachers were and gives them continuous guidance to complete their tasks. Gen Y students indicated their preference for a manager who is influential and passionate, prospective and has a vision, at the same time talks to them in an concise and humorous way, ne of the five behavioral attributes previously reported to be exhibited by a charismatic leader (Conger & Kanungo, 1998)²¹. What's more, for Gen Y, sustained creativity is very important. They are willing to accept changes. Compared to previous generation, Gen Y do not prefer stability when considering a future employment. They want a flat organizational structure where they can express their opinions easily and exert their talents to create more values for the company. But they are not result-oriented. For them, process of working is more important that outcomes. When we asked Gen Y what nature of company they preferred, 83.7% of Gen Y chose foreign companies. We suggest that Gen Y students believe that the working environment in foreign-owned companies is more to their liking. In order to attract and retain talents, employers should consider creating new management approaches that reflect on these preferences. To the extent that foreign-operated firms can deliver such work environments, local firms might well be able to learn from these approaches.

Provide professional career planning guidance for Gen Y

Gen Y thought they are accountable but employers did not support this self-descriptor..

According to the data from multiple recruitment sites, the turnover rate of the new generation employees in China is more than 60%, and thus unsustainably high. Even more significant,

²¹ Jay A. Conger, Rabindra N. Kanungo, "Charismatic leadership in organizations", Sage Publications, 1998

nearly 30% of the staff change employment more than 5 times in a year (Yang R.F, 2016)²². We believe our survey data gives the answer why employers and Gen Y employees might become so incompatible in some situations. Gen Y students hope to find their ideal jobs. They want to do exact what they want to do. When the working environment is not to their liking, they will quickly choose another employer. Gen Y also may well over-estimate their value as fresh graduates in terms of achieving their desired high salary (Chung-Khain Wye, Yet-Mee Lim, 2009)²³. The high turnover rate shows that Gen Y may not be clear about their career plans and the ways to achieve their career goals. Our research findings suggest that more than half of Gen Y know their career goals but don't know how to achieve it. This situation changed after Gen Y entered into workplace. When Gen Y students are unclear as to their career aspirations, they prefer opinions from parents and friends. Only few of Gen Y students would seek advice externally. We suggest support for Gen Y's career planning from society could be strengthened. Employers could help Gen Y students with the guidance as to career planning and employee assistance programs.

We report an overall mismatch between Gen Y students and employers in expectations as to workplace environment and performance.. Further research could clarify some related questions like the achievement of better employability skills and knowledge by universities. Gen Y students face a more competitive world as the number of undergraduates increase with fewer jobs available. This requires more effective preparation to remain competitive in the job market.

²² Yang, R.F. (2016), "Research on Tendency and Behavior of the New Generation Employees Turnover", *Journal of Human Resource and Sustainability Studies*, 4, 325-336.

²³ Chung-Khain Wye, Yet-Mee Lim (2009), "Perception Differential between Employers and Undergraduates on the Importance of Employability Skills", *International education studies*, Vol.2, No.1



Limitations

The valid sample of the survey comes from 32 provinces and cities includes region of Hong Kong, Macao, Taiwan (except Qinghai, Tibet). The distribution of questionnaires did not equally in every cities and provinces. More of Gen Y got the higher education in this survey. Thus, the survey cannot represent the whole Gen Y's opinion.

The sample size of HRs and CEOs is not enough. The more great the sample size is, the more accurate the result will be.

References

- [1]. Xiaobing Zhang, Xin Zou, "University Students' Employability Skills Model Based on Chinese Employer Perspective", *Journal of Human Resource and Sustainability Studies*, 2013, 1, 29-33
- [2]. L. Dulin, "Leadership Preferences of a Generation Y Cohort: A Mixed Method Investigation," Doctoral Dissertation, University of North Texas, 2005.
- [3]. H. C. Xu, Y. Zheng, and X. T. Huang, "Research on Chinese young people's life value," *Journal of Southwest University (social sciences edition)*, vol. 52, pp. 35-39, October 2008.
- [4]. Yuhua Xie, Jia Chen, and Peipei Chen, "Influence of Organization Cultural Internal Integration Perception on New Generation Employees' Job Satisfaction", *Journal of Economics, Business and Management*, Vol. 2, No. 2, May 2014.
- [5]. J. Yang, R. Liu and T. R. Li, "Multinational Why Expatriates Back after Leaving Office Frequently? Work- Based Embedding Theory Interpretation," *Northeastern University (Social Science Edition)*, No. 1, 2013, pp. 44- 49.
- [6]. Qing Xia, Hongyan Li, "The Incentive Problems Study of the Employees of the New Generation under the Structure of Grade in China", *American Journal of Industrial and Business Management*, 2013, 3, 715-718
- [7]. Doyle, T. (2011). *Learner Centered Teaching: Putting the Research in Learning into Practice*. Sterling, VA: Stylus Publishing, LLC.
- [8]. UWA (The University of Western Australia). (1996). *Generic skills survey*, Careers Advisory Board, The University of Western Australia.
- [9]. Hollenbeck, K. (1994). *The workplace know-how skills needed to be productive* (Technical report). MI: Upjohn Institute for Employment Research. (ERIC Document Reproduction Service No. ED 413 712).
- [10]. Hillage, J. and Pollard, E. (1998) *Employability: Developing a Framework for Policy Analysis*. Department for Education and Employment, London.
- [11]. Pat Crawford, Robert Dalton, "Providing Built Environment Students with the Necessary Skills for Employment: Finding the Required Soft Skills", *Current Urban Studies*, 2016, 4, 97-123
- [12]. Xiaobing Zhang, Xin Zou, "University Students' Employability Skills Model Based on Chinese Employer Perspective", *Journal of Human Resource and Sustainability Studies*, 2013, 1, 29-33
- [13]. Hartmann, E., Feisel, E. & Schober, H., 2010, *Talent management of western MNCs in China: Balancing global integration and local responsiveness*, *Journal of World Business*, 45, 170.
- [14]. Gebelein, S., 2006, *Talent management: Today's HR departments do much more than just hiring and firing*. *Personnel decisions international (PDI)*. Minnesota Business Magazine.

- [16]. Petra Horvathova, “Enterprise: performance and business processes”, Perspectives of Innovations, Economics & Business, Volume 3, 2009
- [17]. Preeti Khatri, Shikha Gupta, Kapil Gulati, Santosh Chauhan, “Talent Management in HR”, Journal of Management and Strategy Vol. 1, No. 1; December 2010
- [18]. Minchington, B. (2010). The employer brand manager’s handbook: Torrensville: Collective Learning.
- [19]. Botha, A., Bussin, M., & De Swardt, L. (2011). An employer brand predictive model for talent attraction and retention. SA Journal of Human Resource Management/SA, 9(1), Art. #388, 12 pages.
- [20]. 刘红霞. “80 后”与“80 前”员工组织承诺的比较研究[J]. 中国青年研究, 2010(5):69-73.
- [21]. Jay A. Conger, Rabindra N. Kanungo, “Charismatic leadership in organizations”, Sage Publications, 1998
- [22]. Yang, R.F. (2016), “Research on Tendency and Behavior of the New Generation Employees Turnover”, Journal of Human Resource and Sustainability Studies, 4, 325-336.
- [23]. Chung-Khain Wye, Yet-Mee Lim (2009), “Perception Differential between Employers and Undergraduates on the Importance of Employability Skills”, International education studies, Vol.2, No.1.

Evaluating Selected Aspects Of Economic Growth Push Factors As Experienced By Prospective Entrepreneurs: The Case Of The Democratic Republic Of Congo

David Mukuna Kashala
Cape Peninsula University of Technology, Cape Town, South Africa
davekashala13@gmail.com

Larry E. Jowah
Cape Peninsula University of Technology, Cape Town, South Africa
jowahl@cput.ac.za

ABSTRACT

The economic history of the DRC comprehends countless sobering inheritances: slavery, a rubber-driven killing, and, currently, a mineral resources powered war upheld by internal as well external vandals. To each shocking period has left the regime weakened, the citizens downhearted, and the confidence for a wealthy future miserable. Global institutions, such as the United Nations, World Bank, and International Monetary Fund, have tried to take along

peacetime, inspire progress, and shape groundwork. Yet, development has frequently been unmaintainable, and aid has concentrated mainly on exact humanitarian reasons.

For the time being, the persistent need of the DRC is to steady its resource and manufacture subdivisions over and done with ability progress that is, the training of a extremely technical and scientifically expert crew that can efficiently achieve resources and upturn making as required.

1. INTRODUCTION

Comprehensive supremacy is measured by one of the most critical mechanisms of economic expansion (Nye, 2009). Good governance point toward organization of a country's wealth and businesses in a way that is exposed, responsible, fair, and quick to respond to the present and future requirements of society (Fukuyama, 2011). The practice of this political power, trade and industry, and managerial is intended to ease a procedure from end to end which citizens and collections can clear their welfares, come across their duties, keep fit their legal rights, and arbitrate changes (Brock, Raby & Thomas, 2012).

To breakdown from the DRC's past forms of deprived domination, a strong and real dream for the country's forthcoming must be expressed. Suitable metrics must be notorious, and reformative governance must develop part of the dissertation (Rotberg, 2010). A preliminary point for the DRC could include all investors functioning on the road to a nonviolent, governmentally steady, and cautiously flourishing DRC, demanding a designed and exciting economic structure. When united, the main beliefs of constancy and opulence can equally strengthen one another and confirm sustained expansion, but this rest on a governance that adopts honesty, justice, goodwill, ruling, standards, conscience, and meritocracy, while being obviously dedicated to proceeding the regulation of law, community trust, global collaboration, and legality (Shah, 2005).

1.1. Government economic policy

The war has radically condensed national production and regime proceeds, and amplified exterior dues. External corporate households have reduced processes due to an ambiguous air, non-existence of structure, and a non-conducive and hard slog setting. There has been a proliferation in joblessness (Leitner; Peck & Sheppard, 2007). A country opulent in natural resources has turn out to be one of the slightest industrialised countries. The groundwork in terms of motorway compactness, electrification and water source rests deprived. It is tough for the DRC to boost overseas line of work because of the obstructions of rule (Bhargava, 2006).

1.2. Industrial policy

The building of the DRC economy and the geopolitics bring about certain complications so intertwined, there is no one stop solution to the problems of the country. The country continues to be affected by other historic factors coming from colonialism and complicated by the western powers' impact on the structure during the cold war. The paper evaluates selected aspects of the current structure with an emphasis on government policy as it relates to entrepreneurship. It is established in research that entrepreneurship is a job-creating machinery (Koltai & Muspratt, 2016) that results in economic growth (Seck, 2015) and poverty reduction (Sharif, 2016). The Asian Tigers are a typical example of the effect of entrepreneurship on economic growth (Weiss, 2016) and poverty eradication through the creation of jobs and the subsequent improvement on the standard of living of the community and the country at large.

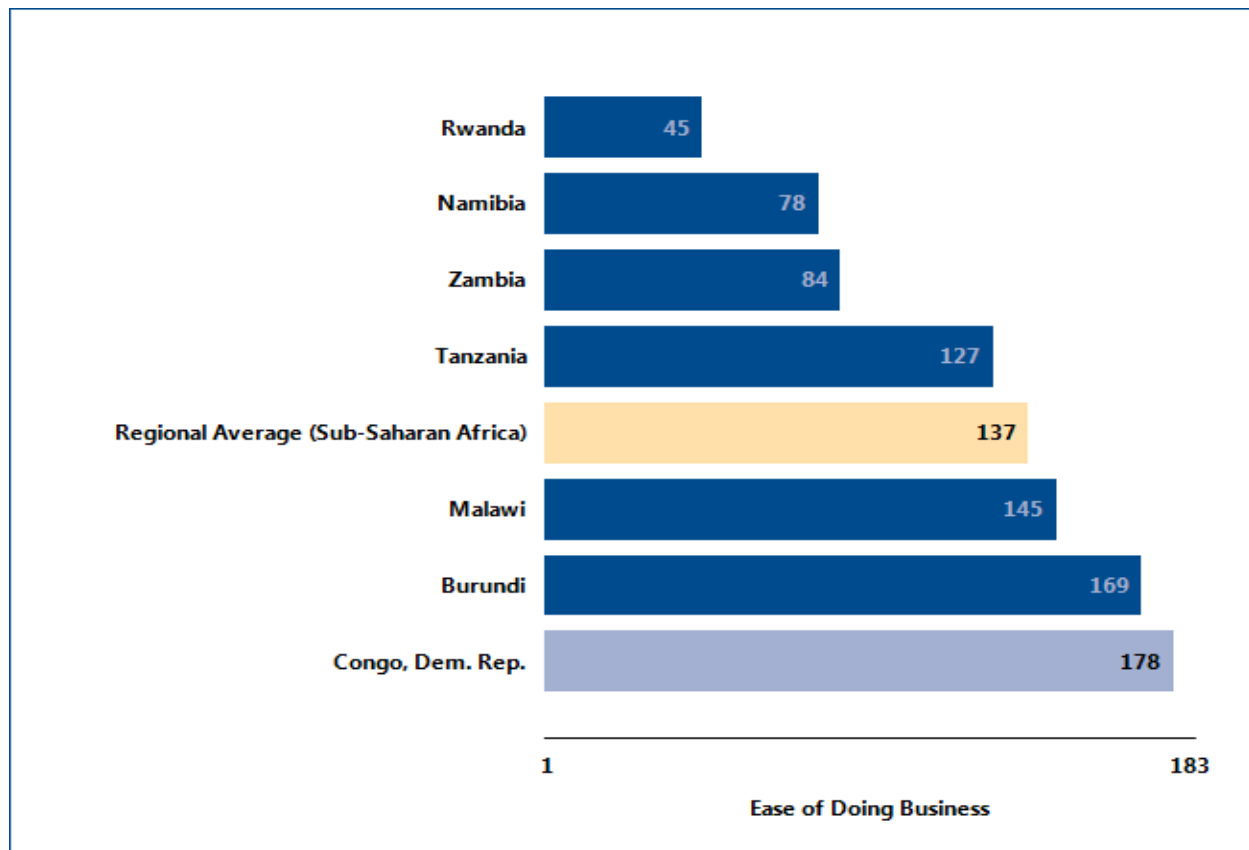
2. BACKGROUND

Sundararajan (2016) posits that for policy architects vexing to recover their economy's monitoring setting for commercial, a decent room to start is to discover how it links with the

controlling setting in other frugalities. Undertaking corporate delivers an amassed ranking on the ease of doing business founded on pointer circles that size and level rules spread over to national small to medium-size businesses over and done with their life sequence. Frugalities are classified from 1 to 183 by the easiness of deed commercial table. For each frugality the key is designed as the position on the modest normal of its percentile positions on each of the ten themes comprised in the catalogue in deed corporate 2012: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency (World Bank, 2012). The grade on each theme is the modest regular of the percentile positions on its factor pointers.

The cumulative place on the easiness of deed corporate standards each frugality's presentation on the pointers against that of all other frugalities in the deed corporate model (figure 1). Though this position expresses much about the commercial atmosphere in a frugality, it does not articulate the complete story. The position on the simplicity of deed corporate, and the fundamental pointers, do not quantity all sides of the trade situation that matter to businesses and venture capitalist or that distress the attractiveness of the frugality. Motionless, a great grade does mean that the regime has shaped a controlling setting favorable to functioning a trade as indicated in figure 1 below.

Figure 1. How Congo, Dem. Rep. and comparator economies rank on the ease of doing business



SOURCE: Doing Business Database, 2012

As revealed in Figure 1, Rwanda is ranked 45 out of 183, one of the reckless rising economies in Central Africa (Crisafulli & Redmond, 2012), Rwanda scored up GDP growing of around 8%

per year between 2001 and 2014. The International Monetary Fund believes the frugality to sluggish down this year and collect in 2018, predicting nearby 6% progress in 2016 linked with 6.9% previous year. The IMF understood Rwanda's development in 2015 was motivated by building, facilities, farming and industrial, but drawing out exports have reduced. The country condensed the fraction of publics existing under the deficiency mark from 57% in 2005 to 45% in 2010. Regardless of this, 63% of the populace motionless dwell in life-threatening deficiency, demarcated by the World Bank as a lesser amount of \$1.25 a day (World Economic Forum, 2016).

Namibia 78 out 183, Namibia has relished a nonstop era of robust development. Between 2010 and 2014, the frugality produced at an ordinary once yearly frequency of 5.6%. Development was determined by huge asset in extractive ventures, robust spread values, fast secluded praise growing, and a package of shortfall bankrolled economic motivation. Comparatively durable financial progress has not been satisfactory to cope with deficiency, disparity, and joblessness (World Bank, 2012). Expending the universal scarcity outlines, 19.7% of the populace survived below \$1.90 a day in 2015 linked to 21.9% in 2010. In 2015, 42.9% survived under the \$3.10 per day scarcity mark, linked to 45.1% in 2010. Namibia rests one of the greatest unsatisfactory countries in the world, with a Gini coefficient of 0.597.

Zambia 84 out of 183, Zambia's frugality has emanated under pressure in 2015 and 2016 as exterior breezes and national forces have increased. Gross domestic product (GDP) progress reduced to 2.8% in 2015 from 4.9% in 2014 (World Bank, 2016). The exterior breezes comprise sluggish local and worldwide development, which have condensed international copper values. National forces embrace a supremacy disaster from mid-2016 to early-2016, affecting all segments of the frugality, replication of economic shortfalls that have pondered on shareholder

assurance, and condensed farming profits and amplified foodstuff values in 2015. The World Bank estimates that progress will continue at 2.9% in 2016, before refining in 2017 (4%) and 2018 (4.2%) as the supremacy circumstances recovers together with advanced healthier from both the farming and excavating areas.

Tanzania 127 out of 183, Gross domestic production (GDP) growing continued robust at 7% in 2015 due to improved community ingesting with escalating building, communication, monetary facilities and excavating segments. While tourism is the highest overseas interchange wage earner, farming, a backbone of about 70% of family unit, has sustained to support gentler development. Price rises, at 6.5% in January 2016 due to upper national nutrition values and protected belongings of the Tanzanian shilling's devaluation, weakened to 4.9% in August 2016. Economic guiding principle organization rests a test outstanding to vast savings, determined but viable national proceeds marks, weakening assistance movements, and instable international monetary markets (World Bank, 2016).

Regional Average (Sub-Saharan Africa) 137 out of 183, Malawi 145 out of 183, Actual gross domestic product (GDP) produced by 5.7% in 2014 but reduced to 2.8% in 2015 as Malawi hurt from double tests of opposing meteorological conditions and macroeconomic variability.

Submerging in southern regions tracked by nationwide lack circumstances saw a reduction in farming manufacture. Maize, the main harvest for foodstuff safety drives, saw a 30.2% yearly droplet in fabrication. As a consequence, a projected 2.8 million publics (17% of the populace) are powerless to come across their 2015/16 nutrition necessities (Gordimer, 2012).

Burundi 169 out of 183 According to the Economic Intelligence Unit (EIU), farming is the major donor to Burundi's frugality, creating a backing 40% of the country's gross domestic product (GDP) and provide work for over and above 80% of Burundians. The EIU records that political disturbance will damagingly touch the subdivision's progress in 2016 but refining security

settings in 2017 could bring about an upsurge Burundi's general farming production. The EIU expects manufacturing development in Burundi to be reinforced by nickel fabrication at the Musongati mine but weakened by cuts in contributor assistance that will decrease building action meanwhile numerous of the country's substructure schemes are reliant on overseas assistance. Democratic Republic of Congo 178 out of 183. Afterward a financial collapse in 2009 that carried the growing frequency down to 2.8% due to the worldwide monetary disaster, the DRC sent an annual report typical financial progression ratio of 7.7% through the 2010-2015 retro, which are well over head the usual in Sub-Saharan Africa. Nevertheless, the worldwide financial go-slow with the weakening in the request and value for natural resources and national political insecurity have occupied their tax on the frugality in the last quarter of 2015 and the first half of 2016. The regime has lately reviewed the development estimations descending for 2016 to 4.3%. Upholding a preventive regulatory guiding principle and economic self-control is serious to covering price rises under the 5% objective. The circumstances give the impression to be worsening in 2016, and data accessible for the first few months of the year display price rises accelerating to 2.2%, the interchange ratio run down to 990 CDF per US dollar, and assets decreasing to 4.5 weeks of imports (World Bank, 2016).

3. **PROBLEM STATEMENT**

The success of any economy is a function of a combination of many factors strategically and proportionately put together. The ability of the Asian Tigers to move from extreme poverty to the intermediate development stage in less than half the time it took Europe to reach these levels has become a focus for many researchers. Economic growth and development of any country is closely tied to the ability of a country to develop and nurture entrepreneurs. The poverty levels in the DRC is the cause for the focus on the country against the background of a country known to be rich in unexploited mineral resources. A few selected aspects of the drivers of

entrepreneurship are surveyed from the prospective entrepreneurs' perspectives. Special emphasis is put around government policy on entrepreneurship and how this impacts on the prospective drivers of economic growth – the entrepreneurs.

4. RESEARCH METHODOLOGY

A combination of quantitative and qualitative methods were used in this research with emphasis on how the prospective entrepreneurs perceived the environment in which they find themselves in. Structured questionnaires were distributed among the selected population and were administered personally in the streets of Kinshasa and Lubumbashi. The questionnaires focused on the biography of the respondents, the presence of other sources of funding (outside of the traditional) and specifically and government policy on the entrepreneurship.

4.1 Population – the population under survey was exclusively people who should have had a direct link with business start-ups, or intending to or possibly who may have quit running a business. It was expected that these people had at one stage interacted with the system and had an opinion about the policies and the business start-up terrain.

4.2 Sampling methods used – most of the business start-ups in the DRC are in specific designated areas in the metropolitans. This enabled a combination of convenience and random sampling by merely identified who the business owners were. The same principle was also applied at company registration sites where the audience was generally people who were either going to be involved in or were already involved in business.

4.3 **Analysis of data – the collected data (questionnaires) were cleaned, edited,** coded and data was captured on an excel spread sheet. This was used to analyse and construct graphs, charts, histograms and tables, each one of these was interpreted.

5. FINDINGS

The discussion on the findings follows a specific pattern deliberately structured to maximise the clarity of the responses by the participants in the survey. The questions as they were presented on the questionnaire are repeated followed by the responses diagrammatically presented. The instrument (questionnaire) was divided into three sections, and each section is provided as a subtitle followed by the questions and answers from the respondents.

5.1 SECTION A: BIOGRAPHY

As indicated at the introduction, this article is the second part of ongoing research, and the biography is given here to recapitulation purposes. It was necessary that the respondents be qualified to respond to the questions, hence they were expected to answer;

Question 1: Are you involved in business? Please tick the applicable boxes.

The required response was not an “either a yes or no,” but the respondents had to decide between the other answers. The respondents were therefore given to choose between; not in business, plan to be in business, am in business, and was in business before. **Response:** 363 people responded to this, it was expected that the majority of people would agree about their involvement in business. The results from the survey are indicated in table 1 below.

Table 1. The degree of the involvement in the business.

	Not in business	Plan to be in business	Am in business	Was in business	Total
Frequency	30	37	246	50	363
Percentage	8%	10%	68%	14%	100

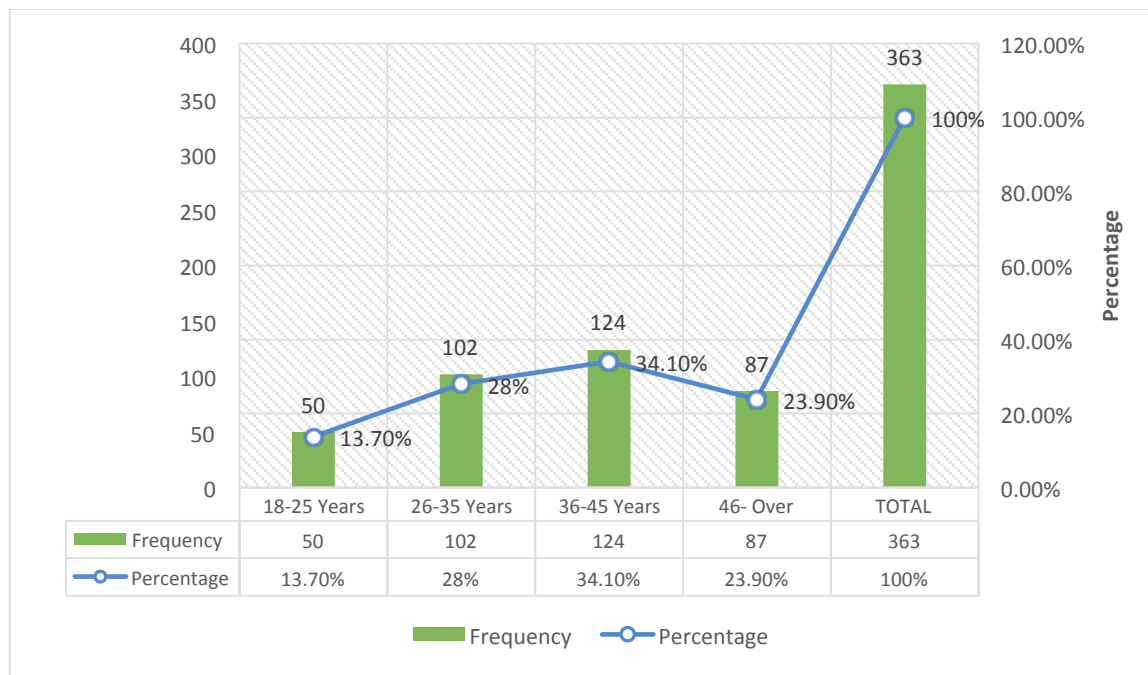
Source: own construction

Of the 363 people responding 92% (10% planned to be in business, 14% were in business before and 68% were in business) indicated direct interaction with business start-ups and they would therefore be impacted on by government policies and entrepreneurial programs.

Question 2: What is your age range? This would help in identifying the possibility of protracted sustenance of businesses if older people were involved in business for longer periods.

Response: is illustrated in figure 2 below.

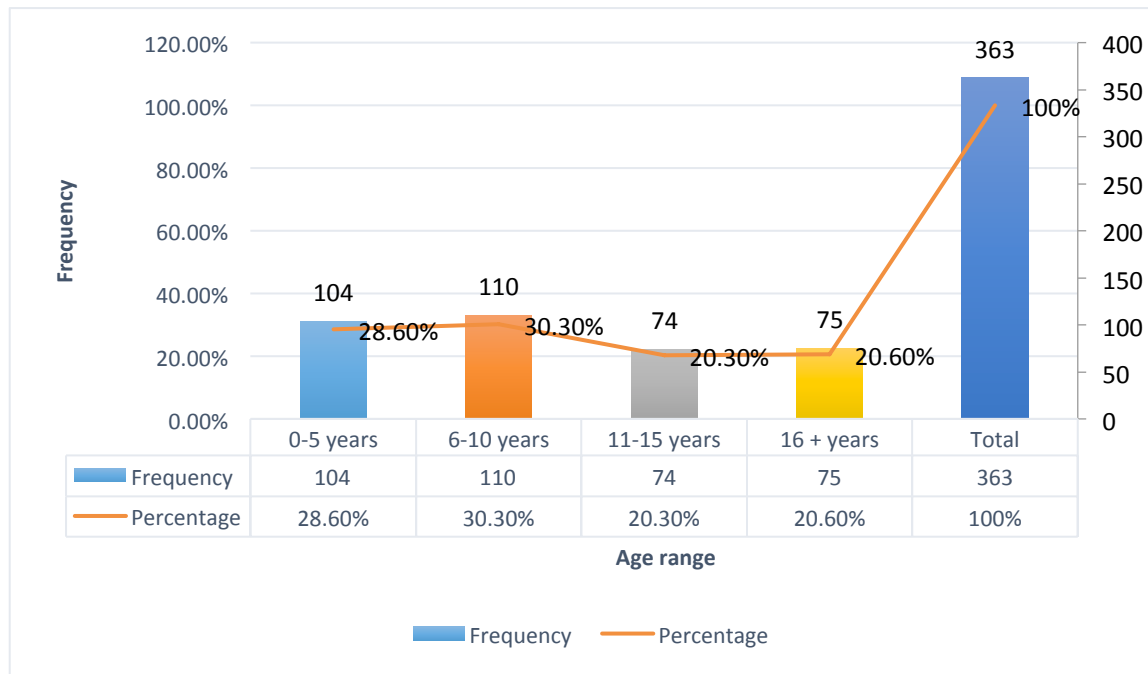
Figure 2. Age range



Source: Computed from field data 2014

It is clear that a relatively larger percentage of respondents is in the age group 26 – 45 years and constitutes 62% of the respondents. A follow up **Question: How long have been in the business?** Was meant to assess the sustainability of businesses in the DRC. **Response:** The results from the research are illustrated in figure 3.

Figure 3. Length of time respondent was involved in business

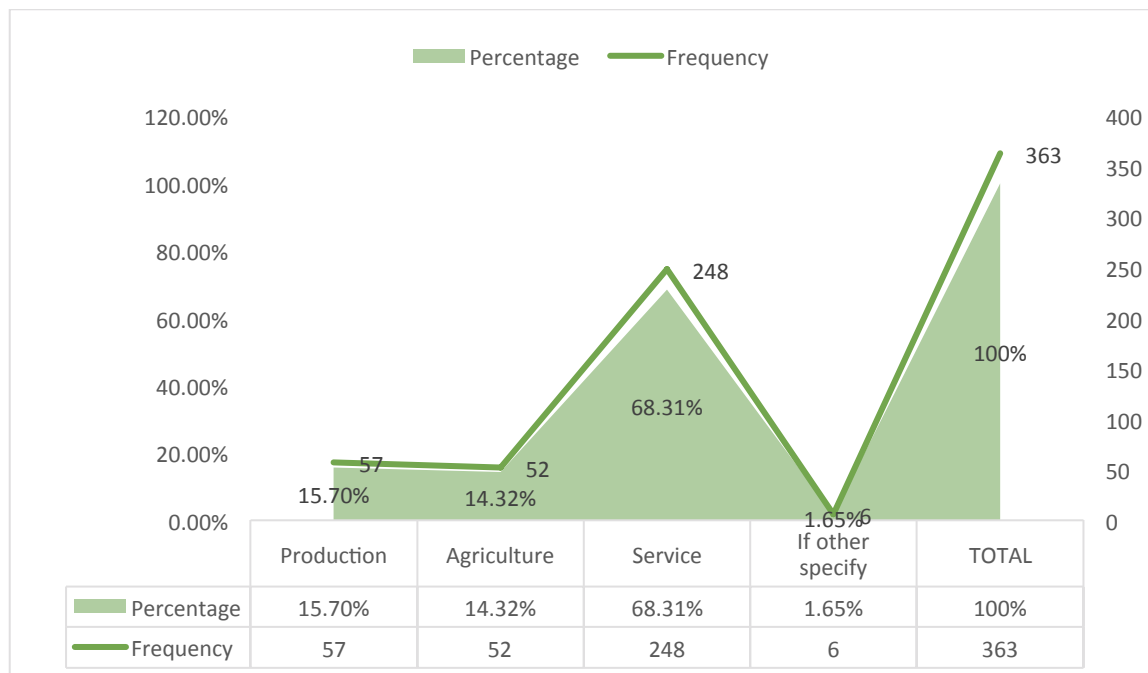


Source: author's own construction

In the figure 3 above, 28.60% of the respondents had been in business for 0-5 years only, 30.30% for 6-10 years with 11-15 years dropping to 20.30%. Almost staying at the same level the 16 years plus sits at 20.60%. There is evidently a high business failure rate, this may need to be measured against the 80-20% rule (Brynjolfsson & Mcfee, 2014). This further makes the study more imperative, in that the policies and programs of the government have an effect on the “survival” of the start-ups.

Question 3: What type of business are you involved in? The type of business that people get into may itself be a function of the policies that the government propagates. If government policies promote production and manufacturing, that may be seen in the numbers that start manufacturing businesses. **Response:** the 363 respondents provided information on their lines or areas of businesses as illustrated in figure 4 below.

Figure 4 Type of industry or the business



Source: author's own construction

It is not surprising that 68% of the respondents are involved in service type industry (buying and selling or contract jobs) as these would ordinarily be low-entry-barrier start-ups. It is disappointing to see little response from those involved any production of new goods.

Question 4: What is your level of education? The critical aspects of entrepreneurship include among other things the human capital development aspect (Rauner & Maclean, 2008:317), hence the question. **Response:** the respondents were obviously (presumably) people who had come through the system of education in the country. The type of education and skills development would inevitably impact on their well-being as business people. The responses are illustrated in the following table 2.

Table 2: Level of education of the entrepreneurs

	High school	B. degree	Honours degree	Other
Frequency	198	107	45	14
Percentage	54%	30%	12%	4%

Source: own construction

More than 50% of respondents are high school graduates that most probably did not pass well or could not afford to go to university and may have had no employment opportunities either. This is compounded by the fact that 42% of university graduates may not have been employable for different reasons (no jobs or not appropriately qualified). The likelihood therefore is that the entrepreneurs here might be survivalists with no alternatives in their lives.

Question 5: Why did you decide to start a business? This question would logically be in response to why so many graduates (high school and university) are not working. **Response:** the

many possible reasons why people start businesses as compiled from literature review were tested here. The reasons for these people starting businesses are illustrated in the table 3 below.

Table 3 Reasons why people start businesses

REASONS	Unemployed	Unhappy with job	Never got job	Got funding	My own boss
Frequency	73	85	76	42	87
Percentage	20%	23%	21%	12%	24%

Source: author's own construction

If being “unhappy with job” can be made equal to not having a job, it can be asserted that will mean that 64% of the people may be starting businesses because they cannot get jobs. Only 24% of the people seem to have started because they had ambitions of being managers themselves. The brief biography above was meant to assist in understanding the complexity of the life of a prospective entrepreneur and how the policies promulgated may have relevance to the population in question.

5.2 SECTION B

GOVERNMENT POLICIES ON DEVELOPMENT OF ENTREPRENEURS

In this section the government policies are scrutinised and their impact on entrepreneurship is evaluated. It is these respondents, the entrepreneurs who are affected negatively or positively by any policies of the government as relates to entrepreneurship.

The developmental state approach could help address development challenges by focusing on rebuilding and strengthening State capacity (Hanson, *et al*, 2012:136). This is undertaken with the view of reducing poverty and to generate appropriate incentives for economic diversification and transformation (Hartmann, 2014:69). Policies are needed to regulate the environment and where possible enable entrepreneurship to thrive. Caviedes (2010:24) posits that implementation of macroeconomic, industrial and sectorial policies developed by governments should be with the sole intention of bringing about economic transformation which is enhanced by entrepreneurship.

STATEMENT: The policies promulgated by the DRC government encourage entrepreneurship.

Policies are critical for the development of entrepreneurial activities as shown by the Asian Tigers experience. **Response:** The respondents' opinion about this statement are expressed as indicated in the statistical data in table 4 below.

Table 4. The government policies encourage entrepreneurship

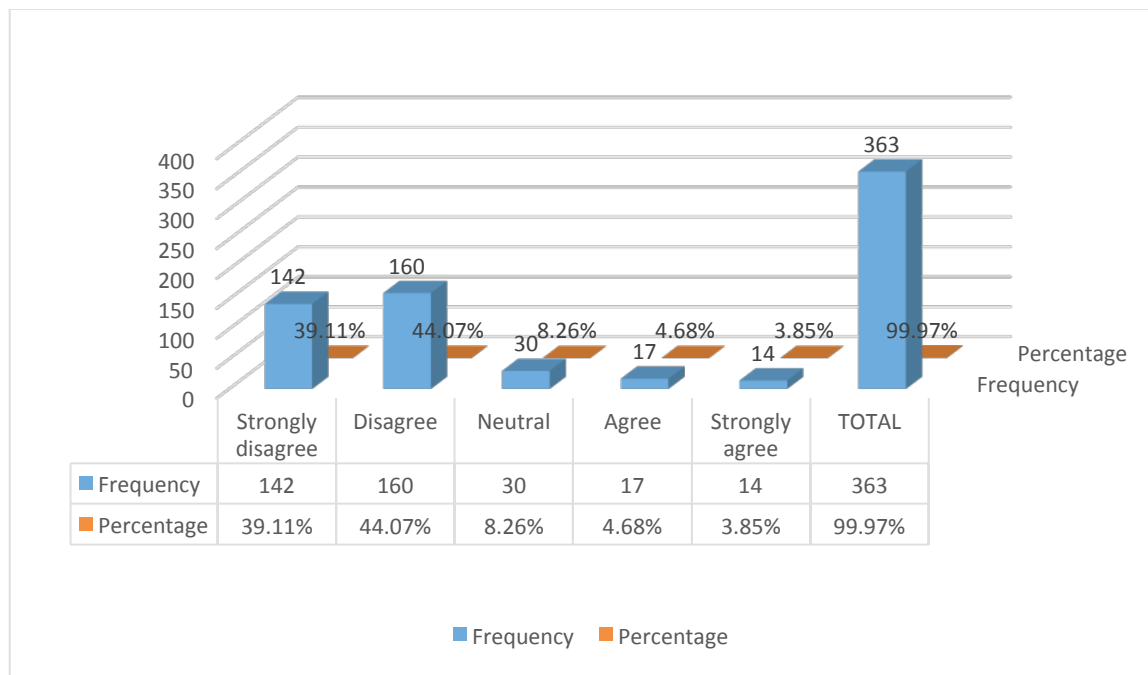
	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Frequency	101	107	25	108	22
Percentage	28%	30%	7%	30%	5%

Source: author's own construction

A majority of 58% rejected the assertion that government policies encourage entrepreneurship. The question was too general and it is not clear what aspects of the policies were specifically not user-friendly. A considerably high percentage of 35% (though less than 50%) found the policies friendly. A lot more work needs to be done if the impact of the policies is to benefit and promote the entrepreneurs

STATEMENT: Labour relation policies aid entrepreneurs to create jobs. Are the labour relations promulgated by parliament investor friendly? Certain labour laws may make it difficult for business start-ups if these will mean further unaffordable costs – no specific laws were made reference to. Response: most business startups are undercapitalized, and further demands on the finances (minimum salary, for instance) may impact negatively. The responses are recorded figure 5 below.

Figure 5. The impact of labour laws on entrepreneurship in the DRC



Source: author's own construction

A total of 83% (44% disagreed and 39% strongly disagreed) are of the view that the labour laws work contrary to promotion of entrepreneurship.

STATEMENT: Good systems are in place to support entrepreneurship.

Too often there are policies on paper but these cannot be confirmed by practical support systems to help implement the policies. The earlier response indicated that the government policies did not support or were not in favour of entrepreneurship. **Response:** This aspect tests the feelings

and perceptions of the “people on the ground” against claims by politicians on these issues.

Table 5 below details the findings.

Table 5. Support systems for entrepreneurship growth

	Strongly disagree	Disagree	Neutral	Agree	Strongly disagree
Frequency	144	135	36	30	18
Percentage	40%	37%	10%	8%	5%

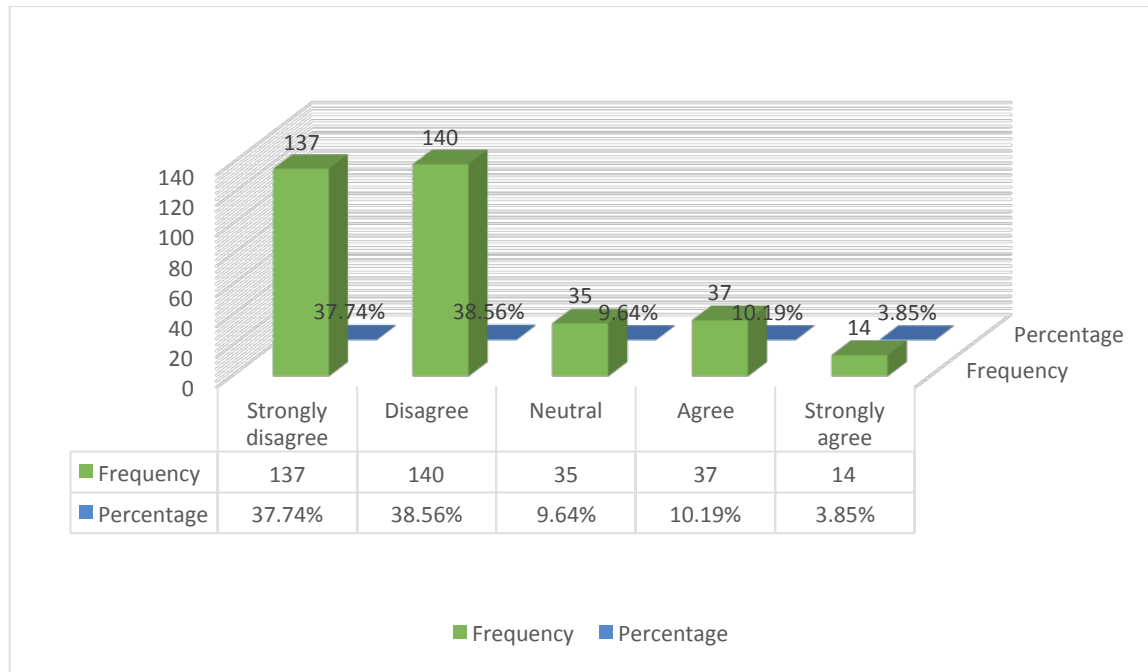
Source: author’s own construction

The entrepreneurs evidently do not believe that the government has support systems for the entrepreneurs, they totalled 77% (40% strongly disagreed and 37% disagree). The government does not seem to have decided on relevant support systems.

STATEMENT: The government has skills development programs for entrepreneurs.

Landy & Conte (2009:317) posit that training assists in acquiring knowledge and skills for present tasks which contributes to organisation success. **Response:** As indicated on the question on the level of education of the respondents, most of these respondents have no formal work environment exposure. The respondents’ opinions re illustrated in figure 6 below.

Figure 6. Government skills development programs to encourage entrepreneurs.



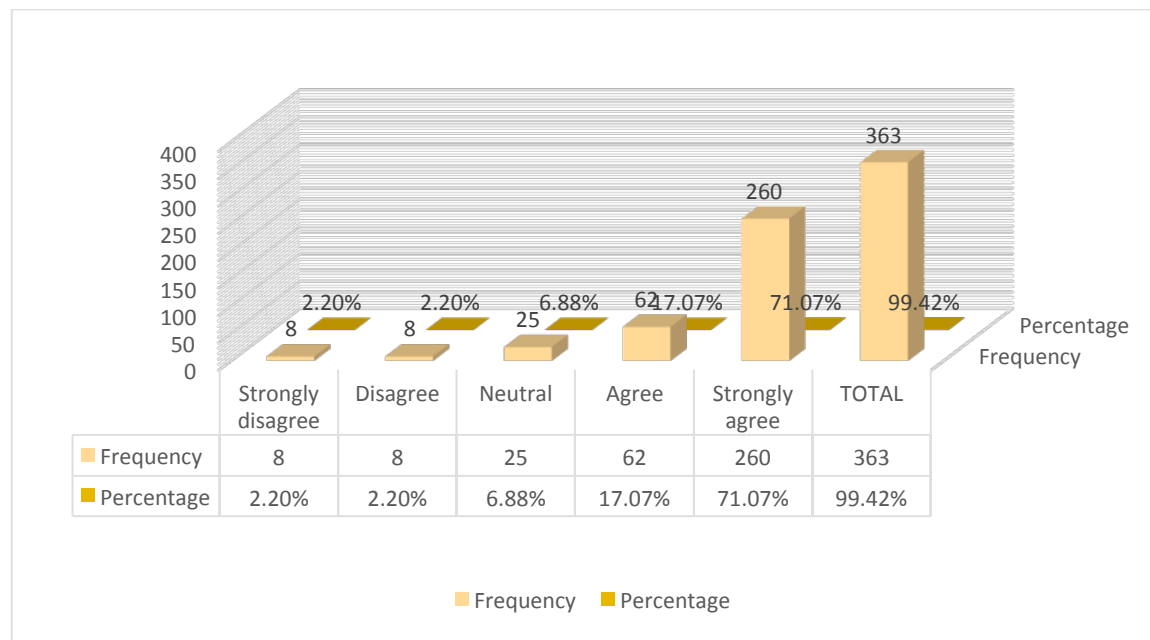
Source: author’s own construction

A total of 77% (38% strongly disagree and 39% disagree) do not agree with the statement on government skills development programs for entrepreneurs. It can be generalised that the government doesn’t provide any skills development programs.

STATEMENT: You get into business at your own expense and risk.

Admittedly, starting a business is about taking risks, but the function of the government is to create an environment where business can thrive. There are elements of the risk factors that the government should assist in reducing if not eradicating totally. **Response:** According to Lingonge (2004:28-50) foreign businesses have either scaled down or withdrawn completely from the DRC because it is risky to do business in an environment of civil unrest. Figure 7 below illustrates the responses.

Figure 7. Getting into business at your own expense and risk



Source: author's own construction

A total of 88% of the respondents (17% strongly agreeing and 71% agreeing) accept that they know getting into business is at great personal risk. A change on policies that protect

entrepreneurs and reduces the personal risk my promote entrepreneurship and bring about the much desired economic growth which may reduce poverty levels.

5.3 SECTION F: TAXES

The taxing systems in many governments have been severely scrutinised, specifically in relation to start-ups. Other countries provide conditional tax havens, this section reviewed the entrepreneurs' perceptions about the DRC tax laws.

STATEMENT: Government tax law and systems discourage business start-ups. Tax laws have an impact on start-ups, specifically where tax havens are not provide for start-ups. Where operations are undercapitalised, taxation takes away from the entrepreneur the little money much needed to develop the business. **Response:** The expectation was that the government may not require or implement draconian tax systems on new entrepreneurs. The response is recorded in the table 6 below.

Table 6. Government tax systems and impact on entrepreneurship.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Frequency	33	18	14	172	121
Percentage	11%	5%	4%	47%	33%

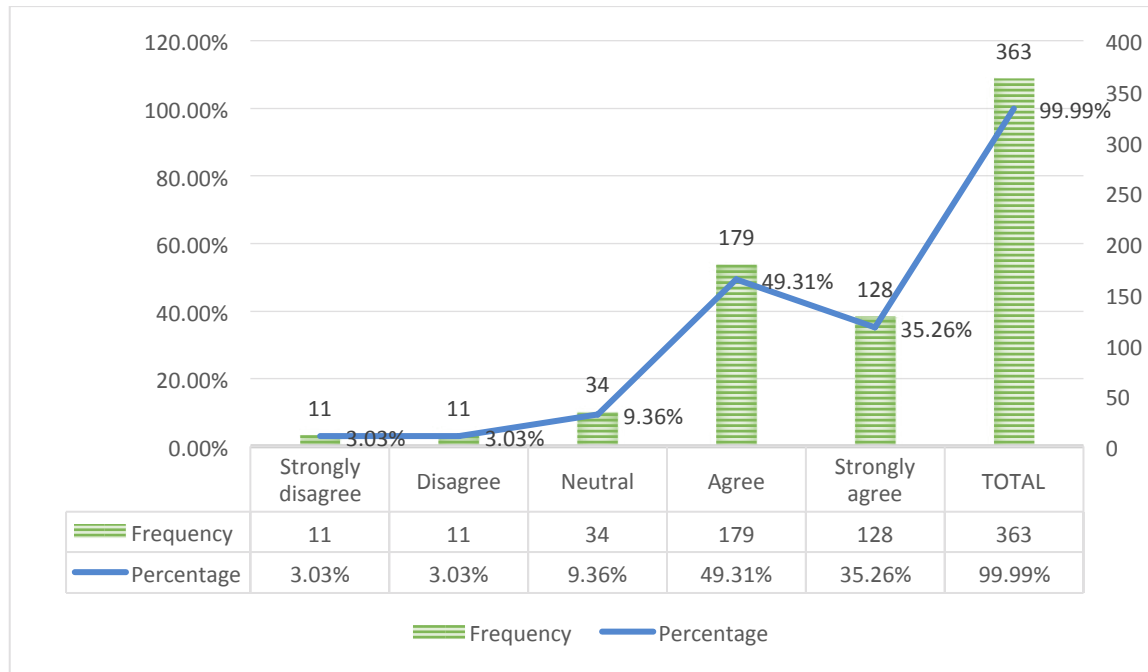
Source: author's own construction

A total of 80% (47% agreeing and 33% strongly agreeing) believe that the tax laws discourage entrepreneurship. No specific questions were asked around this, this may be reason for future studies around government tax policies and how this would impact on entrepreneurship.

STATEMENT: All business start-ups regardless of size are expected to pay tax

Governments provide services to the communities using the tax levied on businesses and individuals. But the taxing of those that are starting businesses may actually kill the goose that should produce the golden egg. **Response:** It is hereby acknowledged that individuals and organisations go to great pains to avoid payment of income tax. The response to this question can therefore be viewed in two ways; either s a genuine concern that the entrepreneurs do not have enough money to plough back into business as capital, or, that even those who can afford, may be happy not to pay taxes. The figure 8 below displays the opinions of the respondents.

Figure 8. Entrepreneurs are expected to pay government tax



Source: author's own construction

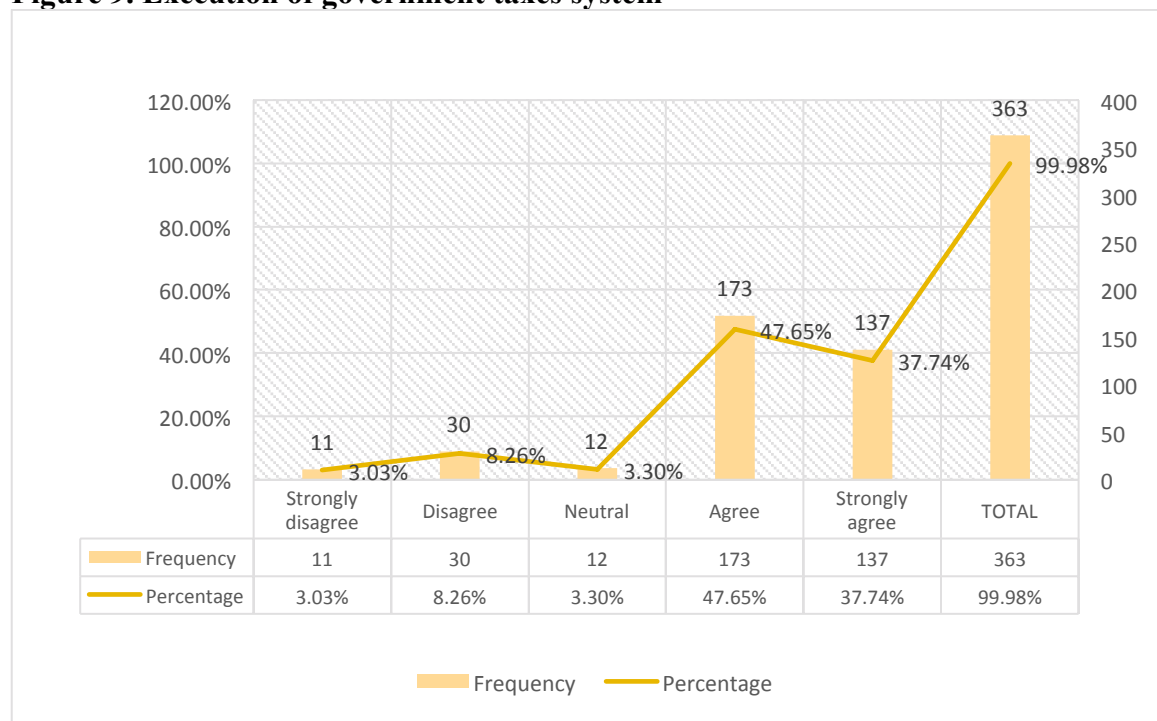
A total of 84.56% (49.31% agreeing and 35.26% strongly agreeing) posit that all businesses regardless of size are expected to pay tax. The neutral stand at 9.36% and those disagreeing with the statement are insignificant at a total of 6.06% (3.03% agreeing and 3.03% strongly agreeing). It can be generalised that all businesses are expected to pay tax and as such the tax laws may not be entrepreneur friendly.

STATEMENT: Execution of government taxes system discourages entrepreneurs

It is not only the taxation that can be a problem, but the way this is executed by the government may be problematic. The respondents have developed perceptions about these things, and unfortunately their perceptions become the realities they live by.

Response: Entrepreneurship is largely a very lonely road full of uncertainties, and compounded risks. Cash flow is generally a big problem with very little money coming in and more money going out. Tax laws and collection processes simply worsen the nightmares for the business start-ups. The responses are recorded below in figure 9.

Figure 9. Execution of government taxes system



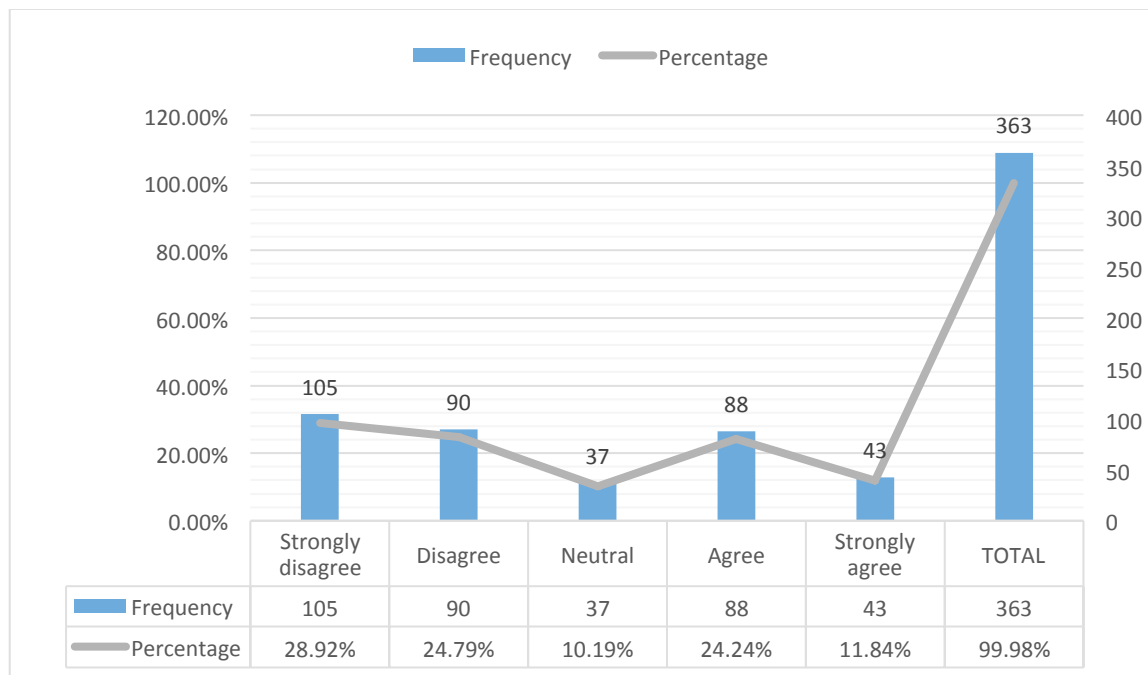
Source: author’s own construction

Tax execution system, though not clearly defined in the statement is considered unfriendly by the entrepreneurs, with 85.39% agreeing and strongly agreeing (combined) that the execution system is not entrepreneur friendly. Of the remainder, 3.30% is neutral – unusually low, 3.03% strongly disagreeing and 8.26% disagreeing. It can be generalised safely that the tax execution system is not entrepreneur-friendly.

STATEMENT: There are tax related incentives for start-ups in the economy.

The conviction of the researcher was that the government may not be that unreasonable as to treat business start-ups in the same way with existing business. The same tax question was therefore asked albeit from a different angle with reference to incentives **Response:** Tax incentives generally give a breather to a new business operator, during which time they may be able to establish themselves and become stable enough to join the tax bracket. The respondents had this to say as illustrated in figure 10 below.

Figure 10. Government tax incentives for start-ups in the economy.



Source: author’s own construction

The presence of tax incentives for the entrepreneur is denied by 28.92% strongly disagreeing with 24.79% disagreeing (total of 53.71%), Neutral respondents are at 10.19% with 24.24% agreeing and 11.84% strongly agreeing that there are tax incentives for the entrepreneur. There is no outright position on this, either because respondents do not know what incentives are provided by the tax system.

5.4 SECTION G: SECURITY SITUATION

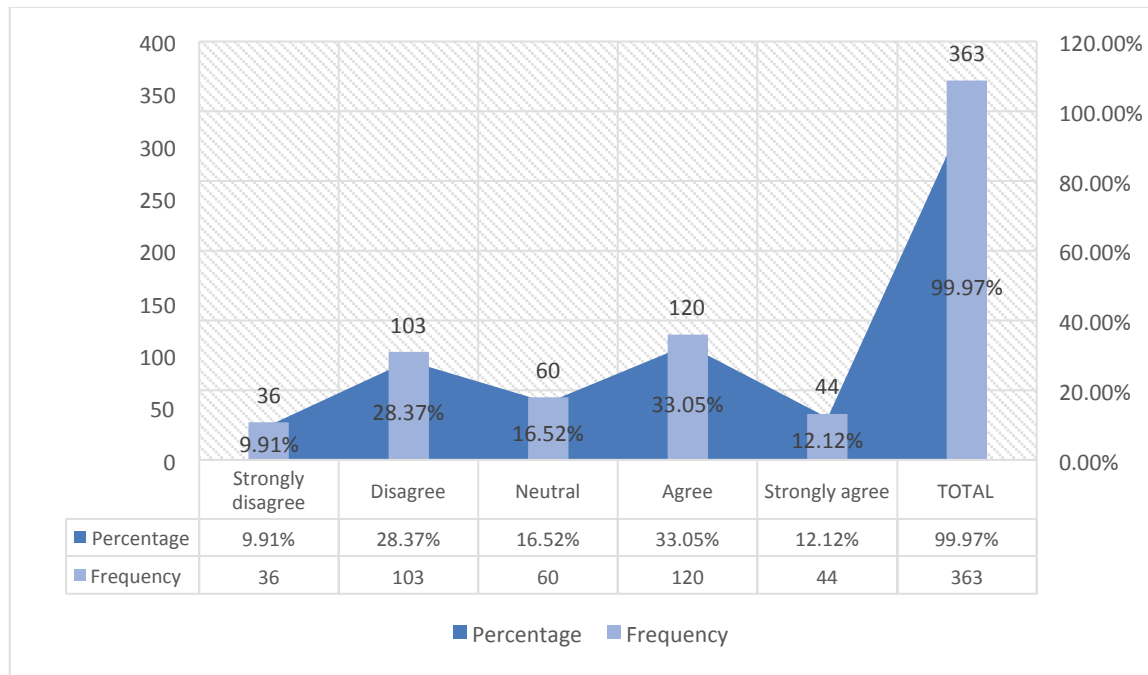
Though the conflict in the DRC can be classified as situated in the eastern part of the country, it is common knowledge that the effect is felt throughout the country. Whilst the physical conflict may be more visible in the country sides, the political strife and antagonism is experienced by the general population in the urban centres.

Ball (2011:106) says the conflict in the DRC involves a range of militant groups; local militias; Congolese and Rwandan rebels; and the national army. The funding of the conflict by selling illegally the mineral resources from the eastern DRC has been of concern. It is estimated 5.4 million lives have been lost since this conflict began in the late 1990s.

STATEMENT: I am not affected by war and you do my business peacefully

Whilst the DRC is at war, the conflict is largely restricted to the rich eastern part of the country, as such other parts of the country do not have disturbances. Even though, the government would inevitably galvanise support from all corners of the country to achieve their military objectives against the rebels of the east. **Response:** The effects of the conflict would be pronounced amongst those that live or do business in those provinces infected by rebels. The respondents to this survey had this to say, as recorded in figure 11 below.

Figure 11. Effect of war to the respondents



Source: author's own construction

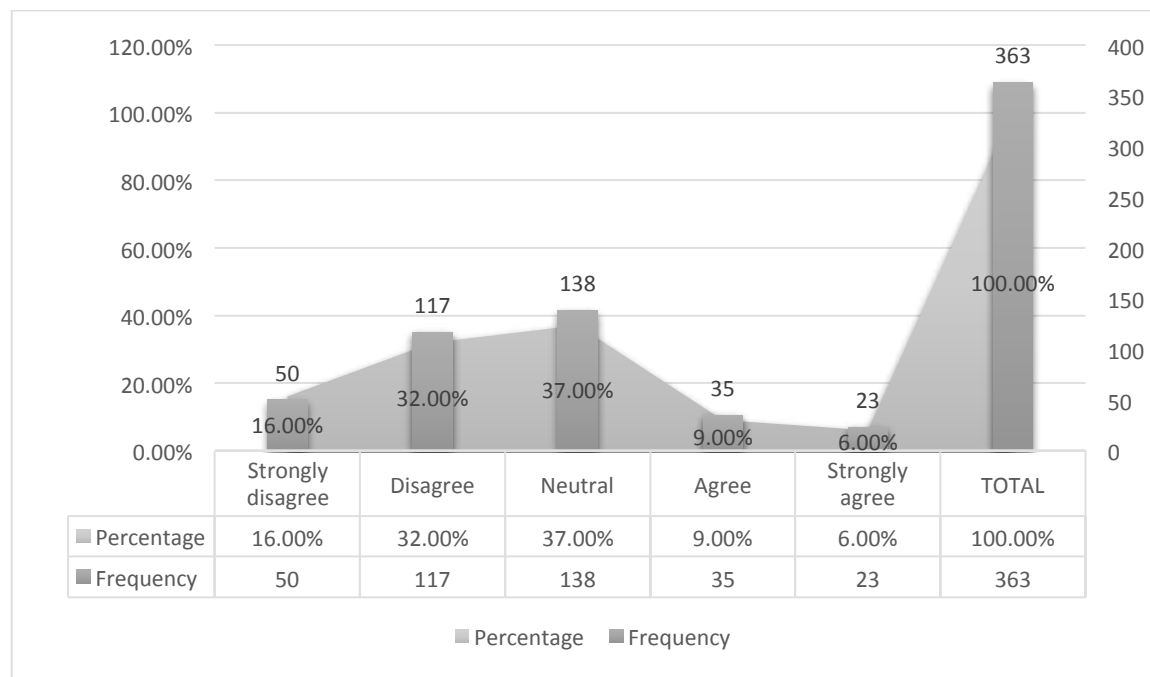
Of particular concern is the neutral respondents (16.5%) who are not sure whether or not they are affected by the war in the country. Those strongly disagreeing (9.91%) and disagreeing (28.37%) constitute 38.28% of the people responding who are affected by the war. The rest of the respondents (33.05% agreeing and 12.12% strongly agreeing) totalling 45.17% agree that they are affected by war. It would appear therefore that not all the country or respondents are affected by war, meaning that the government could have policies for entrepreneurs that may not be disrupted by the war.

STATEMENT: There is war in my region but it doesn’t disturb my business at all

This statement intended specifically point out who was doing business in the war zones and thus ascertain if they were not affected in their business operations.

Response: Depending on what type of business, some operations may actually be favoured by the unrest in the country, or may be disturbed by the conflict. The respondents had this to say, as illustrated below in figure 12 below.

Figure 12. Entrepreneurs operating in war zones and directly affected by war



Source: author’s own construction

Figure 45 above shows that 16 % (strongly disagree) and 32% totalling 48% don't stay in a war zone and are not disturbed by the conflict. Neutral respondents are at an all-time high of 37% with 15% agreeing, there seems to have been either confusion with the requirements of the question, or the respondents were affected by one and not the other.

5.4 OPEN ENDED SECTION

STATEMENT: Mention anything else with regards to the above.

An open ended section was provided for the respondents to state anything else they deemed important which may have been omitted in the survey. Largely, most of the respondents repeated most of the items that had been covered in the survey, but had other issues covered some of which were considered necessary. **Response:** Interesting statements and assertions were made, and chief amongst them are;

- That the DRC had enormous wealth the respondents wanted to exploit for the benefit of the country, but the entrepreneurs had no means (funds).
- Historically, these resources have been exploited by predatory leaders and a host of sub regional actors, the government should give us help to get them.
- The time is now ripe for the DRC to put years of war and economic underdevelopment behind it – and we start making progress like other countries.
- The business community has an important part to play in promoting sustainable peace in the DRC, but the government must assist us.
- Business communities in Kinshasa and Lubumbashi have remained profitable in difficult years following the signing of the 1999 Lusaka peace accord.
- Congolese businesses face serious obstacles, including poor infrastructure, high taxes, extortion, and market distortions.

Nevertheless, respondents expressed relatively little concern about security situation in the country rather focusing on their quest to develop their businesses. DRC business people did not want any handouts, but needed the support from the government to enable them to be successful business people. Their greatest need, they stated was we prefer assistance in removing barriers to trade, improving infrastructure, and reducing corruption. Respondents were broadly optimistic about the future and their economic prospects, and have a strong sense of being stakeholders in shaping society. This bodes well for the future of the DRC, provided public policy can harness this energy and not discourage it.

STATEMENT: Please state clearly your likes, dislikes and concerns of the government's efforts to support your business venture

- The tax system is not transparent tax system, it becomes clear that companies are motivated to avoid formalization because they want to 'keep themselves out of trouble'.
- Entrepreneurs mention that even if the monthly results are negative, tax agents come by to collect taxes.
- As a matter of fact, every entrepreneur struggles against real and false tax agents, independent of their level of formalization.
- Rather it is a question of the individual company's perception and prejudice that lead formalization to be seen as implying excessive taxation.
- Business laws are non-transparent too, and only the medium sized companies with financial reserves can afford to go to court in case of violation of their property or business affairs.

- Entrepreneurs stress that legal issues are generally resolved very slowly and cost them a large amount of money.
- In general, most of the entrepreneurs are not aware of the advantages and disadvantages that formalization implies.
- Clearly, the reason why many entrepreneurs still keep cash outside of the bank is because they fear harassment by the state, be it through increasing tax collections or obscure laws that constrain their activities.

This section had mixed statements about what the respondents like, or disliked and different concerns they have about their wellbeing as business enterprises. These issues were considered important and will be pursued in future studies in pursuit of finding a solution to the eradication of poverty in the DRC.

Statement (question): What factors in your opinion will make you succeed as an entrepreneur?

An assumption was made here that since the entrepreneurs know what they go through, and have expectations, they may be able to discuss intelligently solutions to their problems. There is a general feeling that if they are to succeed, there need the presence of factors like; good governance; the security of persons and goods; offer visibility; availability of credits; tax reduction and control; peace; a good business plan and funding; influence peddling; relevant economic policy; good business regulation; permanent supply of electrical energy; good roads network, and an effective non-politicised police force.

It is pointed out in this paper that the political environment in Democratic Republic of Congo (DRC) is neither safe nor stable. Therefore any government in DRC should adopt and implement measures aimed at maintaining peace and political stability if economic, legal and regulatory developments are to be accomplished. For example it was shown in the sample that during the war years, entrepreneurial activity was very much hindered. If peace and security are not guaranteed there will neither be economic partners nor will foreign investors come to the DRC. Other measures should comprise among others, allowing for globalization: adhering to regional economic treaties and agreements that favour transnational trade, favour free move of people, capital flows and goods across nations, hampering corruption, and keeping criminal activities to a check.

Statement (question): What things [barriers] delay your effort to start a business in your opinion?

There are so many factors that can delay entrepreneurs to succeed in DRC, and these problems are generic amongst them, though the intensity differs from individual to individual. These may be listed as;

- ✓ Insufficient financial resources
- ✓ Inappropriate apprenticeship and human resources (including education & training system);
- ✓ Lack of adequate infrastructure,
- ✓ Lack of good investment climate (due to problems related to bureaucracies, tax structure, legal framework, private property, corruption, political regime and culture).
- ✓ Inappropriate industry structure (less open competition, absence of supporting industries and potential suppliers of inputs, fragmented markets).

Statement (question): How do these barriers affect you when you want to start a business?

The DRC is situated in a region that does not facilitate the smooth running of commercial as well as entrepreneurial activities. This study exposed that the region where DRC is situated has no appropriate infrastructure such as highways, railways, telecommunications, etc

There are no adequate regional trade agreements and tariffs and the region has been marked by series of inter-ethnic conflicts. It also discovered that terrorism imposes further restrictions on business and free movement. The respondents pointed out some of the barriers as;

- ✓ Unstable social, political and economic environment
- ✓ Inappropriate technological development,
- ✓ Inappropriate financial as well as human capital based resources.
- ✓ Insufficient level of education with high literacy amongst the population
- ✓ No technical skills to help with development of the country in general,
- ✓ Poor quality of entrepreneurs because of upbringing and environment,
- ✓ The cultural values that do not allow for a sound enterprising society
- ✓ Undeveloped industrial structure
- ✓ Absence of any support system for entrepreneurial growth and development, and
- ✓ Corrupt government system which hampers progress and development

6. CONCLUSION

From the Asian tigers it is evident that economic growth becomes a reality if the government plays a central role in guiding and promoting successful entrepreneurship to effect economic transformation. Research has established that there is a direct relationship between a flexible, educated, skilled and healthy workforce and the levels of entrepreneurship. The levels of unemployment in the DRC are estimated at 71%, (DRC African economic outlook report 2012:1-15) figure of which is unsustainable and breeding ground for continued unrest in the



years to come. Entrepreneurship remains the only way forward for the DRC, and the policies have to be relevant to the people.

7. REFERENCES

1. African Economic Outlook 2012. Democratic Republic of the Congo (DRC). www.africaneconomicoutlook.org
2. Ball, H. 2011. Genocide: A reference handbook. Contemporary world issues, ABC-CLIO, LLC.
3. Bhargava, V. 2006. Global issues for Global citizens. An introduction to key development challenges. The international Bank for reconstruction and development / the World Bank
4. Brocks, D; Raby, R & Thomas, M.P. 2012. Power and everyday practices. Nelson education.
5. Brynjolfsson, E & Mcfee, A. 2014. The second machine age: work, progress, and prosperity in a time of brilliant technologies. Norton & Company.
6. Caviedes, A.A. 2010. Prying open fortress Europe. The turn to sectoral labor migration. Lexington books, Rowman & Littlefield Publishers.
7. Crisafulli, P & Redmond, A. 2012. Rwanda, Inc. How a devastated nation became an economic model for the developing world.
8. Fukuyama, F. 2011. The origins of political order. From prehuman times to the French revolution. Profile books.
9. Hanson, K.T; Kararach. G; & Shaw, T.M. 2012. Rethinking development challenges for public policy. Insights from contemporary Africa. International political economic series. Palgrave MacMillan.
10. Hartmann, D. 2014. Economic complexity and human development. How economic diversification and social networks affect human agency and welfare. Routledge Studies in Development Economics. Routledge Taylor and Francis Group, London and New York.
11. Gordimer, N. 2012. The lying days. Bloomsbury Publications.
12. Koltai, S.R & Muspratt, M. 2016. Peace through entrepreneurship. Investing in a startup culture for security and development. Brookings Institution Press.
13. Landy, F.L & Conte, J.M. 2009. Work in the 21st century. An introduction to industrial and organization psychology, 3rd edition Wiley-Blackwell, John Wiley & Sons.
14. Leitner, H; Peck, J & Sheppard, E.S. 2007. Contesting neoliberalism. Urban frontiers. The Guilford Press.
15. Lingonge, L.E. 2004. The Church as the Family of God. A Guide in Praxis and Ethics of Reconciliation and Peacemaking in the Democratic Republic of Congo. Xulon Press.
16. Nye, J.S.JR. 2009. Soft power. The means to success in the world politics. BBS Publications
17. Rauner, F & Maclean, R.2008. Handbook of technical and vocational education and training research. International library of technical and vocational education and training. Springer

18. Rotberg, R.I. 2010. When states fail: causes and consequences, Princeton University Press.
19. Seck, D. 2015. Accelerated economic growth in West Africa. Advances in Africa Economic, social and political development. Springer
20. Shah, A. 2005. Public sector governance and accountability series. Public Service Delivery. The International Bank for Reconstruction and Development / the World Bank.
21. Sharif, M. 2016. Poverty reduction – an effective means of population control. Theory, evidence and policy. Routledge
22. Sundararajan, A. 2016. The sharing economy: the end of employment and the rise of crowd-based capitalism. The MIT Press.
23. Weiss, J. 2016. Tiger's roar. Asia's recovery and its impact. Routledge
24. World Bank 2012. Doing business in a more transparent world. Comparing regulation for domestic firms in 183 countries. Economy profile: Congo, Dem, Rep. 2012. International Bank for reconstruction and development / the World Bank.
25. World Bank 2016. Working for the World free of poverty. International Bank for reconstruction and development / the World Bank.
26. World economic forum 2017. <http://www.weforum.org>

Assessing contract farming in India

Sazzad Parwez
School of Rural Management
Indian Institute of Health Management Research University
Jaipur-302029, Rajasthan, India
sazzad.parwez@gmail.com

Abstract

Indian agriculture at the crossroad, fundamental correction is requisite to correct the path. This paper tries to examine contract farming model in its broadest sense that from input supply to modern research, information transfer, and improved marketing channels at all level. Limited capacities of government agencies invite corporate initiatives for development of agricultural sector. Agriculture sector needs to be developed as an organized industry, to be managed collectively by corporate and farmers. This study tries to address the subject both conceptually and empirically. The paper concludes that contract farming plays important role in application of modern practices and providing reasonable price for farmers labour. Contract farming can work as one of the major instrument for improving the situation of farmers and the efficiency of agriculture sector.

Introduction

India has experienced a significant growth in the production of various agricultural food grains over the last four decades. Technological intervention (through Green revolution²⁴) in late 1960s contributed significantly towards bringing the situation of deficit to surplus stage in food grain production, but the recent trends of cropping system is creating problems relating to sustainability and market imbalances. Several scholars suggested that the government's policies have focused only on the price measures and ignored the infrastructure development, institutional structuring; has caused an unfavourable effect on agricultural growth in recent decades (Kumar, 2002; Chand, 2005). Empirical studies have shown the positive impact of private investment on agricultural productivity and growth (Chand, 2001; Landes and Maurice, 2004), has increased over the years. Intervention of World Trade Organisation (WTO) clearly suggest that to competing in the international market, agriculture needs more investment (both public & private) and technical support to overcome prevailing structural limitations such as lack of economies of scale, post-harvest losses, dismal rural infrastructure, lack of product diversification, inadequate Research & Development (R&D) spending, absence of marketing infrastructure and inadequate financial support system (Chandrashekhra, 2002; Naik, 2003). The agricultural production is broadly categorized in sub-systems of input supply, production, processing, sales & distribution to consumer and food safety measures. Integration between these components is negligible in agriculture sector across the country. In practice, most of these components act independently and flow of information among different activities is either missing or poor (Singh, 2002; Mittal, 2007). Lack of coordination among various sub-systems

²⁴ The Green Revolution in India was a period when agriculture in India increased its yields due to improved agronomic technology. It allowed developing countries, like India, to overcome chronic food deficits. It started in India in the early 1960s and led to an increase in food production, especially in Punjab, Haryana and Uttar Pradesh during the early phase. The main development was higher-yielding varieties of wheat.

leads agriculture towards inefficiency at each stage. Low application of modern inputs, technologies and practices reflects on dismal status of Indian agriculture (Parwez, 2014a). It is not only the purchasing power of farmers which hinders the adoption rate, it also the farmer's insecurity about the crop failure that prevents them from adopting any change. Likewise, at the production level, farmers' usually do not make decisions based on market trends in a planned manner, nor they plan use of resources in appropriate way.

The economic growth and diversification in consumer demand suggest that application of organized agricultural practices and marketing has potential to enhance the market opportunities, productivity, and incomes of farmers (including marginal farmers) (Birthal et al, 2008). However, to achieve these objectives requires creation of new contemporary, dynamic institutions both at private & public space to facilitate & capitalise on linkages between farmers, processors, wholesalers, retailers, and consumer. These institutions will facilitate development of innovative models such as contract farming, cooperatives, farmer groups and corporate intermediation for better backward and forward linkages²⁵ to farmers (Gulati; Ganguly and Landes, 2010).

In the environment of reformative and globalized policies, there is an increasing space to private sector for enhancing efficiency; to bring a new system in for production of raw materials and produce also termed as contract farming. In other words, it refers to a "substitution of a market, which establishes a relation between farmers in agriculture and processors or marketing firms (agribusiness industry) to produce agricultural product under pre-agreed price; where industry

²⁵ Backward linkages describe the process of how a company in each sector purchases its goods, products, or supplies from a company in a different sector; these are called inputs. Forward linkages describe the process of how a company in each sector sells its goods, products, or supplies to a company in a different sector; these are called outputs.

may or may not supplies the factors of inputs (like seeds, technical support, credit, extension service and other) needed for the process of cultivation; in return the producer provide price of farmer labour upon farm produce delivery.

This paper tries to provide an overview of contract farming approaches in India. Existing literature reflects that contract farming model has led to enhancement in quality of agricultural linkages; importantly provision of reasonable fair price for the farmers. Model has potential to improve availability of agricultural produce and ensuring better situation for farmers particularly considering the unequal bargaining positions of these farmers, as they are continuing to be paid relatively low prices for crops even when the prices increase on regional or international markets.

Present study exploring the contract farming and assessing the various model developed over the years. Paper tries to assess the situation of contract farming in the light of both theoretical and empirical framework. Study is primarily based on secondary literature and empirical data. Study is covering five most prominent contract farming cases in the country on diverse categories of agriculture and allied sector; cases are in subsequent - horticulture (ITC e- Choupal and PespiCo's FritoLay), dairy (Amul Dairy and Nestle) and poultry (Saguna Poultry). These cases capture major part of prevailing contract farming models in the country; limited by scarcity of updated and relevant data across the board on contract farming.

There are three major sections in this paper. First it tries to conceptualise contract farming process in India. Then in the next section paper tries to study several prevailing and popular models of contract farming model in the country followed by further discussion on existing contract farming related activities and issues.

Conceptualising contract farming in India

Contract farming system has old historical roots, it's an old business. Historically in India an apparent analogy can be found with system known as “forced commercialisation” under the protection of the East India Company in the 18th and early 19th centuries, when indigo and opium cultivation was introduced by European planters in Bengal. Contract farming emerged as an important phenomenon in developed countries during the 1950s (Little and Watts, 1994). It shows how old the business of contract farming has been in the country as a means of organizing the commercial agricultural production of both large scale and small scale farming. There is other term such as, "out grower scheme", sometimes used synonymously for contract farming, mainly in Eastern and Southern Africa. Contract farming can be used for many agricultural products, although in developing countries such India it is presently less common for staple crops such as rice and maize.

In the era of market globalization²⁶ and expanding agricultural business, there is apprehension that marginal farmers will find it difficult to participate in the market based economy with fare space. Globalization has also given birth to the concept of ‘Contract Farming’, as an effective approach to organize and promotes production & marketing in of agricultural produce. Contract farming mainly perceived as an agreement between farmers and processing/marketing firms for production and supply of agricultural produce in future at specified time at pre-determined price. It has been observed that identification of contract farming is significant for better understanding and future course of action (Bellemare, 2012).

²⁶ Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology.

In general contract farming refers to “a form of crop cultivation practiced by corporate firms to secure availability of agricultural produce and supplies meeting requisite quality, quantity, at particular location and on specified time”. Contract farming facilitate diversification in cropping pattern with quality inputs like seeds, fertilizer, pesticides, processing of produce, credit, and marketing processes. It provides an assurance of reasonable price for the agriculture produce to the farmers.

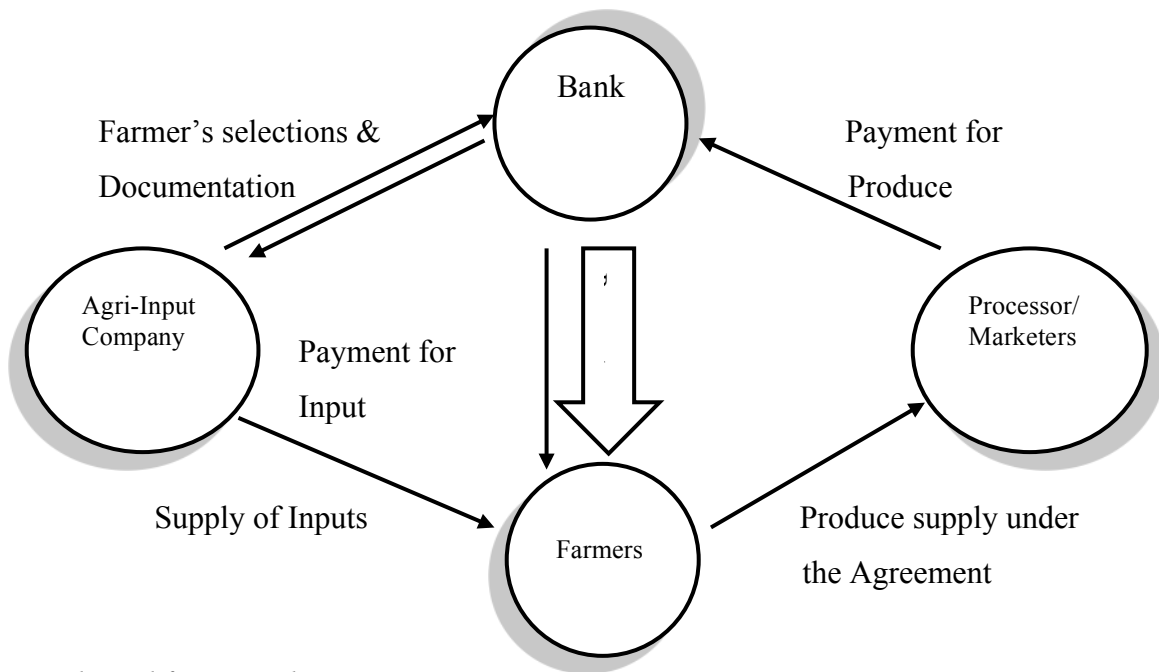
Somewhat often case is that companies provide farmer with few selected agricultural inputs and technical support. But in some cases, contract farming characterise with companies supplying all the inputs material required, while the farmer/producer provide land and labour for cultivation of agricultural produce. However, the condition and nature of the contract change according to variations crops to be cultivated, the agencies or companies concerned, kind of farmers (small or big farmer), technology and the perspective in which they are practised (Parwez and Sen, 2014). Nevertheless, modern contract farming has been practised and developed in the United States, where corporate ownership of agriculture is dominating in nature as they own the complete system of agricultural production and distribution; being also replicated in India in many cases and growing in nature.

Contract Farming has been developed and encouraged in the last few decades as an institutional innovation to further agricultural productivity in less developed countries. This system has been accepted and used as one of the potential institutional frameworks for the delivery of monetary incentives, technology support and other agricultural inputs to farmers. It has been observed that government’s agencies, public firms, multinational companies, developmental agencies, international lending institutions etc are involved in contract farming for some time (Kahn, 1996).

Contract farming has been receiving increasing amount of attention from agro industrial firms as well as the government agencies for more than few decades now. While agro industrial firms view contract farming as a tool for managing backward and forward marketing for agricultural produce. Companies also consider it as a medium to develop markets for inputs materials, credit services, technological support etc. to farmers for production of requisite produce. There is large number of agro based firms have undertaken contract farming to reduce cost. Whereas some of them have been successful, others have suffered due to ineffective implementation of design. Formal nature of contract farming has been in existence for many decades as a means of organizing the agricultural production. In an age of market oriented trade in ever expanding food business, there is a threat that marginal farmers will find difficulty in sustaining themselves in the dynamic market economy.

Contract farming especially in Indian context is an agreement between two unequal parties, corporate, government institutions or big entrepreneurs on the one side and marginal, weak farmers on the other side (Parwez, 2015). Contract farming model is widely used in agricultural and allied sector, not only for cash crops but also for fruits & vegetables, dairy products, poultry, fish etc. This form of farming is characterized by diversified means of mechanism and production.

Figure no 1: A commonly followed contract farming model in India



Source: Adapted from Singh, 2005

There are several forms of contract models working among farmers and agribusiness firms from simple exchange of money and produce to provision of inputs & services; single company model to consortium of companies (agri-input, technical support, processing, banks, etc.) including statal and parastatal agencies (Singh, 2005; Sharma, 2008; Parwez, 2016). The business of contract farming highly depends on the institutional support (including markets), commodity to be produced, resources available to producers and capacity of agribusiness companies (Sharma, 2008). The significance of the model of production and contracts differ commodity to commodity. Each model is guided by the market, resources available, managerial skills, and capacity of the companies complemented by farmers labour.

As earlier mentioned, the risk bearing depends on the provisions of agreement; however, evidences suggest farmers bear the risk of production and transaction processes. Other model suggests that risks to be borne by the firm and farmers neither allowed enhanced income. It has been observed in existing literature in the situation of price volatility either farmer left with unsold produce or the firm refused to procure. In the advent of crop failure, farmers must bear the expenses without any financial assistance from the companies. There are cases when requisite quality of product is not met and firms to refuse to buy (Ziggers and Trienkens, 1999; Parwez, 2015). It has been said that these issues need to be handled carefully in balanced, transparent manner with equitable legal provisions, to protect the interests of both farmers. Increase in Foreign Direct Investment (FDI)²⁷ from 51 percent to 100 percent in single brand and 51 percent for multi-brand brand retail business with emergence of model such as wholesale cash 'n' carry retail has catalyse the adaptation of contract farming as mode of agricultural production (Parwez and Shivani, 2015). It is also evident with entrant of large number of global and domestic companies in production and procurement of agricultural produce. Furthermore, contract farming provides advantage of economies of scale to the companies.

Contract farming models practices in India

Efficient and effective flow among various stakeholders of any business activity is key to strengthen supply chain efficiency. The major problem faced by farming community and associated stakeholders is related to efficient and effective decision making at different stage of

²⁷ The Foreign Direct Investment means “cross border investment made by a resident in one economy in an enterprise in another economy, with the objective of establishing a lasting interest in the investee economy. Such investments can take place for many reasons, including to take advantage of cheaper wages, special investment privileges (e.g. tax exemptions) offered by the country.

agribusiness activities, right from crop planning to marketing. At each stage of farming a farmer require information on several variables. In the absence of timely availability or non-accessibility of this data, farmers are not able to decide what, how and how much to produce as per market needs. Contract farming as model provide a modern, effective, and speedy mode of interaction and communication that conveys new knowledge and information to the producer.

In order to disseminate information and provide services in a cost-effective manner, numerous information technology based initiatives are being made. Literature argues that free flow of information enhances accessibility of the services to the marginalised section of the society. Several public and private sector contract farming initiatives have been undertaken in India in the last decade specially to cater the needs of agricultural or overall rural sector; benefits have reached to 110 million farmers, spread over 500 districts & over 6000 blocks. Some of these initiatives include e- Choupals by ITC, Reliance Fresh, PepsiCo (Fritolay), Amul Dairy, Nastle, Suguna Poultry and many others.

Integrated Contract Farming Model: ITC e-Choupal (India)

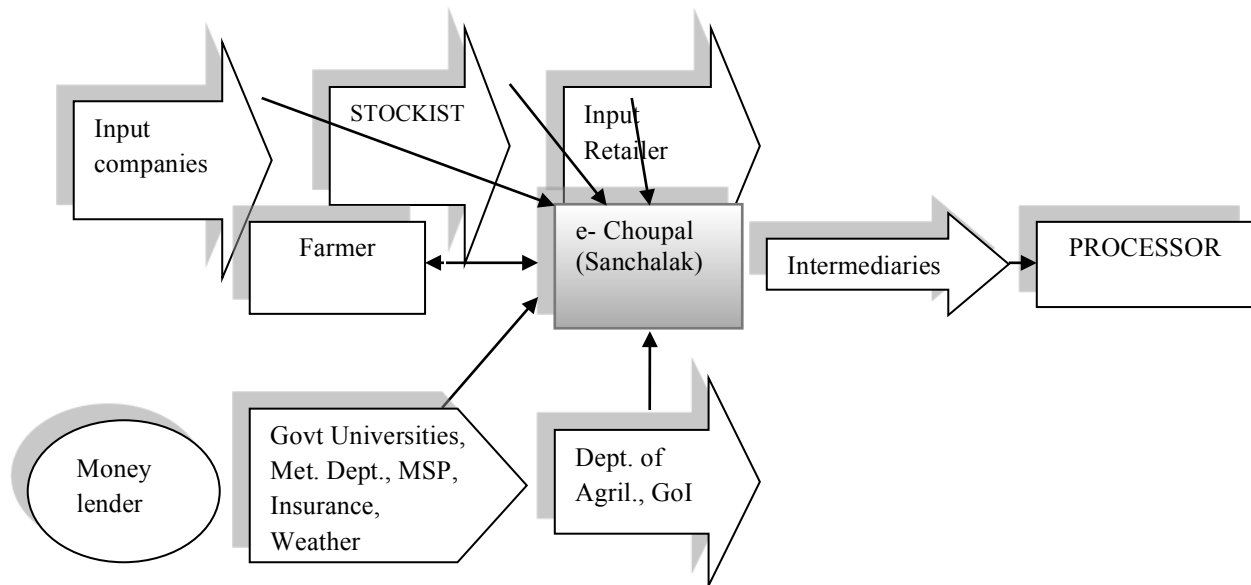
ITC e-Choupal is a virtual market place where farmers can transact directly with a processor and can realize better price for their produce. Geographical distances do not restrict participation in the e-Choupal model of farming. The main disadvantage of conventional market has been the information asymmetry, as it is inherent in the market where as e-Choupal provides transparent transactions. This enables the participation of smaller as well as larger players (Parwez, 2014a). The main attractiveness of e-Choupal is that it can be used for connecting large/small producers and small/large users, thereby eliminating the need for hierarchy of brokers. Application of Information technology has lowered transaction cost for communication.

Initially e-Choupal came up, as an experimental business model. But now e-Choupal presence is there in several states like - Madhya Pradesh, Uttaranchal, Haryana, Andhra Pradesh, Karnataka, Uttar Pradesh, Rajasthan, Maharashtra & Kerala and in different commodities like - Soyabean, wheat, coffee, aquaculture etc. ITC e-Choupal' services strengthen to more than 3.5 million farmers cultivating range of crops - Soyabean, coffee, rice, wheat, pulses, shrimp - in more than 38,000 villages through nearly 6500 kiosks across the states.

The e-Choupal model has been specifically designed to tackle the challenges posed by the unique features of Indian agriculture, characterized by fragmented farms, weak infrastructure and the involvement of numerous intermediaries, who block critical market information from passing on to the farmers and use it to keep big margin for themselves (Parwez, 2016). But e-Choupal sets things in order as it smoothens the flow of information to the farmers by disintegrating mediating intermediaries from the chain of information flow and leveraging the physical transmission capabilities to deliver value at every link at low cost in a weak infrastructure environment. The structure of e-Choupal network is shown in figure 2.

The e-Choupal as contract farming model is based on ICT platform for carrying out trade at a number of locations. ITC facilitate back-up physical service support at the village level, termed as e-Choupal, through Sanchalak: a lead farmer, who acts as the interface between computer and the farmer. ITC accumulates information on weather, best farming practices, and market prices from sources like Meteorological Department, Agri-universities, mandis (regional market) etc., and upload all information on to e-Choupal portal.

Figure no 2: ITC e-Choupal contract supply chain model



Source: Conceptualise by the Author

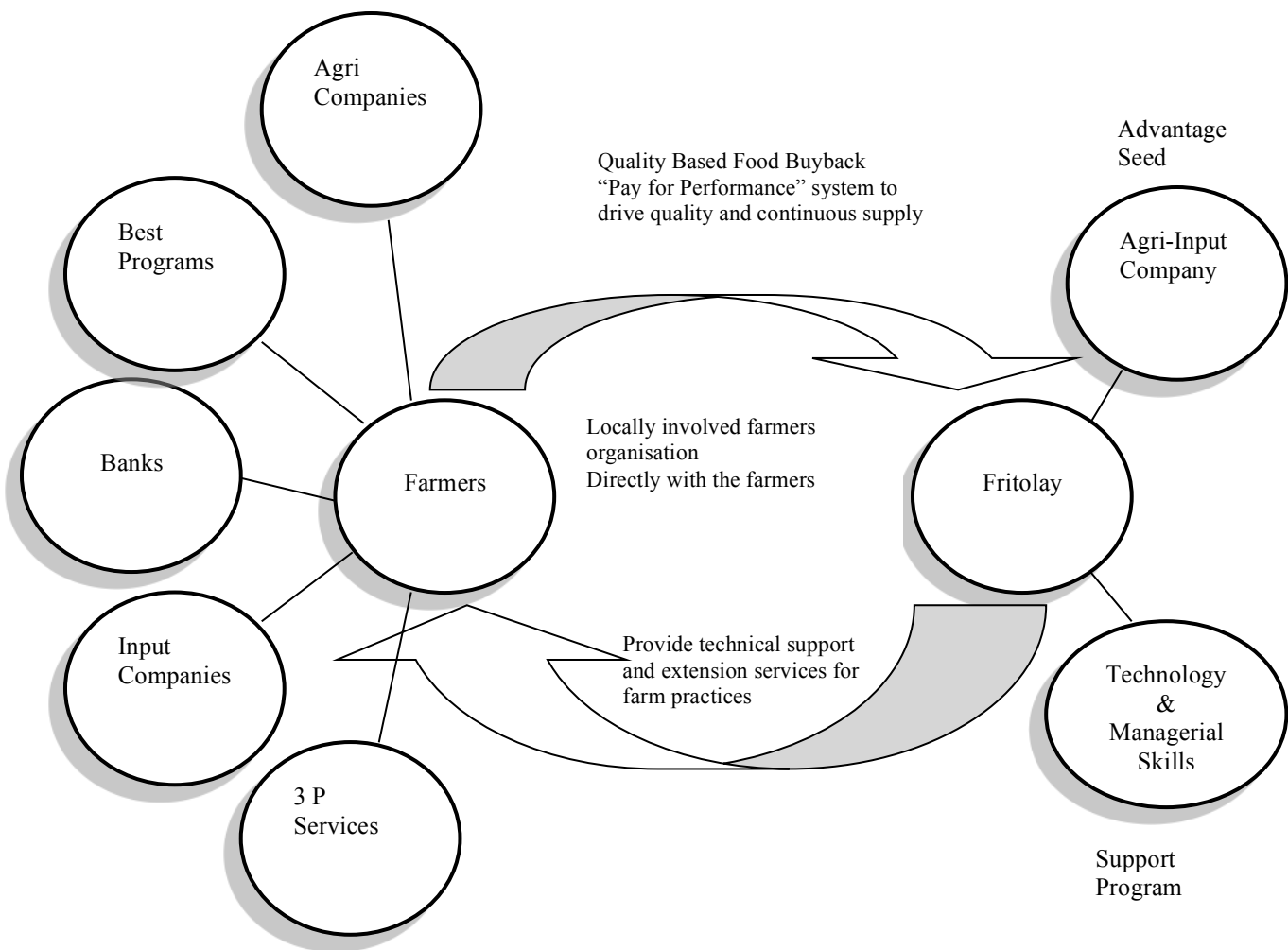
Information to be provided to farmers is customised according to farmer's needs and the local language through computer established by ITC in Sanchalak's house. Figure 6 clearly suggest that Sanchalak access the information and disseminate to farmers generated from Dept. of Agriculture (GoI), agricultural universities, Indian Meteorological Department (IMD), input firms, stockist, retailers and many more. Information regarding weather and scientific farming helps farmers to select the right crop and improve the productivity of their farms. Availability of market information helps farmers to become market oriented and confident about processes. They know the price ITC is quoting and the price prevalent in the local market (Mandi), thereby helping better price realisation for farmers.

It is evident that significant role played by information technology; in this case provided and maintained by a corporation, but used by local farmers and helping to bring about transparency in processes by enhancing access to information to catalyse rural transformation, while enabling efficiencies and low-cost distribution that make the system profitable and sustainable (Leo and Liu, 2006; Parwez, 2014b). ITC has been successful in creating sense of ownership among farmers and encourage them to generate additional revenue by eliminating middleman. This model has enabled farmers to enhance their income and eliminate the delay payment once the product is sold. It has helped in reducing debt burden on the farmers. The success of e-Choupal has given new lessons on utilisation of information technology in agriculture.

Fritolay's Model of Contract Farming

Launch of contract farming initiative by PepsiCo (formerly known as Pepsi Foods Ltd.) for its agro business in India (1989), focussing on export of value added processed food from processing plant in Punjab. PepsiCo apply the contract farming model in its simplest of form. Farmer's plants the crop as per contract on his/her land and addition to that PepsiCo provides selected inputs like seeds/sapling, agricultural practices (technical knowhow) and regular monitoring of the crops by agricultural expert till crop is ready for harvesting; then farmers are provided with pre-agreed price of the produce. Encouraged by the sweeping success of contract farming for tomato in Punjab, company emulated the model in cultivation of grains (Basmati rice), spices (chilies) and oil seeds (ground nut) and horticulture crops like potato.

Figure no 3: FritoLay Model for contract farming



Source: Adopted from Chaturvedi, 2007

The company involved in the export of Basmati rice since 1990, was the first processing company in India for Basmati rice. Before venturing into contract farming of Basmati rice, PepsiCo went through intensive multi location field trials to evaluate quality and productivity of

several varieties. Technical team ensure successful transfer of technology from the trials to the commercial field level, involved right from the stage of selecting varieties, seed multiplication, and development of package of best practices for farmers. At the time of harvest, company procures entire pre-agreed quantum of the harvested produce at the farm gates at the pre-agreed price. Procured raw material is transferred to processing plant for further processing, packing and export.

Contract farming of potato by FritoLay (PepsiCo group firm) installed its first potato chips plant in Channo, district Sangrur, Punjab in 1987. Later two more plants were put up at Ranjangaon, Pune and Howrah in West Bengal. Though India is a third largest producer (nearly 25 million tons per annum), meeting process grade requirement of potato is still possessing serious question. Potato is freely available but the challenge is getting continuous supply throughout the year of processed quality. Another major factor responsible for scarcity of given quality of raw material is non-availability of processing grade varieties across the country. In addition to that another major factor is production of process grade potato is seasonal, limits the high quantity of production of requisite quality.

To meet its requirement of processed potatoes, FritoLay operates contract farming in the states of Punjab, Karnataka, Maharashtra, Jharkhand, and West Bengal. In these states, more than 14000 farmers are involved with contract farming of potato spread over 12000 acres of land; more than 90 percent farmers are repeat farmers. Though the contract farming model varies slightly from state to state, basic model of operation remains same (Figure 3). Company attempts to provide a win-win market linked self-sustaining opportunities under “Partners in Progress Model”. This model helps FritoLay in identifying cooperatives or local farmer’s organizations to be associated with company’s contract farming model. These cooperatives or farmer’s organizations allow

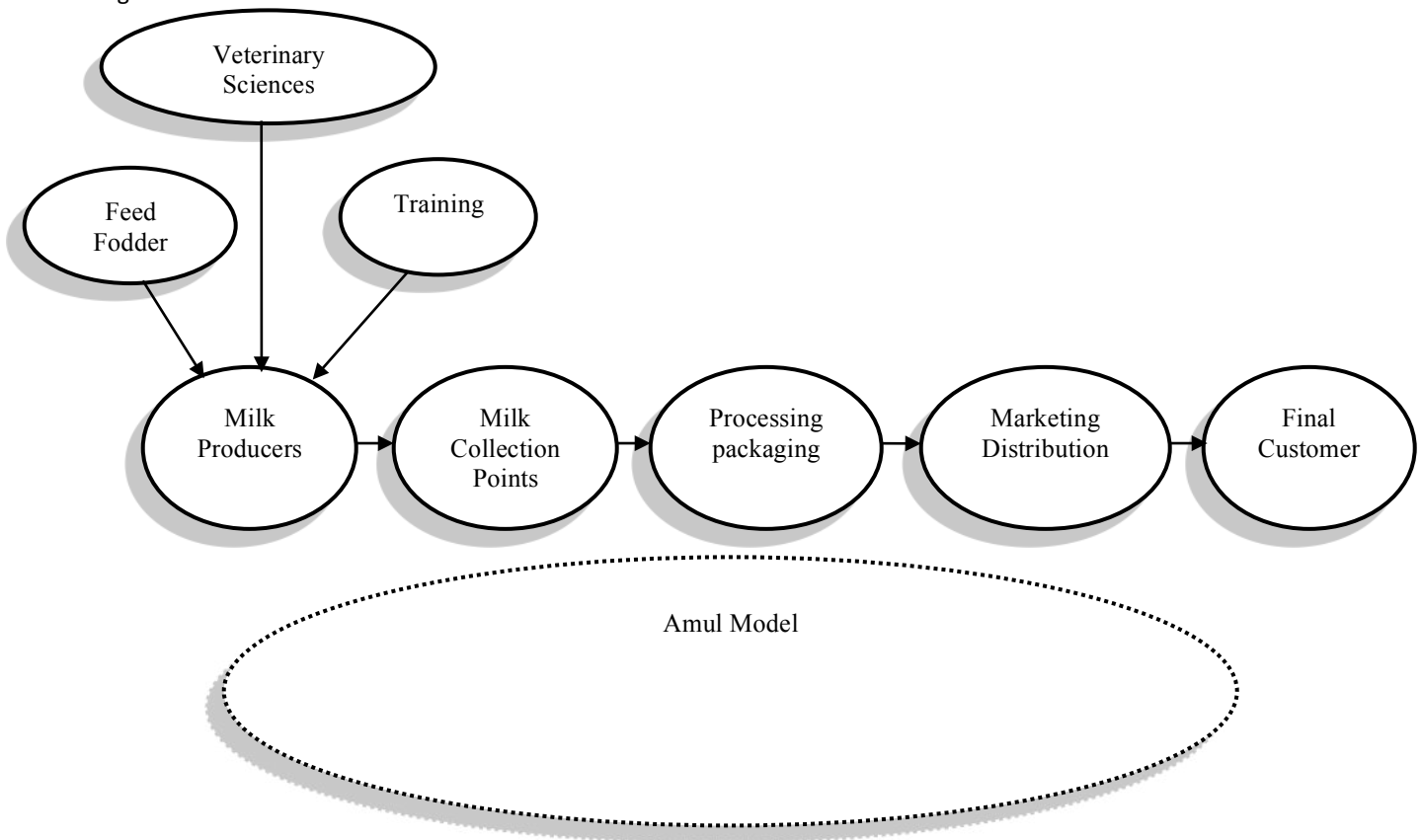
identification of farmers, who can produce requisite quantity and quality as per contract. To drive quality and continuous supply, ‘Pay for Performance’ system has been incorporated in the model, where farmers get incentives on high quality of requisite produce (Parwez, 2016; Chaturvedi, 2007).

Fritolay provides high quality seed to the farmer’s organization which thereafter distributed to the farmers. They provide on-field technical services to the farmers as extension of best farm practices through the agricultural scientists. These scientists keep regular track of farming through field visits or cell phones. They also keep track of field practices adopted at various stages of the cultivation. During harvest, best parameters are kept on check by company with efficient grading, packaging, and transportation of the produce. This model leads to buying of quality produce from farmers at fixed rate. Company also identifies input firms for the supply of bulk amount at reduced rate and benefits are passed on to the farmers. In addition to that, company also facilitate crop insurance and crop loans on low interest rate via collaborative approach with other companies.

The Amul Contract Farming Model

Amul is a Co-operative which has incorporated corporate structure as approach for trade. It takes members as the participative owners of the organization. It has merged three tiers of dairy co-operative viz., the village society (procurement unit), the union (processing unit) and the federation (marketing unit), each of them being an institution. These institutions at each level have the organic inter-institutional linkages and responsibility with sense of purpose and directions in their approach (Chandra & Tirupati, 2003). Even though Amul has hired professionals in the lines of corporate structure, but at each level the decision making lies in the hands of the producers (farmers) only. It creates sense of ownership among farmers as major stakeholder.

Figure no 4: Amul value chain model



Source: Adopted from Chandra & Tirupati, 2003

This model is reflection of cooperative approach; entire value chain - from procurement, to processing and marketing is guided by the farmer's association at various levels (Figure 8). This model excludes middlemen from the picture; the cooperative collects the milk directly from the farmer's gate. There is provision of democratic election every three years, to elect the members of the management. This leads to an environment for active participation of farmers in final

decision-making. Membership in cooperative is open to any farmer who owns at least a cow and can produce minimum of 700 litres of milk per year. The end price of Amul products are decided by Gujarat Cooperative Milk Marketing Federation (GCMMF)²⁸, which conducts market research and incorporate the cost of milk, manpower, processing, packaging, advertising, transportation, taxes, and other operational activities.

The functioning of cooperatives is also motivated by the maximisation of returns for stakeholders with value addition in all possible ways in the value chain. The organisation structure is complementary in nature as per objective of the cooperative; allows maximum participation of members and the benefits can be passed on to the stakeholders. Profit-sharing at organisational level is in accordance to the proportion of business contributed by the member. It leads to creation of sense of ownership and well-being for members particularly farming community.

Nestle Dairy Contract Farming Model

Nestlé is one of major food and beverage based company in the world. In India, to leverage on contract farming model Nestle uses the Milk District model for its agro-industrial activities. The Nestlé milk-processing plant was established at Moga district (Punjab) in 1959. Since start of plant number of milk supplier has grown from 4600 farmers (capacity of 2000 tonnes of milk) to the 100000 farmers with outreach of 2600 villages providing milk weighing more than 300000 tonnes. Moga milk-processing plant processes over 1 million litres of milk every day. Company procures over 11,00,000 kg of milk per day from the districts of Punjab and Haryana, covering

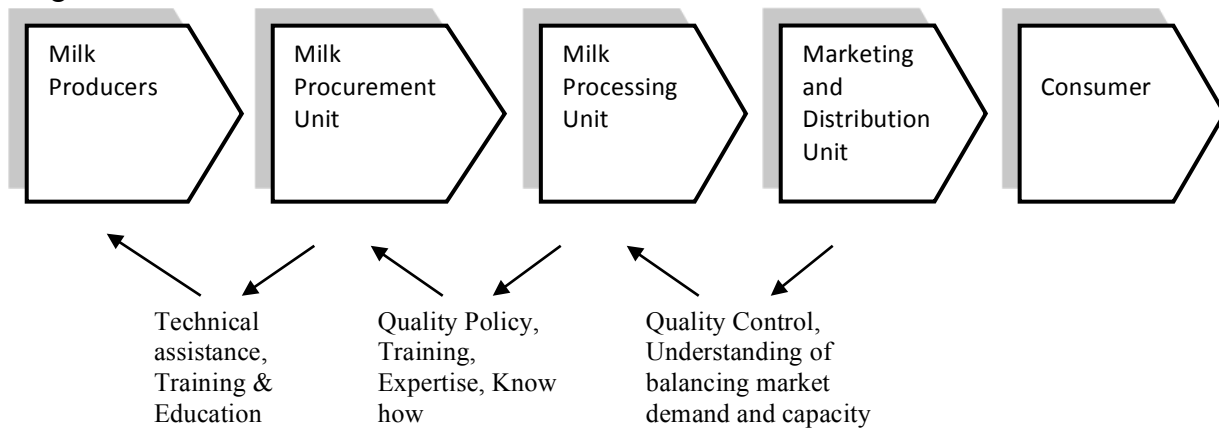
²⁸ Gujarat Cooperative Milk Marketing Federation Ltd. (GCMMF) is one of India's largest food product marketing organisation. Its daily milk procurement is approx 16.97 million lit per day from 18,545 village milk cooperative societies, 18 member unions covering 33 districts, and 3.6 million milk producer members. It is the Apex organisation of the Dairy Cooperatives of Gujarat, popularly known as 'AMUL'.

14,000 square kilometres area through an efficient milk collection system with a network of 2240 milk agencies, collection points and 698 milk cooling centers. Nestlé India has created a network of dairy farming with dairy depots, wholesalers & distributors, and retailers for more efficiency in value supply chain. Establishment of a milk district in Punjab is due to negotiation with farmers, installing chilling along with collection points, transportation of milk to the plant and execution of activities for quality milk and products.

Nestle India has developed Moga as milk-processing hub and raw milk is sourced from the districts of Moga, Ludhiana, Sangrur, Mukatsar, Ferozepur and Faridkot. These six districts have been termed as ‘Moga Milk District’. Decision on location of collection points is based on factors such as; (a) milk production and potential of the area (b) Milk production costs and milk prices in the area (c) income from milk compared with income from alternative (d) presence of competitors (e) present milk quality and (f) potential to achieve the required quality.

To ensure quality, company undertakes training and developed manuals detailing suitable farm practices for each district. Technical expert regularly audits the farms to ensure best practices are to be followed. Nestlé provides technical and extension services to farmers to ensure competitive standard of produce (Goldberg, 2013). Nestle emphasis on sustainable trade relationships with farmers. Surpluses supply of milk in season (spring) is a challenge for company (management point of view) as well as farmer. Company also procure surplus amount of milk to ensure continuous supply throughout the year.

Figure no 5: Nestle Milk Value Chain



Source: Adopted from Gandhi and Jain, 2011

The company follows specific quality measures. Technical staff of the company conducts regular monitoring of milk quality and execution of contractual obligations. Farmers are provided with on spot (collection points) feedback on quality of milk quality. Nestlé only purchases milk that meets the quality standards as per contract. Use of antibiotic by the farmers for milk production leads to punishment (low price of milk). Repeated irregularity leads to breach of contract. Farmers also have the right to complain in registers kept in each collection centres. This model works for both company and famers. Company get stable supply of milk throughout the year at constant price and farmers get remunerative prices of milk irrespective of market fluctuation.

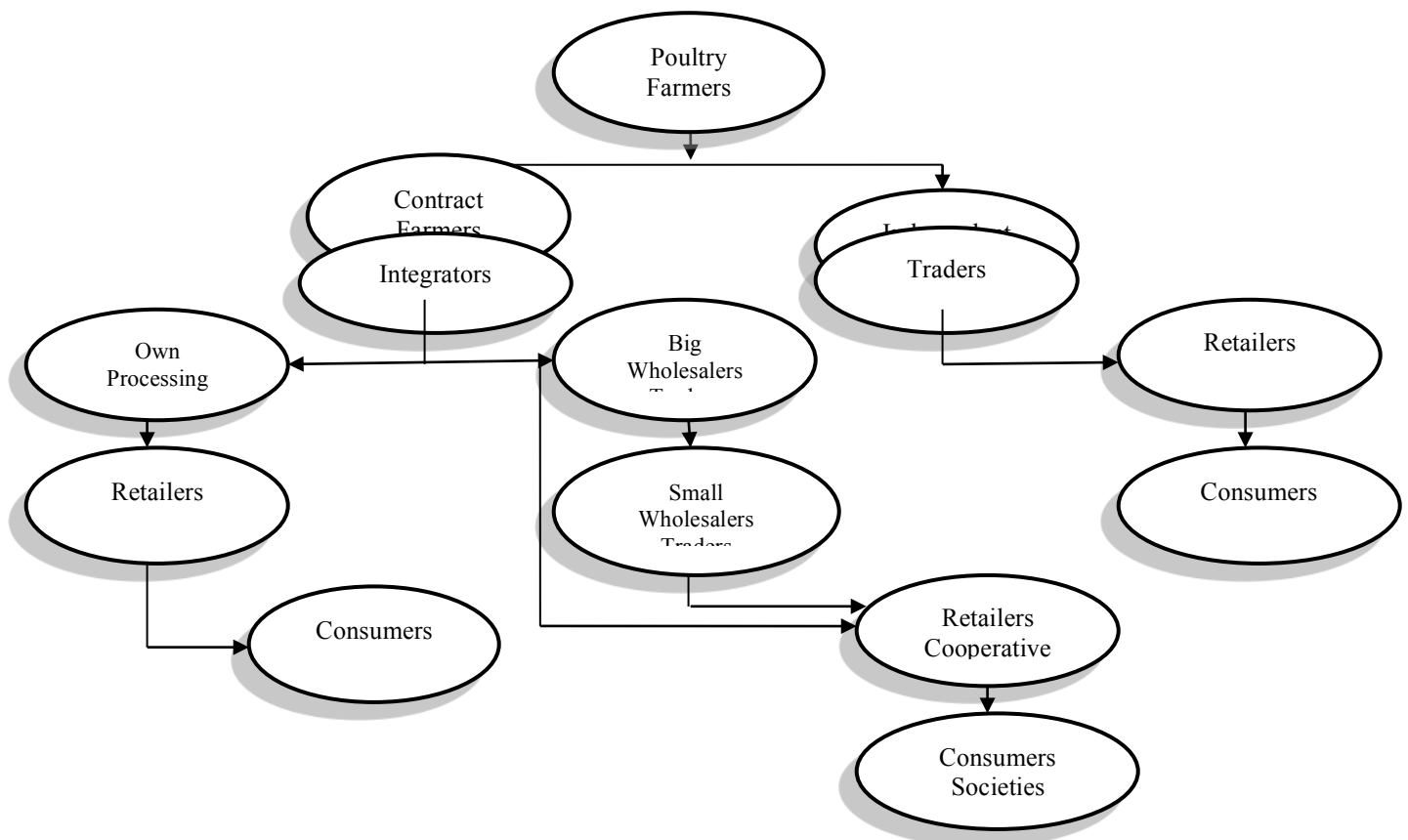
Suguna Poultry Contract Farming Model

Suguna Poultry has emerged as major player in fast growing poultry market now estimated to be around Rs 125 billion. Ministry of Agriculture (GoI) estimates that poultry production is more than 2.3 million tonnes annually. However, the poultry industry in India is highly fragmented and informal in nature. Suguna Poultry is one of the major organized players in the country and



well recognised across the globe. The Suguna Poultry is based in Coimbatore (Tamil Nadu) and operating in 16 states in India, offer a series of poultry based products and services. Suguna's business model can be called contract broiler & layer farming or a form of franchise farming. The company pioneered contract farming practices in poultry industry in the country. The company avail its raw material through 23000 contract farmers across India.

Figure no 6: Suguna Poultry Contract Farming Model



Source: Adopted from Gandhi and Jain, 2011

Indian consumers generally prefer live birds to frozen chicken. To meet the demand Suguna Poultry came up with the idea of branding chicken product. Introduction of branding chicken based products; company has created space in consumer mind and established itself as prominent member in the market worth Rs. 100 billion. Company has integrated the operational network from broiler & layer farming to hatcheries, feed mills, processing plants, vaccines and exports. Suguna Poultry is in business of selling live broiler chicken, value added eggs and frozen

chicken. It has set up a system of modern retail outlets to provide best of services with fresh, clean and hygienic processed chicken to consumers. In 1993, the company established a farm for rearing the parent breed. Day-old chicks hatched by parent breed and later distributed among contracted farmers against a nominal price. In 2000, company started the import of ‘grandparent chicks’ - genetic make-up for breeding broilers - from the United Kingdom (Saguna Poultry, 2015).

The Suguna Poultry also forayed into the layer (egg) segment dominated by Venkateshwara Hatcheries (90 percent of market share). Suguna Poultry has collaborated with global companies to import latest technology and practices. Company has engaged modern technology to cater the needs of 15000 farms; includes creation of advanced level hatcheries, modern Research, and Development (R&D) centre, feedmills, scientists, veterinarian’s other professionals. Technical experts from the company train farmers on best management practices to ensure quality poultry based farming, feeding and trained application.

Suguna brings significant value to the poultry industry as well as to farmers by means of international standard processes and ultra-hygienic rearing technologies. It is evident that Suguna Poultry is involved in contract farming in big way. A Farmer with land and access to water, electricity and labour can be associated with company; requisite inputs and expertise are being provided by the company itself. The processes of poultry farming have been standardised with large scale application of technical input and regular monitoring (Ramaswami, B.; P.S. Birthal and P.K. Joshi, 2006). Technical team conducts quality checks to ensure norms are being followed. If farmers comply with established quality checks in farming, the company purchases products; and farmers are paid a ‘growing’ price. Generally, a typical farmer can earn Rs 12,000 per month for breeding broiler in their farm. If farmer does not comply with norms of farming as

per breeding manual, or sells boiler to elsewhere is considered a breach of trust and the contract is likely to be terminated.

Suguna Poultry also provide safety net to farmers; it bears the production (damage) and market risks. For example, increase in input prices will not impact farmers as feed is directly supplied by Suguna. The most significant aspect of Saguna contract farming model is considerable reduction in number of intermediaries (middleman); reduced from 14 to 4. Farmers directly trade with the company, in return they get fair price (usually more than market price); resultant company get continuous supply of boilers throughout the year.

Suguna Poultry activities have benefited large number of rural households; business model led higher economic incentive for farmers. This model offers efficient and effective supply chain as the company does not need to buy or lease farms. It keeps costs low, and offers economies of scale (Gandhi and Jain, 2011).

Contract farming is an institutional arrangement, has been economically viable with lowering the costs to the contract farmers compared with non-contract farmers. In addition, promise of assured market and stable monetary return; the backward linkages help in controlling transactional and marketing cost; yielding higher level of returns to the farmers. In the case of co-operatives prices offered for produce can be less than prevailing open market prices; member farmers earn higher profits because the cooperatives provide low-cost inputs.

These empirical studies provide a broad idea of the nature of contract farming; the existing limitations, the lessons learned, and the issues involved in moving forward.

The contract farming: further discussion

Contracting in agriculture is not a new concept in India; it can be traced back since sugarcane sector era, which was primarily organized under the cooperative structure. Although the sugarcane sector heavily dependent on government assistance but dairy sector evolved due to white revolution (Operation Flood), flourished under the cooperative commercial structure and millions of farmers benefited in early 1970s. Later, various forms of cooperative formed and developed; several private and public companies forayed in the sector following the “*Amul model*” of cooperative operation.

Contract farming has performed in selected product of agriculture; such as milk, poultry, basmati rice and potato production, led by co-operatives and corporate. Contract farming in high value agricultural commodities, such as tomato and chilies, began as early as the 1990s, and contracting in high value vegetables, such as baby corn has been a more recent. Contracting in horticultural product in fruit, such as mango, citrus, and grapes, has been successful and conducted in large scale in northern and southern part of India.

The results from several contract farming models reflects that net profits for contract farmers were more than double those of non-contract farmers (Parwez, 2014). The share of marketing and transactional cost to total cost was much lower for contract farmers. Prowse (2012) observe that cooperatives affiliated contract farmers earn higher profits in compare to non-contract farmers.

Similarly, a study on Mahagrapes reveals that profits earned per acre annually by contract farmers were approximately 39 percent higher than that for non-contract farmers (Rehber, 2007).

A similar case study of contract grape growers in Andhra Pradesh showed that contract growers received 55 percent higher net returns supplying in international market to the domestic markets (Rao and Jeromi, 2006).

Southern states such as Andhra Pradesh, Tamil Nadu, and Karnataka along with western states Maharashtra and Gujarat have been in the forefront in introduction of contract farming in livestock based product. It is evident with operations of companies such as Suguna, Pioneer, Godrej Agrovet, and Ventakeshwara Hatcheries.

There are few prevailing examples of a public-private partnership in India; the Council for Citrus and Agri Juices in Punjab has taken up the concept of contract farming for citrus orchards to supply the produce to PepsiCo. The Council for Citrus and Agri Juices has acquired 5,185 acres of land in Punjab, of which 2,600 acres have been planted, with a target to acquire additional 10,000 acres under horticultural cultivation. Southern state Andhra Pradesh also witnessed contract farming in cultivation of mangoes, pomegranates, grapes, chikoos, gherkins, and exotic horticulture based product. Companies such as Sam Agritech and Global Green Company has been forefront in introduction of contract farming in Andhra Pradesh. They have provided marginal holders with access in the international markets through private companies.

A study conducted by International Food Policy Research Institute (2009) reflects that higher revenue, stable prices and assured markets circulation have compelled farmers to diversify into gherkin production. Global Green Company is working at international level, tied up with about 10,000 farmers in Andhra Pradesh, Karnataka, and Tamil Nadu. To sustain the contractual relation, the company also procure produce that is not fit for export or international market and sell it in the domestic market. Apart from purchasing the produce, the firm provides technical

assistance and agricultural inputs (seed, pesticides, and fertilizer) to farmers on payment basis; cost is adjusted in the final purchase transaction of produce.

Even though farmers are benefited from an assured market transaction on acceptable quality of produce; generally, there is no written contract with the farmers to safeguard the interest. Lack of written contract makes farmers a vulnerable partner in contract farming (Parwez, 2016). Even though contract farming is taking place at large scale but the policies at government level is absent. It has allowed companies to exploit farmers and farm land according to their need; framers are left in doldrums in case of non-compliance of contract.

Cases on contract farming reveal that farmers are better off; it reduces the costs of cultivation and increases farmers earning. However, not much emphasis has been given to address risk against production and price instability, is important for sustainability of contractual ventures. Mutual trust and confidence in farm-firm relationship is a major driver for contract farming arrangements. Legal status of contracts is desirable to make agreements forcible; but it has been observed that neither the companies nor the farmers are keen to approach law enforcing agencies. Hence there could be provision for third party can be developed for intervention that can resolve disputes without being resort to courts. Marginal farmers are most affected in case of non-compliance from the companies; often find themselves in a wrong side of bargaining position and should bear uneven burden of the risks of contract (Jain, ____).

Contract farming is not a development model but it is a business model promoted by the large organisations both public and private. It should not be taken otherwise; contract farming can be a medium of realisation of better income for farmer and formalisation of agriculture sector. To safeguard farmer's interest, they need to be informed and educated on various aspects of

contracts as they are fast becoming more prevalent in agriculture. Contract farming provides farmers with inputs, quality control, and technical services on best farm practices. Reasonable scenario for both companies and farmers is that prices are to be fixed in advance and financial support may be associated within the contract. Above all, contract farming can make agriculture remunerative especially for farmers. Generally, payment is made after crop is harvested and transacted; it makes farmer highly depended on the company's goodwill. If the crop is lost, the risk falls on the farmer and often no compensation is provided in the prevailing contract farming model. For investors and contractors, contract farming means prevail over land constraints and politically acceptable. Investor and risks of farming control quality of produce is shared with the farmers.

It is evident that contract farming is situation where a farmer commits to provide pre-agreed quantities of a specified agricultural produce in given time. In return, the company agrees to buy the produce at pre-agreed price or market price. Conditions stipulated in a contract farming agreement are detrimental to the interests of both the parties; occurrence of imbalances in market power, opportunistic behaviour or other unfair practices, the relationship between farmer and company is most likely to depreciate. Under such circumstances contract farming may not be successful, as imbalances and gap in bargaining power of farmer and company is massive; mutual benefits can be ensued from a well-coordinated buyer-seller relationship will be missed. Contract farming continues to develop as an instrument for governing transactions in agribusiness supply chains.

Concluding remarks

Functioning of contract farming in India has been largely observed as lower transaction costs and higher net returns for corporate as well as farmers. While the economic viability is important, in basic framework of contract farming provisions are not clear and exploitative in nature for marginal farmers. Even though the contract agreements discussed above apparently have quantity, price and quality clause acceptable to both firm and farmers but there is no mechanism address in case of non-adherence to these provisions. For large farmers, who already have several acres of land contract farming enables them to earn more incomes. On the other hand, for the smaller farmers, contracting may be diversion from risk of subsistence farming. It is therefore timely and appropriate to consider the various approaches available for contractual relationships of farmers and private firms, with a view to enhance the benefits for both partners (farmers and private firms) and promoting the social and economic development impacts of contracting in the agribusiness sector.

Reference

- Bellemare, M. F. (2012). 'As You Sow, So Shall You Reap: The Welfare Impacts of Contract Farming', *World Development*, 40(7), 1418–1434.
- Birthal, P.S.; A.K. Jha; M.M. Tiongco; and C. Narrod. (2008). *"Improving Farm-to-Market Linkages through Contract Farming: A Case Study of Smallholder Dairying in India."* Discussion Paper no 00814. International Food Policy Research Institute. Washington, D.C.
- Chand, R. (2001). 'Emerging Trends and Issues in Public and Private Investments in Indian Agriculture: A State wise Analysis'. *Indian Journal of Agricultural Economics*. 56 (2), 161-184.
- Chand, R. (2005). *'Agricultural growth during reforms and Liberalisation: Issues and Concerns'*. Policy Brief 20. New Delhi: National Centre for Agricultural Economics and Policy Research.
- Chandra, P., & Tirupati, D. (2003). *'Business strategies for managing complex supply chains in large emerging economies: The story of AMUL'*. Working Paper No. 2002-05-06. Ahmedabad: Indian Institute of Management.
- Chandrashekhara, G. (2002). *'Can Indian Agriculture become globally competitive?'* The Hindu Business Line, Chennai.
- Chaturvedi, R. (2007). 'Contract Farming and Fritolay's Model of Contract Farming for Potato' *Potato Journal*, 34 (1-2), 16-19.
- Eaton, C. and A.W. Shepherd (2001). 'Contract farming- Partnership for growth' *Agricultural Services Bulletin*, 145, Rome: Food and Agriculture Organization.
- Gandhi, V.P. and Jain, D. (2011). 'Institutional Innovations and Models in the Development of Agro-Food Industries in India: Strengths, Weaknesses and Lessons', Working Paper no. 2011-04-03, 14-22.
- Goldberg, Ray A. and Lorin A. Fries (2013). 'Nestlé: Agricultural Material Sourcing Within the Concept of Creating Shared Value', *Harvard Business School Case*: Boston, 913-406.
- Gulati, A., Ganguly, K. and Landes, R.M. (2010). *'Toward Contract Farming in a Changing Agri-food System'*. New Delhi: National Institute of Agricultural Economics and Policy Research (NIAP). Retrieved on 11th November 2015 from http://www.ncap.res.in/contract_%20farming/Resources/2.1%20Ashok%20Gulati.pdf
- Jain, R.C.A. (_____) 'Regulation and Dispute Settlement in Contract Farming in India'. New Delhi: National Institute of Agricultural Economics and Policy Research (NIAP). Retrieved on 9th June 2015 from http://www.ncap.res.in/contract_%20farming/Resources/16.1%20RCAJain.pdf
- Kahn, K.B. (1996). 'Interdepartmental integration: A definition and implications for product development performance'. *Journal of Product Innovation Management*, 13 (2), 137-151.

- Kumar, P. (2002). *'Agricultural Performance and Productivity'. Indian Agricultural Policy at the crossroads'*. Jaipur: Rawat Publications.
- Landes, R. and Maurice, R. (2004). 'The Elephant is jogging: New pressure for Agricultural Reforms in India'. *Amber Waves*, 2(1).
- Leo, M. and Liu, M.C. (2006). 'ICT and Agricultural Productivity: Evidence from Cross Country data'. *Agricultural Economics*, 34(3), 221.
- Little, P.D., and Michael J. Watts (1994), *'Living under Contract - Contract Farming and Agrarian Transformation in Sub-Saharan Africa'*, Madison: University of Wisconsin Press, 216-47.
- Malik, R.P.S. (2009). *Indian Agriculture: Recent Performance and Prospects in the Wake of Globalization*. Colombo: International Water Management Institute, 1-21. Retrieved on 17th August 2016 from <http://www.iwmi.cgiar.org/Publications/Other/PDF/Paper%20of%20NRLP%20series%201.pdf>
- Mehta, R. and Nambiar, R.G. (2007). *The poultry industry in India*. In: *Poultry in the 21st Century: Avian Influenza and Beyond* (O Thieme & D Pilling, eds). Rome: Food and Agriculture Organization of the United Nations (FAO) Animal Production and Health Proceedings, No. 9, 22-23. Retrieved on 21st April 2016 from http://www.fao.org/AG/againfo/home/events/bangkok2007/docs/part1/1_5.pdf
- Mittal, S. (2007). *'Strengthening Indian Agriculture- Need for Reforms Paper presented at the Seminar on US-India Agricultural Knowledge Initiative'*. ICRIER and Ministry of External Affairs, Government of India.
- Naik, S.D. (2003). *'WTO and Agriculture- Will it be Advantage India?'*. The Hindu Business Line. Internet Edition.
- Parwez, S. and V. Sen (2014). *"Food Supply Chain Management in Indian Agriculture"*. New Delhi: Excel India Publishers, 1-119.
- Parwez, S. (2015). 'Agriculture for Inclusive and Sustainable Growth of Indian Economy: A Developmental perspective' *Indian Journal of Social Research*, New Delhi: Academic and law Serials, 56 (3), 529-540.
- Parwez, S. (2014a). 'Supply Chain Dynamics of Indian Agriculture'. *Productivity: A Quarterly Journal of the National Productivity Council*, New Delhi: National Productivity Council, 55(3), 286-294.
- Parwez, S. (2014b). 'Supply Chain dynamics of Indian Agriculture: Reference to Information Technology and Knowledge Management', *Stewart Postharvest Review*: United Kingdom, 10(1), 1-5.
- Parwez, S. (2016). 'A Conceptual Model for Integration of Indian Food Supply chains'. *Global Business Review*, New Delhi: SAGE Publications. 17(4), 834-850.

- Parwez, S. and N. Shivani (2015). 'FDI in retail – Bane for Indian economy: reference to Global impact', in Book titled "Emerging Services Sector and Inclusiveness", Newcastle upon Tyne: Cambridge Scholars Publishing, 118-128.
- Prowse, M. (2012). 'Contract Farming in Developing Countries - A Review'. Agence Française de Développement.
- Ramaswami, B.; P.S. Bithal; and P.K. Joshi. (2006). "Efficiency and Distribution in Contract Farming: The Case of Indian Poultry Growers." MTID Discussion Paper No. 91. IFPRI. Washington, D.C.
- Rao, V. M, and Jeromi P.D. Jeromi. (2006). 'Modernising Indian Agriculture: A Review of critical Policy issues in Indian Economy since Independence'. 17th edition. New Delhi. Academic Foundation. 263-350.
- Rehber, E. (2007). 'Contract Farming: Theory and Practice', ICFAI Press, Hyderabad.
- Sharma, V.P. (2008), 'India's Agrarian Crisis and Corporate-Led Contract Farming: Socio-economic Implications for Smallholder Producers', *International Food and Agribusiness Management Review*, 11(4), 25-48.
- Singh, S. (2002), 'Contracting Out Solutions: Political Economy of Contract Farming in the Indian Punjab', *World Development*, 30(9), 1621-1638.
- Singh, S. (2005). 'Contract Farming for Agricultural Development and Diversification in Punjab: Problems and Prospects', *Journal of Punjab Studies*, 12(2), 251–69.
- Ziggers, G.W. and Trienkens, J. (1999). 'Quality assurance in food and Agribusiness Supply Chains: Developing Successful Partnerships'. *International Journal of Production Economics*. 60-61, 271-279.

China's social networks: Culture, business, and the gender gap

Jiali Lin
Business School, Shantou University
Shantou, Guangdong, P. R. China 515063
jlilin@stu.edu.cn

Jeretta Horn Nord
Department of Management Science and Information Systems
Oklahoma State University, Stillwater, OK 74078 USA
405-747-0320
jeretta.nord@okstate.edu

Joanna Paliszkiewicz
Magdalena Mądra-Sawicka
Faculty of Economics, Warsaw University of Life Sciences
Warsaw, Poland
joanna_paliszkiewicz@sggw.pl
magdalena_madra@sggw.pl

Abstract

This study focuses on China's social technology networks, a subset of the complex world of social networks. Despite government regulations, China has the largest number of Internet users worldwide. Although China restricts access to foreign platforms such as Facebook, Twitter, and YouTube, it has experienced success in this arena with its own set of social networking sites. This research includes results from a study administered to Chinese women to gain knowledge of the purposes used and benefits realized of five of their own social network platforms used in business and whether opportunities for empowerment and success are provided through these technologies.

INTRODUCTION

Social networks have been studied extensively in social sciences (Barabasi, Jeong, Neda, Ravasz, Schubert, and Vicsek 2002; Kilduff and Brass 2010; Kilduff, Tsai, and Hank 2006; Wasserman and Faust 1994; Kochen 1989). Through the past decade, social network analysis (SNA) has experienced a golden age of rapid growth in participants, significant developments, and productive expansion into new substantive areas (Burt, Kilduff, and Tasselli 2013).

The Internet is a complex evolving network, where nodes and links are added (and removed) at a very high rate with the network topology being profoundly determined by dynamical features (Barabasi, Jeong, Neda, Ravasz, Schubert, and Vicsek 2002; Barabasi and Albert 1998; Albert, Jeong, and Barabasi 1999; Lawrence and Giles 1999; Lawrence and Giles 1998).

From the Internet, social technology platforms were born and have evolved into cost effective tools for businesses to communicate and collaborate; provide customer service; gain exposure and create awareness; gain new customers; increase revenue and profits; market products;

network and build relationships; and recruit employees (Nord, Paliszkiewicz, Grublješić, Scarlat, and Salome. 2015). Social media has dramatically transformed the fashion in which information is received and disseminated (Zheng 2013).

The focus of this research is on social technologies networks—a subset of the complex world of social networks—specifically in China.

China is unique. In addition to having the world’s largest Internet user base—China also has the world’s most active environment for social networks (Chiu, Ip, and Silverman 2012). While strict government regulations and language barriers have blocked the reach of Facebook, Twitter, YouTube, Google+, and other Western platforms, China has equivalent platforms that are used by millions within their country.

Despite the widespread usage, there are related questions that have yet to be answered through research:

To what extent are selected social technologies platforms used in China for business purposes?

For what specific purposes are selected social technologies used in business?

Are benefits realized for stated purposes?

Can education and social technologies provide opportunities for empowerment and success?

This study addresses these questions and discusses cross-country cultural differences in social networks.

CHINA AND SOCIAL NETWORKS

China, officially the People's Republic of China (PRC), is a sovereign state in East Asia. With a population of over 1.38 billion, it is the world's most populous state. The state is governed by

the Communist Party of China based in the capital of Beijing. It exercises jurisdiction over 22 provinces, five autonomous regions, four direct-controlled municipalities (Beijing, Tianjin, Shanghai, and Chongqing), and two mostly self-governing special administrative regions (Hong Kong and Macau). China is a great power and a major regional power within Asia, and has been characterized as a potential superpower (China 2016).

China had the largest economy in the world for most of the past two thousand years, during which it has seen cycles of prosperity and decline. Since the introduction of economic reforms in 1978, China has become one of the world's fastest-growing major economies. As of 2014, it is the world's second-largest economy by nominal GDP and largest by purchasing power parity (PPP). China is also the world's largest exporter and second-largest importer of goods (China 2016).

Much has been written about the PRC government's efforts to control and censor the Internet. The government's censorship of websites is an important issue, but it is not the top priority of the country's Internet users (netizens). Their top priority? Connecting with other Chinese online. The Internet has opened access to information for ordinary Chinese citizens in ways that were unimaginable just a few years ago. Coming from a world where information was pre-filtered by editors at state-run media, China's Internet is freewheeling by comparison (Crampton 2011). In the last two decades, the People's Republic of China has experienced the extremely rapid proliferation of information and communications technology (ICT) that has given rise to new social networks with unprecedented power to counter the might of China's adaptive propaganda state (Esarey and Qiang 2011; Brady 2008; and Castells 2009).

Bimber's study of information regimes in the United States suggests that Internet technologies empowered organizations, with poor and modest organizational and financial resources, to mobilize supporters to a greater extent than would have been possible through traditional means, such as making phone calls or paying for advertisements in mass media. Civic groups with more resources could invest heavily in expanding organizational networks and utilize information and communication technologies to identify and mobilize supporters to an even greater extent than before. (Esarey and Qiang 2011; Bimber, 2003).

The rapid development of social media has had a profound impact on how people access and share information in China. Some researchers suggest that the new social media has broken through the monolithic propaganda of traditional Chinese media and brought a diversity of topics and perspectives into view (Pengyi 2013).

Recent efforts by the authoritarian state to grapple with the challenges that new media pose to information control suggest, however, the necessity for new approaches to consider how popularization of the Internet is changing Chinese politics (Esarey and Qiang 2011).

The popularization of digital media technologies in the People's Republic of China has led to the liberalization of public discourse and provided the citizenry with new opportunities for political advocacy (Esarey and Qiang 2011).

Making up 40.3 percent of Asia's internet users, China has over 700 million internet users (Internet World Stats 2016) and numerous social technologies platforms. Platforms that are widely used in five different categories were selected for this study—WeChat (Instant Messaging), Weibo (Microblogging), Liepin (Recruitment), Tudou (Video Sharing), and RenRen (Networking).

WeChat is China's most popular social technologies platform and is recognized as the best social networking site in China. It is used by people of all ages and professions. (Liu, Zhang, Chen, Guo, Yu 2015; Zeng, Deng, Wang, Liu 2016). WeChat is a cross-platform instant messaging service created by the Tencent group in China. It was first released in January, 2011 and is free to download, install, and use. WeChat is primarily an instant messaging application for mobile phones. The users can only see posts made by those on their contact list. 'Moments' can be shared through small posts that may contain text, images, links or videos. WeChat provides hold-to-talk voice messaging, broadcast (one to many) messaging, and video conferencing. Social networking is supported via shared streaming content feeds and location-based social plug-ins to chat with and connect with local and international WeChat users (Liu 2014; Li and Reimers 2015). Photos can be taken and embellished with artistic filters. WeChat is developing more features to include e-commerce, the ability to schedule medical appointments, make payments on utilities or traffic fines, and book transportation. The network has over 700 million monthly active users and 70 million outside of China (BI Intelligence 2016).

For work purposes, there is a special version of WeChat called Enterprise WeChat (Qiyè Weixin) which was launched in 2016. This version of the social technology has added features which let companies and their employees keep track of annual leave days and expenses that need to be reimbursed. Employees can ask for time off or even clock in to show they are at work. Security has been upgraded and companies must register before employees can use the platform (Lopez 2016).

Weibo–Microblog is the most popular microblogging website in China (<http://www.weibo.com/>). It was launched by Sina corporation in 2009. Sina Weibo is designed as a platform that allows

users to generate content that is open to the public. In this application, similar to Twitter, a user may post with a 140-character limit, mention or talk to other people using @UserName, format, add hashtags, follow other users, re-post or retweet, select posts for one's favorites list, and verify the account if the user is a celebrity. Users are allowed to insert graphical emoticons or attach their own image, music, or video files in every post. Comments to a post can be shown as a list right below the post (Wang, Zheng, Freeman, Chapman 2015; Tse 2016,).

Liepin (www.liepin.com) is an online career development and recruiting platform. This service connects employers, headhunters, and professional managers. It was launched in 2011 in Beijing, China. Liepin has more than 20 million registered members and has served over 390,000 customers. Liepin is China's largest and most dedicated career development platform for professionals.

Tudou is a video-sharing website headquartered in Shanghai, China. Users can upload, view and share video clips. Tudou went live on April 15, 2005 and by September 2007 served over 55 million videos each day. The Shanghai-based service uses Adobe Flash technology to publish more than 50,000 new videos each day, including amateur content such as videoblogging and original videos, movies, movie and TV clips, and music videos. Unregistered users can watch videos on the site, while registered users are permitted to upload an unlimited number of videos, using on-line and Windows-based upload tools. On March 12, 2012, Tudou was acquired by Youku and the new entity is referred to as Youku Tudou Inc. (Tudou, 2016).

RenRen Inc. operates a leading real name social networking service (SNS) and an internet finance business in China. It's SNS enables users to connect and communicate with each other, share photos, share information, create user generated content, play online games, access mobile

live streaming, and enjoy a wide range of other features and services. RenRen.com and the RenRen mobile application had approximately 236 million activated users as of June 30, 2016. The community is highly engaged by university students and young white collar professionals across the country. The Company's SNS business started in 2005 under its prior name Xiaonei, which meant "On Campus", synonymous to its initial roots within Universities (RenRen 2016). A summary of the social technologies platforms included in this research are shown in Table 1.

Table 1. Social technologies platforms studied (Top 10 Chinese Social Media Sites, 2016; Youku Tudou 2016; Liepin.com 2016; Nath 2015; Renren.com 2016; and BI Intelligence 2016)

Social Technology	Date Founded	Number of Users	Category
WeChat	2011	700M+	Instant messaging (text, video and voice)
Weibo	2009	287M+	Microblogging
Liepin	2011	20M+	Career Development and Professional Recruitment
Tudou	2005/2012	150M+	Video Sharing
RenRen	2005/2010	236M+	Networking

China's powerful position economically and its vast number of social network users, make business and empowerment opportunities through social networks too great to ignore.

Culture and Social Networks

Unlike Western-based social networks, primarily dominated by Facebook and Twitter, China has many 100 million+ user social networks which are largely categorized by their main usage modes (Savitz 2012).

Most outside social network sites are blocked by China's government. The blockage of Facebook began several years ago in conjunction with riots in Xinjiang. Twitter became blocked at about the same time with the government alleging that these social networking platforms were being used to coordinate protests in Xinjiang, and to spread rumors harmful to the state (Ahsan 2015). Stucky-Mack (2014) sites two principal reasons these sites are blocked: fear and protectionism. The fear that free speech could present a threat to the Party and China wants to develop its own industry rather than feeding China's money to foreign entities. They want to keep China's infrastructure independent of outsiders. It's about money, jobs, development, and ultimately the culture.

Even with a global economy, global communications with Chinese consumers and businesses through social networks is extremely limited. LinkedIn enjoys some usage in China, but due to a lack of China-specific functionality and content, its use as a business networking tool between Chinese people has been challenging (Savitz 2012).

A number of studies have investigated the challenges, issues and problems around the Chinese governments use of social media. These were identified as resources, legal and regulatory ramifications, governance, making a business case, security, accessibility, perception, and information overload (Zheng 2013). Zheng's (2013) analysis of external factors indicates that thanks to advanced IT devices and social media applications, rising citizen participation and

international influences, Chinese citizens now enjoy relatively more freedom in receiving and spreading information than they could in the past when the government exercised tight control over information access and flow through dominating mass media. Zheng (2013) goes on to say that social media applications have shifted the information access and flow to some extent, in China from a vertical, centralized and closed model into a horizontal, decentralized, and open network.

Despite a reasonable amount of research surrounding social technologies in China, no studies were identified which studied the use of specific Chinese social network platforms in relationship with the purposes used and benefits realized in business or the use of these platforms for empowerment.

The history of China's social technologies networks dates back to the mid-nineties and continues to grow at a pace competitive with the Western world. Social media began in China in 1994 with online forums and communities and migrated to instant messaging in 1999. Chinese users were able to embed multimedia content in social media 18 months before Twitter users could do so in the United States. Blogging took off in 2004, followed a year later by social-networking sites with chatting capabilities such as RenRen (Chiu, Ip, and Silverman, 2012).

Despite having their own unique platforms, social networks are a larger phenomenon in the world's second-biggest economy than they are in other countries, including the United States. And it's not indecipherable. Chinese consumers follow the same decision making process as their peers in other countries, and the basic rules for engaging with them effectively are reassuringly familiar (Chiu, Ip, and Silverman 2012).

Social Networks in Business

Researchers have studied the social and economic effects of the Internet and development of social networks globally (Babco 2004; Basu and Chakraborty 2011; Bertola 2010; Buskins and Webb 2009; Deen-Swararray, Moyo, and Stork 2013; Ellis, Paul 2000; Frehund and Weinhold 2002; Choi 2003; Choi and Yi 2005; Negroponte 1995; Noh and Yoo 2008; Choi and Yi 2009; Lio, Liu and Ou 2011; Nord, Paliszkiewicz, Grublješić, Scarlat, and Salome 2015; Najarzadeh, Rahimzadeh, and Reed 2014; Nord, Riggio, and Paliszkiewicz 2017; and Nord, Lee, Cetin, Otay, and Paliszkiewicz 2016).

Social networks for business purposes have proven to increase an organizations revenue and broaden the reach for communication purposes, customer service, branding, gaining new customers, marketing, networking and building relationships, and recruiting employees (Nord, Lee, Cetin, Otay, and Paliszkiewicz 2016).

The competition for consumers is fierce in China's social-networking space. Users not only are more active than those of any other country but also, in more than 80 percent of all cases, have multiple accounts (Chiu, Ip, and Silverman 2012).

Increasingly, mobile technologies are used to access social networks in China with online users spending more than 40 percent of their time on social networks (Chiu, Ip, and Silverman 2012). Crampton (2011) suggests that as Chinese users spend more time online, foreign companies should deepen their knowledge of China's social media platforms.

Wong (2015) gives four main reasons Chinese should consider marketing—also relevant for other business purposes—via China's main social media platforms.

1. The sheer size of Chinese social media user base makes it one of the most important marketing channels, if not THE most important;
2. Social media landscape is one of the most active today with several competing services that continue to add functionality and interactivity to draw in more users;
3. The majority of Chinese social media users are mobile-based which creates unique opportunity for marketers to reach their target audience everywhere and faster;
4. Chinese consumers are often suspicious of pervasive marketing message of the traditional media such as print, TV or direct e-mail. Word of mouth or recommendations from friends via social sharing is valued much higher;

Wong (2015) further indicated that while opportunities are abundant, some considerable challenges remain:

1. One of the challenges faced by Chinese, is the complexity and fragmentation of the social media landscape in China. If in the West, Facebook and Twitter cover most of the traditional market ground, in China presence on at least four platforms (Sina Weibo, Tancent Weibo, WeChat, and RenRen) is essential. Each cater to a slightly different audience but it is still recommended to be on all four of the to maximize the reach.
2. Another challenge that is, perhaps, applies to social media marketing in general, is staying relevant and entertaining. With the overload of information, it's easy to get lost in the noise. Boring ads using standard marketing language are ineffective and risk alienating your potential customers;
3. Negative campaigns designed to damage your brand through social media is a unique feature of this market. In some cases, the negative buzz could be associated with a a real problem users may have with your product. Unfortunately, in many other cases, it could be a deliberate attempt by competitors to drive you off the market or, at least, slow you down. Your competitors may be employing artificial writers whose sole purpose is to spread negative information about

your brand and products across the reaches of social media. Containing the effects of such campaigns can be difficult and expensive. You should try to identify the source of negative posts and design countermeasures based on whether they came from competitors or real consumers.

4. Another considerable challenge is measuring the effectiveness of your social media marketing efforts. The reason is the lack of analytics tools (such as those offered by Facebook and Google), and limited transparency of the leading platforms. Hopefully, as the social media market matures, such tools can be developed making estimation of the effectiveness of marketing campaigns easier and more measurable.

Chiu, Ip, and Silverman (2012) and Wong (2015) site a few examples of how companies are applying widespread social-technologies tenets in China.

1. Make content authentic and user oriented. One of the most effective ways to keep the audience engaged is to build a narrative. Estée Lauder launched a drama series, Sufei's Diary, with 40 episodes broadcast daily on a dedicated Web site. The show was received as entertainment rather than as advertising, resulting in millions of people tuning in daily. As a result, brand awareness of their product was measured to be 27 percent higher than that of its competitors, although social-media content costs significantly less than a traditional advertising campaign;

2. Test and learn approach: When Dove China first imported the Real Beauty social-media campaign to promote beauty among women of all looks and body types, Chinese consumers viewed the real women as overweight and unattractive. Dove switched their approach and

partnered with *Ugly Wudi*, the Chinese adaptation of *Ugly Betty*, to weave the Real Beauty message into story lines and mount a number of initiatives, including a blog by Wudi and live online chats. The effort generated millions of searches and blog entries, increased uptake of Dove body wash by 21 percent year over year after the show's first season, and increased unaided awareness of Dove's Real Beauty by 44 percent among target consumers. The estimated return on investment from this social-media campaign was four times that of a traditional TV media investment;

3. Support overarching brand goals with sustained social-media effort. Starbucks China promotes the same message of quality, social responsibility, and community building across all of its social-media efforts, as well as in its stores.

4. Hire dedicated staff to manage social networks: Durex didn't just establish a corporate account on Sina Weibo: it built a market team that both monitors online comments around the clock and collaborates closely with agency partners to create original, funny content. The company's approach is designed to interact meaningfully with fans, generate buzz, and deepen customer engagement with the brand.

5. Understanding social media is no longer a luxury for companies operating in China—it is imperative. Formerly a lack of engagement with netizens could be considered a lost opportunity. Now, the penetration and impact of social media is such that failing to understand what consumers are saying about a company online has become a risk (Crampton 2011). While unique Chinese market characteristics often create challenging wrinkles, they don't invalidate the principles that underpin effective social-media strategy (Chiu, Ip, and Silverman 2012).

The Gender Gap and Empowerment

After three decades of Communism followed by three decades of economic liberalism, Chinese society remains, in many ways very attached to its social and family traditions (Attane 2014; Whyte 2005; Silverstein, Cong, and Shuzhuo 2006). In China, as in all societies today, the question of the “role of women” is debated across different social groups. Rapid economic development has had major implications for China’s population. Although there are increased opportunities for all, there continues to be a glass-ceiling for many (O’Sullivan 2012). China ranks 91st out of 145 countries on the Global Gender Gap Report (2015) with a wage equality for similar work score of .65 which means that women’s wages are only 65 percent of their male counterparts.

From a unique Chinese context, the growth of feminism in China shows progress, specifically because Chinese women have started to push more assertively for equality (Yingdan 2015). Education counts amongst the factors that improve the status of women in that it tends to reduce the birth rate and encourages them to take better care of their health. Above all, by facilitating access to worthwhile decently-paid professions, it favors their economic emancipation and in the process, since it changes the power relationship with men, their emancipation within the family (Attane 2014).

Three decades after China implemented its contentious one-child policy, coupled with a lingering cultural preference for boys, the country’s skewed gender ratio has only gotten worse. By 2020, sociologists expect an ‘extra’ 35 million Chinese men—males for whom there are simply no available female partners. That’s slightly more than the population of Canada (McLaughlin 2013). According to McLaughlin (2013), the shortage of women has taken all

kinds of strange twists and turns in Chinese society including unexpected sources of power for women who previously had none.

Although Chinese women have clearly gained in autonomy since the 1950s, notably thanks to developments in education and successive laws protecting their rights and interests, their equality with men is still far from secure, and their situation has been evolving in an ambivalent manner for the last three decades (Attane 2014).

Digital technologies empower citizens (Esarey and Qiang 2011). Can social networks play into the equality equation? The results of this study will reveal whether empowerment and equality for women is attainable through education and social technologies.

RESEARCH METHODOLOGY

A qualitative approach was taken for this study using a survey instrument which was developed with open- and close-ended questions to investigate the use of social networks in China for business purposes.

The questionnaire was translated to China's native language and administered to 107 working women in China who agreed to participate and used at least one of the following social technologies: WeChat, Weibo, Liepin, Tudou or RenRen.

Responses were translated to English and descriptive statistical analyses were used to determine the extent to which respondents use selected platforms, purposes in which each are used and whether benefits were realized as a result. Further analyses were conducted among two groups of respondents divided according to their opinion on the question of whether education and

technology could empower women to become more successful. Positive respondents for this question were classified as the ‘successful group’ and negative respondents were classified as the ‘unsuccessful group’. Analyses of additional open-ended questions are also presented.

Descriptive and ANOVA analyses tests were among the statistical analyses conducted to report the results.

FINDINGS AND DISCUSSION

Findings are presented to include demographics and to address the research questions with results for the first three questions presented graphically based on descriptive statistical analyses. The last question is analyzed based on ANOVA analyses revealing the relationship of various responses on the question of empowerment.

Demographics

The average age of the respondents was 31, with the largest group among the respondents falling within the 25-30 age range (Figure 1). Forty-nine percent of the respondents are single and 51 percent are married, divorced or widowed. Forty-four percent of the respondents indicated that they have children. A majority—75 percent—of respondents are employed in different types of organizations, while 16 percent own their own business (Figure 2).

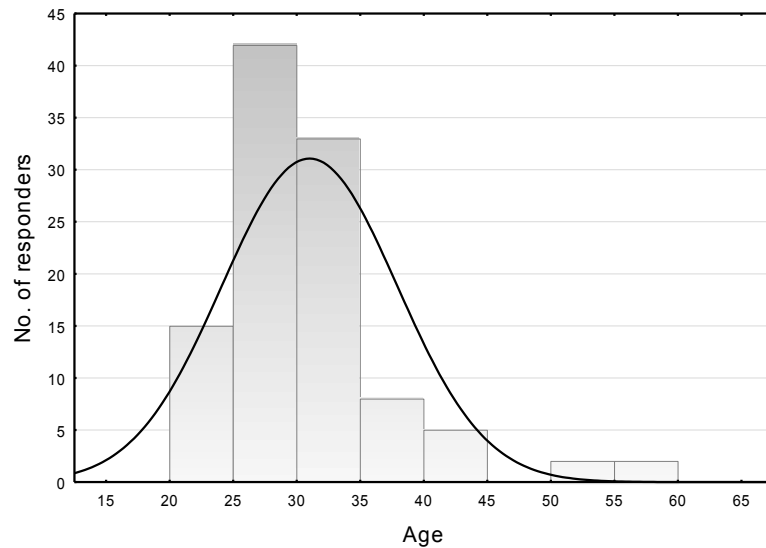


Figure 1. Histogram of respondents age

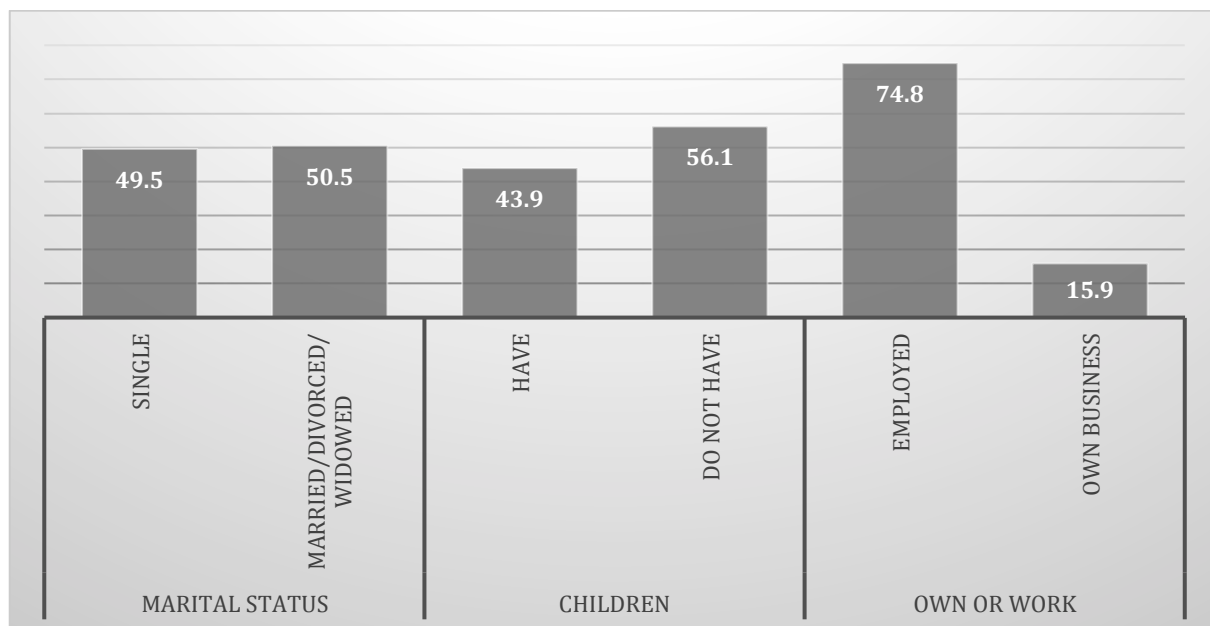




Figure 2. Demographics of respondents by percentage

Social Networks

Findings for social technologies used in business by the Chinese respondents are presented in order of the first three research questions:

To what extent are selected social technologies platforms used in China for business purposes?

For what specific purposes are selected social technologies used in business?

Are benefits realized for stated purposes?

Five social network platforms used in China in five different categories were studied:

WeChat (Instant Messaging)

Weibo (Microblogging)

Liepin (Career Development and Professional Recruitment)

Tudou (Video Sharing)

RenRen (Networking)

Figure 3 reveals results of the respondents use of the social technologies platforms in business by percentage.

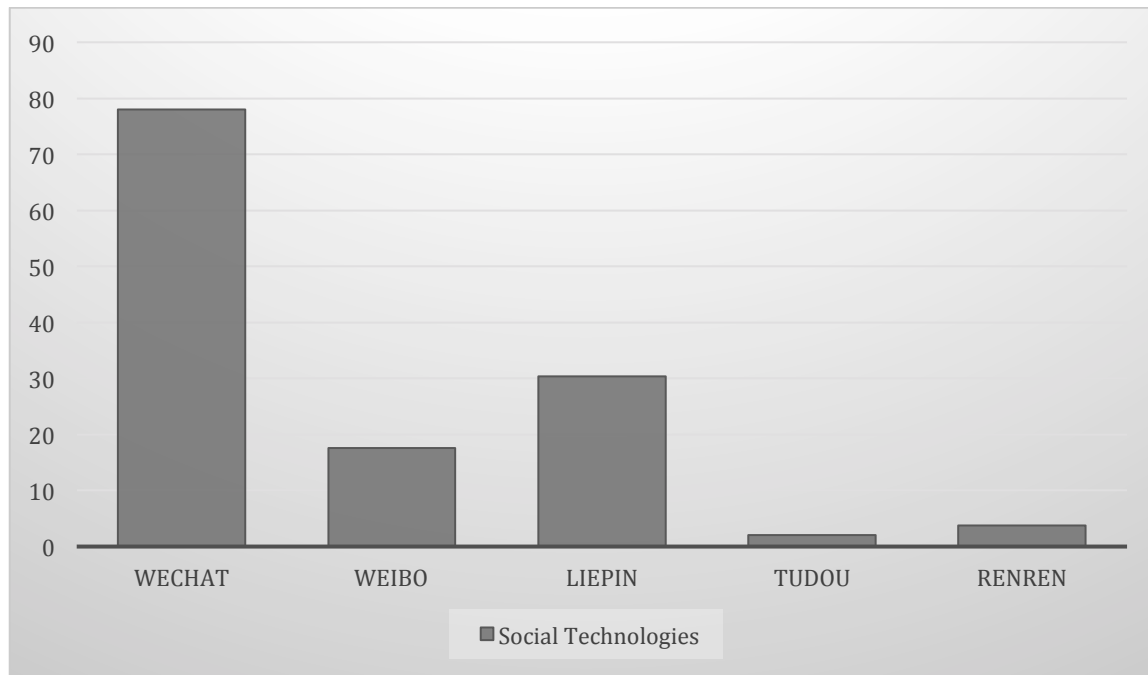


Figure 3. Use of Social Technologies in Business

WeChat (Instant Messaging) was the most widely used platform for business purposes among the respondents with Liepin (Career Development and Professional Recruitment) coming in second and Weibo (Microblogging) third. Tudou and RenRen were used very little in the respondents' organizations despite each platform having over 150 million users.

Further results will include a look at the top three social technologies platforms used by the respondents: WeChat, Weibo, and Liepin. Figure 4 reveals the extent in which the purposes listed are used in business for each of the top three platforms by percentage.

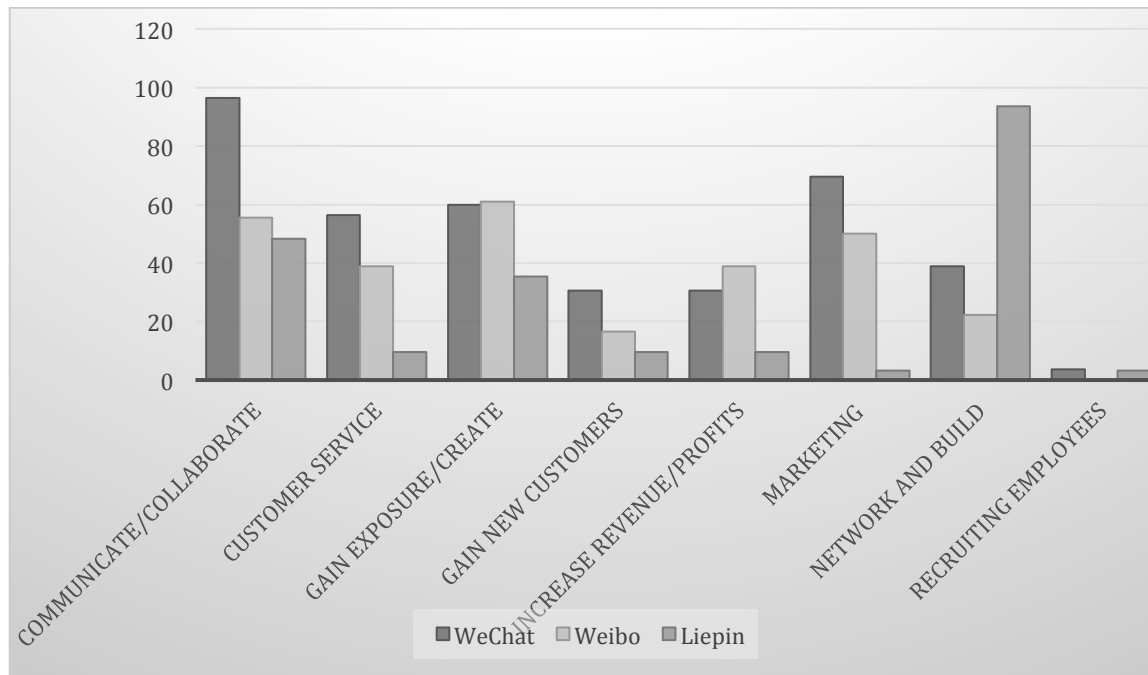


Figure 4. Purposes Used by Platform

Overall, WeChat had the highest percentage of users for all purposes except increasing revenue and profits and networking and building relationships. Weibo is used mostly for communicating and collaborating, gaining exposure and creating awareness, and marketing. Since Liepin is a professional recruiting platform, respondents use it primarily for networking and building relationships. With more than half of the results regarding purposes used falling below 40 percent, this may be an indication that social technologies are just beginning to be used for business purposes in China.

When a respondent indicated that they used selected platforms for stated purpose(s), they were requested to indicate whether they had realized benefits for business purposes. Figure 5 shows the percentage of respondents realizing benefits by purpose for each platform.

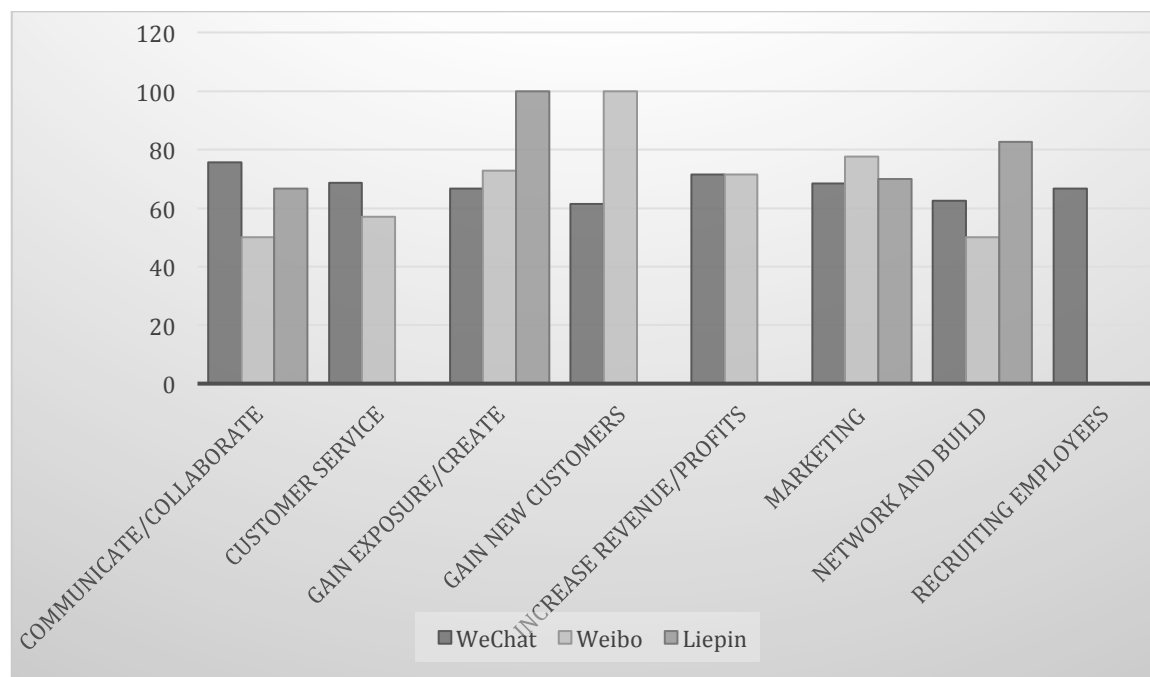


Figure 5. Benefits Realized by Purpose and Platform

Benefits were realized when using all platforms for communicating and collaborating, to gain exposure and create awareness, for marketing, and for networking and building relationships. The greatest benefits were realized for those who used Weibo to gain new customers and Liepin to gain exposure and create awareness. It's not surprising that Liepin users indicated a lack of benefits for several of the purposes listed since it is a specialized platform for professional recruiting.

Empowerment

The final research question:

Can education and social technologies provide opportunities for empowerment?

The response to this question was split with 51.8 percent with a positive response and 48.1 percent with a negative response.

To examine the effect of responses on the belief that education and social technologies can provide empowerment, the research population was divided into two groups according to whether the respondents believed that education and social technologies could empower them to become 'successful'. The group of respondents who did not believe that education and social technologies could empower them to become successful were in the group labeled 'unsuccessful'. Thus 51.8 percent were labeled 'successful' and 48.1 percent of the respondents were labeled 'unsuccessful.'

All respondents have access to computers and technology.

As shown in Figure 6, there were no significant differences among the groups regarding the type of computers/technologies they use. The most popular are desktop computers and laptops among both groups and less often used is the iPad/Tablet.

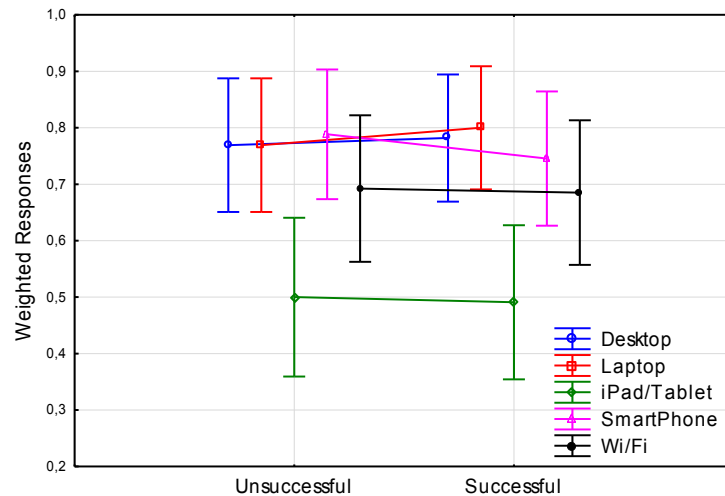


Figure 6. Type of access to computers/technology

Figure 7 reveals the difference among the reasons for using computers/technology. In the ‘successful’ group Internet, Social Media and Education were more often mentioned as a reason for using computers and technology, while Business Support and E-Mail had similar responses in both groups. This finding suggests that those more familiar with the Internet, Social Media, and Education realize the power of these technologies to empower women to be successful.

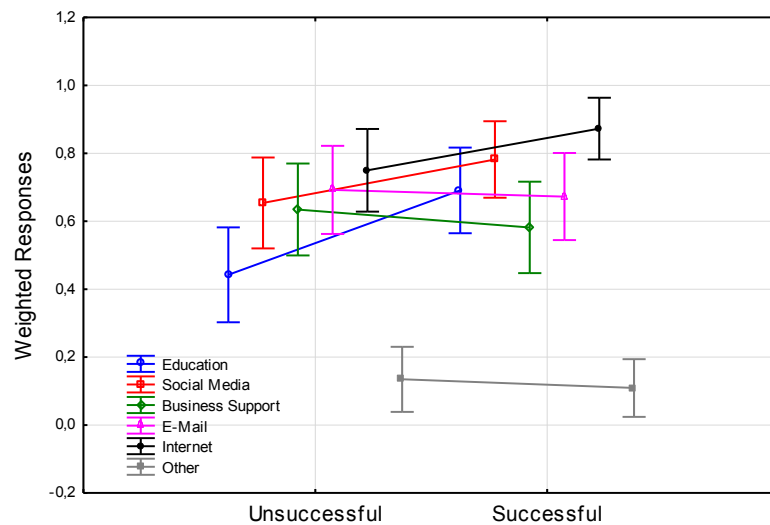


Figure 7. Reason for using computers/technology

Table 2 presents the result of variance analysis according to the statistical significance between the two groups indicating 'Education' as a factor with significantly different research population (p-value lower than 0,05). The next factor which would be accepted as a factor which differentiates these two groups was use of the Internet (p-value lower than 0,10).

Table 2. Variance analyses - reasons for computers/technology use between groups

	SS effect	MS effect	SS error	MS error	F	p-value
Education*	1,651921	1,651921	24,57238	0,234023	7,058810	0,009119
Social Media	0,437736	0,437736	21,15105	0,201439	2,173050	0,143439
Business Support	0,074508	0,074508	25,43951	0,242281	0,307528	0,580380
E-mail	0,010248	0,010248	23,18601	0,220819	0,046408	0,829854
Internet**	0,402591	0,402591	15,85909	0,151039	2,665480	0,105542
Other	0,017414	0,017414	11,40315	0,108601	0,160347	0,689651

*p-value <0,05

** p-value <0,10

Awareness of benefits that technology and education provide is a significant factor among respondents which explains differences in the belief of being successful or not by engaging in social technologies (Figure 8). The remaining factors revealed that using social technologies for ‘News’ was more important in the successful group. Perhaps this is an indication that those who gain knowledge from the news posted on social technologies sites are aware of empowerment opportunities unknown to those who do not use social technologies for this purpose.

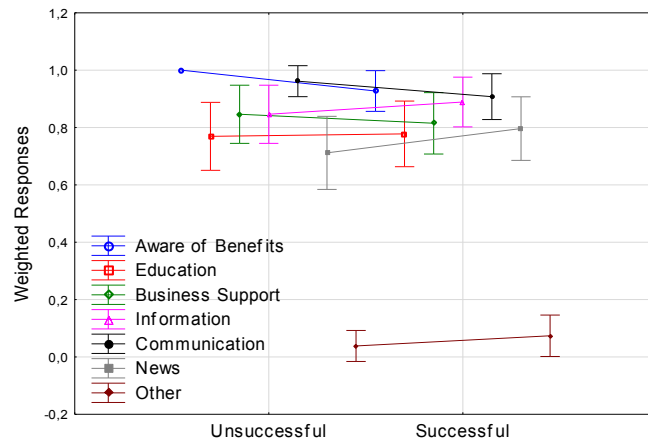


Figure 8. Awareness of benefit

The results of variance analyses shown in Table 3 confirm that awareness of benefits that technology and computers provide is an essential factor that influences the belief that education and technology empower women to become successful.

Table 3. Variance analyses - awareness of benefit between groups

	SS effect	MS effect	SS error	MS error	F	p-value
Awareness of benefit*	0,141376	0,141376	3,70909	0,035325	4,002199	0,048022

*p-value <0,05

The respondents assess their past experiences with social technologies (Figure 9, 10). People who believe they are successful more often mentioned positive and negative experiences with social media. Positive and negative experiences associated with the use of social technologies affected the significant differences in both groups. Respondents who felt successful, indicated

more positive and negative sides of using social technologies. According to the variance analyses, positive and negative experiences significantly influence the respondents' opinions of being successful (Table 4). This finding suggests that the more experience an individual has using social technologies—positive and negative—the more likely they are to believe that education and social technologies provide empowerment for success.

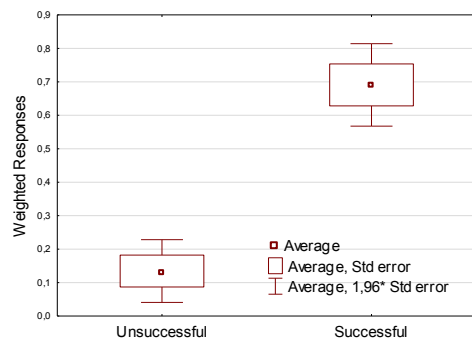


Figure 9. Positive experience with social technologies

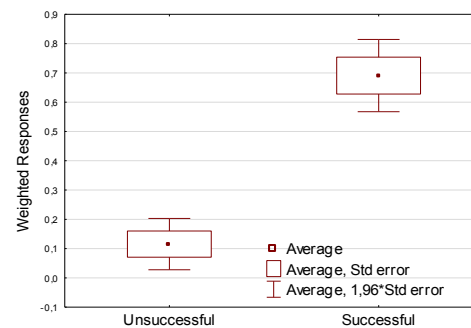


Figure 10. Negative experience with social technologies

Table 4. Variance analyses - experience with social technologies positive and negative between groups

	SS effect	MS effect	SS error	MS error	F	p-value
Positive experience*	8,271620	8,271620	17,80315	0,169554	48,78464	0,000000
Negative experience*	8,853395	8,853395	17,05315	0,162411	54,51231	0,000000

*p-value <0,05

The most popular platforms among respondents are WeChat and Liepin (Figure 11), used respectively by 78 percent and 28 percent of the respondents. The least often used platform (in organizations) of the three is Microblogging (17 percent), but involvement in the activities of organizations was statistically significant due to belief that social technologies support the empowerment of women to achieve success (Table 5).

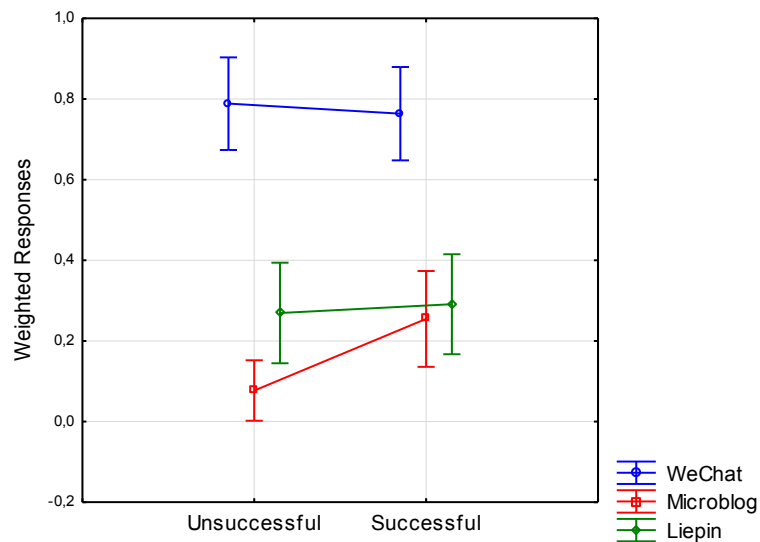


Figure 11. Use of social media in organizations.

Table 5. Variance analyses - use of social media between groups

	SS effect	MS effect	SS error	MS error	F	p-value
WeChat	0,016473	0,016473	18,60035	0,177146	0,092990	0,761014
Microblog*	0,843291	0,843291	14,12867	0,134559	6,267085	0,013840
Liepin	0,012561	0,012561	21,57622	0,205488	0,061129	0,805203

*p-value <0,05

This research investigates the realized benefit of using WeChat by organizations (Figure 12). The essential differences among the groups was noticed in the areas of communication and collaboration, gaining exposure and creating awareness, gaining new customers, and increasing sales revenues and profits. The remainder of the respondents realizing benefits do not differ significantly among the groups.

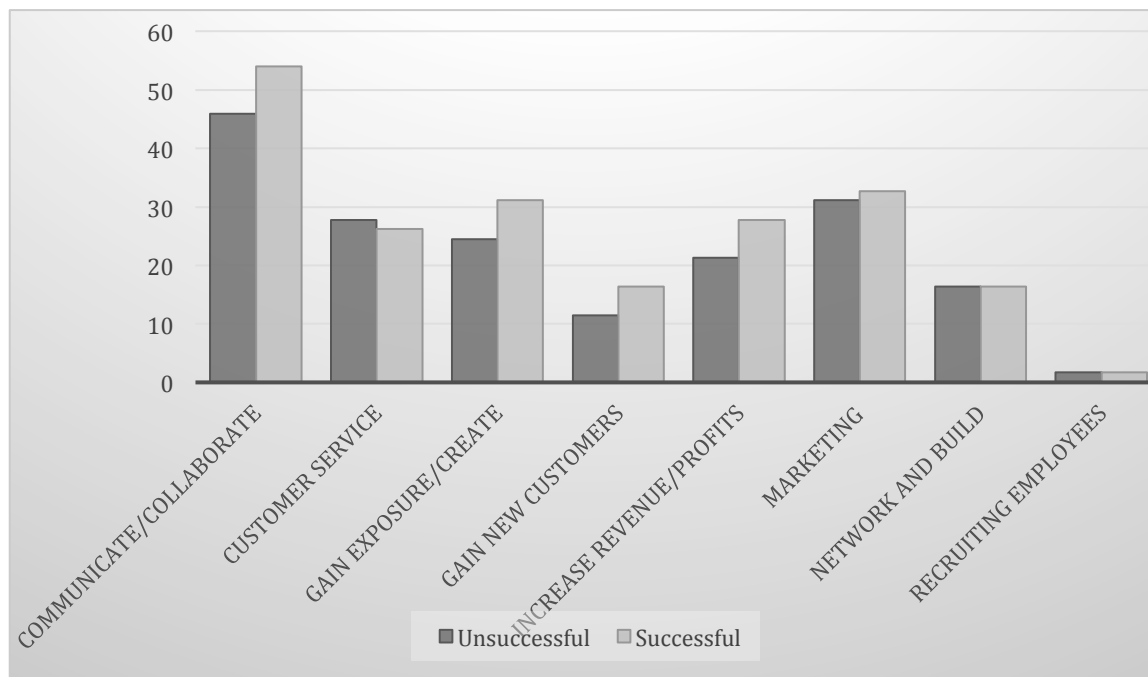


Figure 12. Use of WeChat in organizations and belief of being successful or not as a result of education and technology

The realized benefits which were indicated by Microblog users in organizations were quite diverse among the two groups (Figure 13). The higher percentages were among the ‘successful’

group of respondents in almost every area of an organizations' activities. This is a significant finding and although more significant with the use of Weibo, one that trends across all three platforms. Microblogging was not used for recruiting employees.

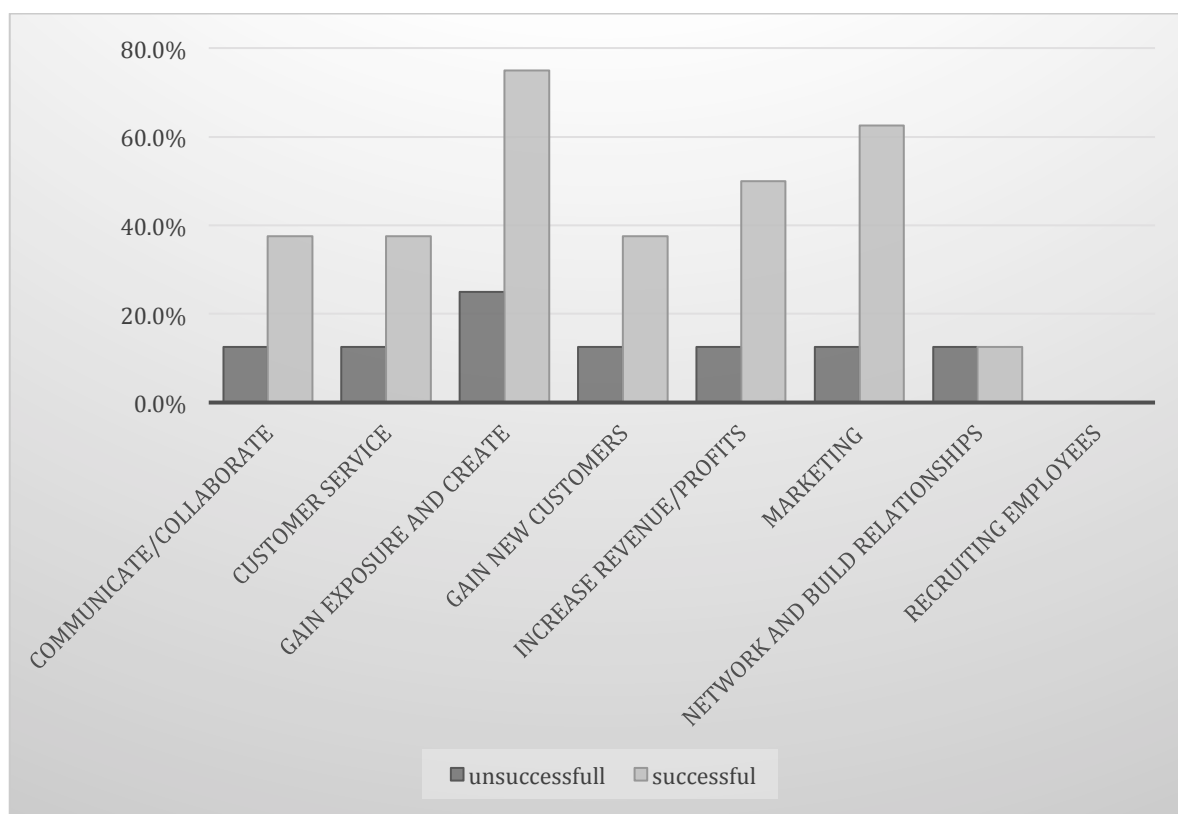


Figure 13. Use of Weibo (Microblogging) in organizations and belief of being successful or not as a result of education and technology

The benefits obtained by using Liepin in organizations were favored by those who believed that education and technology provides empowerment for success. (Figure 14). Noted purposes or activities of respondents included communication and collaboration, gaining exposure and

creating awareness, marketing, and networking and building relationships. All four areas were indicated more by ‘successful’ group respondents as ways that social technologies were used within organizations.

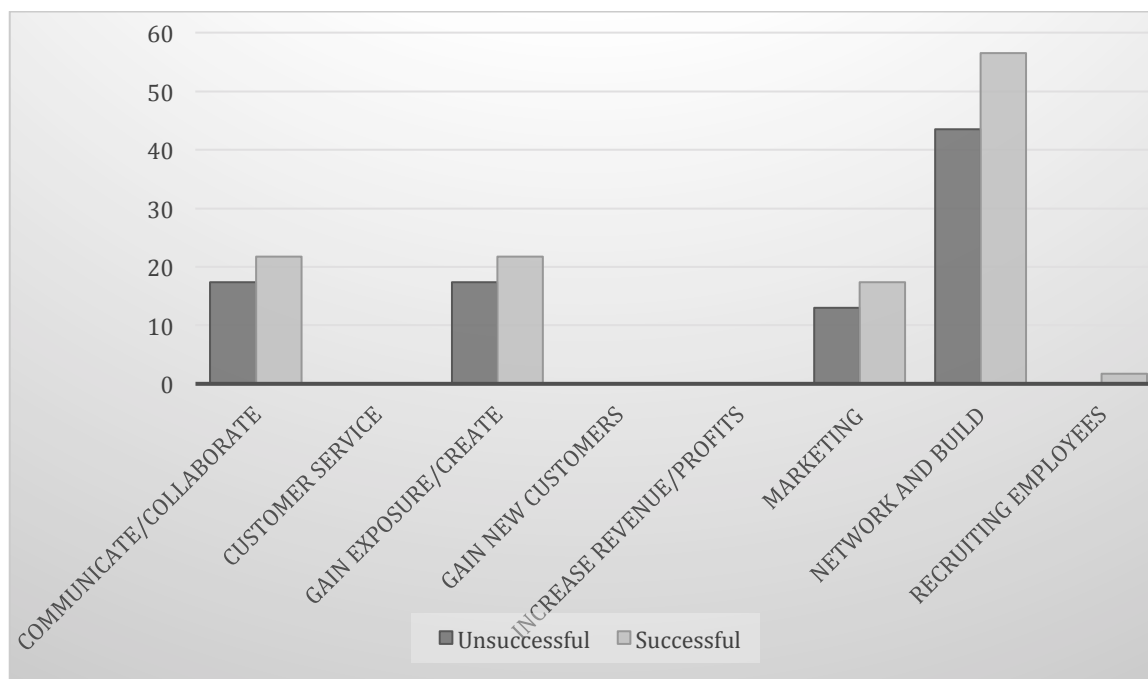


Figure 14. Use of Liepin in organizations and belief of being successful or not as a result of education and technology

Three additional open ended questions revealed: 1) The impact that social technologies have had on respondents’ success or the success of their organization (Table 6); 2) What success looks like to respondents (Table 7); and 3) What the respondents’ believe would empower them as women (Table 8).

Table 6. Impact that social technologies have had on respondents' success or the success of their organizations.

Responses - Sample	
Organization	Personal
Exchange information, reduce costs, improve efficiency.	Make others understand me
Increased number of customers.	Too much information to distinguish between true and false
Enhance customer relationship	Pay electricity bills
Communication and recruitment	Expand communication group
Increased customer sales	Understand the world
Have no obvious influence	Open up the field of vision
Personalize customer service	Reduce cost of communication
Enhance image of organization	Spread relevant information to friends and relatives
Increase revenue	Communication is more convenient

Table 7. What success looks like to respondents

Responses - Sample	
Stable career	Self approval, social approval
Achieve intended purpose	Living free
Increase income	Be able to refuse what you don't want to do
Help others to succeed	Strong sense of happiness
Positive energy	Good health and happy family
Be able to do what one wants to do	Be respected by others
Make money and be happy	Realize your dreams
Realize self-value and get recognition	Family happiness, financial freedom
Calm and steady light life	Successful career

Table 8. What respondents believe would empower them as women

Responses - Sample	
Learning	Reading
Combination of online and offline	Studying
Big structure business thinking	Lectures and business instructions
Learning, socializing, sharing	Learning and communication
Improvement of thinking mode	Fair policy and legal environment
Understanding yourself and overcoming weaknesses	Good leadership
Artistic accomplishment	Self-value added, self-management
Communication	Pure faith
Continuous learning	Contact with outstanding people

SUMMARY AND CONCLUSIONS

While social networks have evolved, little research has been done to identify the extent that social technologies are used in business, the purposes they are used for, benefits realized, or whether these networks provide opportunity for women's empowerment.

The results reveal answers to four questions:

To what extent are selected social technologies platforms used in China for business purposes?

For what specific purposes are selected social technologies used in business?

Are benefits realized for stated purposes?

Can education and social technologies provide opportunities for empowerment and success?

Of the five social network platforms studied, three were identified as frontrunners in the use of social technologies for business purposes in China: WeChat (Instant Messaging), Weibo (Microblogging), and Liepin (Career Development and Professional Recruitment). Over three-fourths of the respondents use WeChat in their organizations, approximately one-fifth use Weibo, and one third use Liepin.

For each platform, respondents indicated the purposes used selected from the following:

Communicate/Collaborate

Customer Service

Gain exposure and create awareness

Gain new customers

Increase revenue/profits

Marketing

Network and build relationships

Recruiting employees

Other

Respondents use WeChat for all purposes listed with communicating and collaborating, marketing, gaining exposure and creating awareness, customer service, and increasing revenue and profits among the top reasons. With over 700 million users, it's not surprising that this platform is not only used in business by 77 percent of the respondents, but is also used for more purposes than the other social technologies platforms studied.

Weibo, China's word for Microblog, is used primarily for communicating and collaborating, gaining exposure and creating awareness, and marketing. Of the three platforms, Weibo was the least used and of those who did use this technology, 60 percent or less used it for the stated purposes.

Liepin is a more specialized platform developed for career development and professional recruiting. Overwhelmingly, respondents indicated that they use Liepin for networking and building relationships and not for recruitment. Since this is one of the newer social technology platforms and only has 20 million users at this point, Liepin has a lot of room for future growth. An important part of this study was whether benefits were realized when these social networks were used for the stated purposes. Although studies have shown that there can be great value in using social technologies in business, platforms and purposes have not been paired in previous studies to identify benefits with specific social technologies and reasons used. Findings show that benefits were realized when using each of the three platforms for communicating and collaborating, to gain exposure and create awareness, for marketing, and for networking and building relationships. The greatest benefits realized from using Liepin were for the purposes of gaining exposure and creating awareness and Wiebo for the purpose of gaining new customers. Finally, the question of whether education and social technologies could provide opportunities for empowerment or help women become more successful. Responses to the empowerment question were split with 51.8 percent agreeing that education and social technologies could provide empowerment and success and 48.1 indicating 'No.' Although there were slightly more Chinese women who agreed, the response is quite different than responses to this same question from women in other countries. For example, 91.8 percent of Italian women (Nord, Riggio, and Paliszkiewicz 2017), 95.4 percent of Taiwanese women, 96.2 percent of Turkish women (Nord, Lee, Cetin, Otay, and Paliszkiewicz 2016), 89.4 percent of Slovenian women, 86.9 percent of Romanian women and 96.3 percent of Georgian women (Nord, Paliszkiewicz, Grublješić, Scarlat, and Salome 2015) believe education and social technologies would empower them or help them to become more successful. Perhaps this disparity is a consequence of China's culture rather than a result of social technologies.

To reveal more, results were grouped into two groups. The group labeled ‘successful’ included the respondents who agreed that education and social technologies could provide opportunities for empowerment and success. The group labeled ‘unsuccessful’ included those who did not agree.

In the ‘successful’ group Internet, Social Media and Education were the three primary reasons that respondents use computers and technology, while Business Support and E-Mail had similar responses in both groups. This finding suggests that those more familiar with social networks realize the power of these technologies to empower women to become more successful.

Awareness of the benefits of social networks proved to be a significant factor between the groups as did using social technologies for ‘News.’ The ‘successful’ group had a higher percentage of respondents using social technologies for the purposes stated for all three platforms. Again, supporting the idea that those who believe education and social technologies can empower women to become more successful are aware of the benefits and more actively use social networks for business purposes.

Responses to the open-ended questions were favorable or neutral when respondents were asked about the impact that social technologies had on the success of them personally or the success of their organizations. Communication was a recurring theme from the respondents on this question. In response to the question regarding what success looks like to the respondents, there were a variety of positive responses with happiness and money mentioned multiple times. Education including learning, studying, and reading were frequently mentioned as responses to the question of what the respondents believed would empower them as women.

Results clearly show that more of the respondents who are knowledgeable, technologically savvy, used technology for education, and aware of the benefits, believed that education and social technologies could provide empowerment for success.

These findings are intended to educate and empower women and those within organizations in China and worldwide. Social networks are powerful tools at the fingertips of those with Internet access. As revealed in this study, there are multiple social technologies platforms and beneficial reasons for using these networks to succeed in business and life.

LIMITATIONS AND DIRECTION FOR FUTURE RESEARCH

Although this study included a rigorous survey-based methodology and significant findings, there are some limitations that provide direction for future research. The population responding to this study could be expanded to include more respondents and a broader geographic area in China. The number of social networks studied could be increased to include additional platforms. Although some of the most widely used platforms in China were studied, there are many social networks which could be included in future research to identify others that are used for business purposes. An additional study could include men as well as women respondents for comparison purposes. Since China is unique in its social network platforms, it would be challenging to compare the results from this study with results from other countries, but most of the Chinese platforms have Western equivalents which would allow for interesting results. Finally, a study of social network users from rural and urban women in China would be beneficial and create awareness that could lead to success and empowerment for many.



ACKNOWLEDGEMENT

The research team would like to thank the respondents of this study for their time and participation. This work was supported by Shantou University National Foundation Cultivation Project (NFC15005), Guangdong University Provincial Major Scientific Research Projects (2016WTSCX035), and Shantou University Special Research Project for Chaoshan Women.

REFERENCES

- Ahsan, Daniel. 2015. Why China government banned Facebook, Twitter, YouTube, etc. Retrieved on August 23, 2016.
<https://observerinsider.wordpress.com/2015/09/26/why-china-government-banned-facebook-twitter-youtube-etc/>
- Albert, R. H. Jeong, and A.L. Barabasi. 1999. *Nature* 400, 130.
- Attane, Isabelle. 2014. Being a Woman in China Today: A Demography of Gender. *Analysing China's Population*, INED Population Studies, 95-110.
- Babco, E. L. 2004. Skills for the Innovation Economy: What the 21st Century Workforce Needs and How to Provide It, *Commission on Professionals in Science and Technology*, New York Avenue, USA.
- Barabasi, A.L., H. Jeong, Z. Neda, E. Ravasz, A. Schubert, and Te. Vicsek. 2002. Evolution of the social network of scientific collaborations, *Physica A*, 311(3-4), 590-614.
- Barabasi, A. L. and R. Albert. 1998. *Science*, 286, 509.
- Basu P. and J. Chakraborty. 2011. New technologies, old divides: linking internet access to social and locational characteristics of US farms. *GeoJournal*, 76, 469–481.
- Bertola, V. 2010. Power and the internet. *Journal of Information, Communication & Ethics in Society* 8 (4), 323-337.
- BI Intelligence 2016 WeChat Retrieved on September 16, 2016.
<http://www.businessinsider.com/wechat-pay-fees-kick-in-2016-5?IR=T>
- Bimber, B. 2003. Information and American democracy: Technology in the evolution of political Power. New York: Cambridge University Press.
- Brady, A. M. 2008. Marketing dictatorship: Propaganda and thought work in contemporary China. New York: Rowman and Littlefield Publishers.
- Buskins, I. and A. Webb. 2009. *African Women & ICTs: Investigating Technology, Gender and Empowerment*. Zed Books: London, New York.
- Burt, Ronald S., Martin Kilduff, and Stefano Tasselli. 2013. Social Network Analysis: Foundations and Frontiers on Advantage. *Annual Review of Psychology*, 64, 527-547.
- Castells, M. 2009. Communication power. New York: Oxford University Press.
- China, Retrieved on September 7, 2016. <https://en.wikipedia.org/wiki/China>
- Choi, C. 2003. Does Internet stimulate foreign direct investment?" *Journal of Policy Modeling*, 25, 319-326.
- Choi, C., and M. H. Yi. 2005. The effect of the internet on inflation: Panel data evidence." *Journal of Policy Modeling*, 27, 885-889.
- Choi, C., and M. H. Yi. 2009. The effect of the internet on economic growth: Evidence

- from cross-country panel data. *Economics Letters* 105, 39-41.
- Chiu, Cindy, Chris Ip, and Ari Silverman. 2012. Understanding social media in China. *McKinsey Quarterly*, Retrieved on September 22, 2016, <http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/understanding-social-media-in-china>
- Crampton, Thomas. 2011. Social Media in China: The Same, but Different. *China Business Review*, Retrieved on September 17, 2016. <http://www.chinabusinessreview.com/social-media-in-china-the-same-but-different/>
- Deen-Swaray M., M. Moyo and Ch. Stork. 2013. ICT access and usage among informal businesses in Africa, *Info*, 15 (5), 52-68.
- Earsey, Ashley and Xiao Qiang. 2011. Digital Communication and Political Change in China. *International Journal of Communication*, 5, 298-319.
- Ellis, Paul. 2000. Social ties and foreign market entry, *Journal of International Business Studies*, 31(3), 443-469.
- Freund, C., and D. Weinhold. 2002. The Internet and international trade in services, *American Economic Review* 92 (1), 236-240.
- Global Gender Gap Report. 2015. Retrieved on September 23, 2016. <http://reports.weforum.org/global-gender-gap-report2015/economies/#economy=CHN>
- Internet World Stats, Retrieved on September 22, 2016. <http://www.internetworldstats.com/asia.htm#cn>
- Kilduff, M. and D. J. Brass. 2010. Organizational social network research: core ideas and key debates. *Academy of Management Ann.* 4(3). 317-57.
- Kilduff, M. W. Tsai, and R. Hanke. 2006. A paradigm too far? A dynamic stability reconsideration of the social network research program. *Academy of Management Review*, 31(1), 1031-48.
- Kochen, M. 1989. *The Small World*, Ablex, Norwood, NJ.
- Lawrence, C.L. Giles. 1999. *Nature*, 400, 107.
- Lawrence, C.L. Giles. 1998. *Nature*, 400, 98.
- Li, M., & Reimers, K. 2015. Innovation in china's information and communications technology industry. *Chinese Management Studies*, 9(1), 27-37.
- Liepin.com. 2016. Retrieved on September 10, 2016. <http://en.gwc.net/members/liepin/>
- Lio, M., M., Liu, and Y. Ou. 2011. Can the internet reduce corruption? A cross country study based on dynamic panel data models. *Government Information Quarterly*, 28, 47-53.

- Liu, S., Zhang, Y., Chen, L., Guo, L., & Yu, D. 2015. Enterprise WeChat groups: Their effect on work-life conflict and life-work enhancement. *Frontiers of Business Research in China*, 9(4), 516-535. 3
- Liu, Z. 2014. A study on the application of WeChat in ESP training. *Theory and Practice in Language Studies*, 4(12), 2549-2554.
- Lopez, N. 2016. WeChat just launched a Slack competitor, but there's a catch. Retrieved on September 23, 2016. <http://thenextweb.com/apps/2016/04/18/wechat-just-launched-slack-competitor-asia/#gref>.
- McLaughlin, Kathleen E. 2013. China and the worst-ever, made-made gender gap. PRI.com Retrieved on September 22, 2016. <http://www.pri.org/stories/2013-01-03/china-and-worst-ever-man-made-gender-gap>
- Najarzadeh, R., F. Rahimzadeh, and M. Reed. 2014. Does the Internet increase labor productivity? Evidence from a cross-country dynamic panel." *Journal of Policy Modeling*, 986-993.
- Nath, Bhaskar Jyoti. 2015. How Chinese Social Media has made Facebook, Twitter, YouTube Irrelevant in China! Retrieved on September 17, 2016. <https://www.linkedin.com/pulse/how-chinese-social-media-has-made-facebook-twitter-youtube-nath>
- Negroponte, N. 1995, *Being digital*. New York: Knopf, 1995.
- Noh, Y. H., and K. Yoo. 2008. Internet, inequality and growth. *Journal of Policy Modeling*, 30 (6), 1005-1006.
- Nord, J.H., M.T. Riggio, J. Paliszkievicz. 2017. Social and Economic Development through Information and Communications Technologies: Italy," *Journal of Computer Information Systems*, 58 (3).
- Nord, Jeretta H., J. Paliszkievicz, T. Grublješić, C. Scarlat, and S. Salome. 2015. Women's Empowerment: Social Technologies in Slovenia, Romania, and Georgia, *Online Journal of Applied Knowledge Management*, 3 (1), 128-150.
- Nord, Jeretta Horn, Tzong-Ru (Jiun-Shen) Lee, Fatih Cetin, Özlem Atay, and Joanna Paliszkievicz. 2016. Examining the impact of social technologies on empowerment and economic development. *International Journal of Information Management*, 36, 1101-1110.
- Pengyi, Zhang. 2013. Social Inclusion or Exclusion? When Weibo (Microblogging) Meets the "New Generation" of Rural Migrant Workers. *Library Trends*, Summer 2013, 60-80.
- O'Sullivan, Kira. 2012. The Role of Women in China, Retrieved on September 7, 2016, http://www.fairobserver.com/region/central_south_asia/role-women-china/

- RenRen. 2016. Retrieved on September 10, 2016. <http://www.renren-inc.com/en/>
- Savitz, Eric. 2012. 5 Things You Need to Know About Chinese Social Media. *Forbes*, October 25, 2012. Retrieved on September 21, 2016. <http://www.forbes.com/sites/ciocentral/2012/10/25/5-things-you-need-to-know-about-chinese-social-media/#77a0296363ed>
- Silverstein, Merrill, Zhen Cong, and Li Shuzhuo. 2006. Intergenerational Transfers and Living Arrangements of Older People in Rural China: Consequences for Psychological Well-Being. *Journal of Gerontology*, 61(5), 256-266.
- Stucky-Mack, Nick. 2014. Why China government banned Facebook, Twitter, YouTube, & etc? Retrieved on September 22, 2016, <https://www.quora.com/Why-has-China%E2%80%99s-government-banned-Facebook-Twitter-YouTube-etc>
- Top 10 Chinese Social Media Sites. 2016. Retrieved on September 22, 2016. <http://linkfluence.com/en/2016/02/08/top-10-chinese-social-media-sites/>
- Tudou. 2016. Wikipedia, Retrieved on September 22, 2016. <https://en.wikipedia.org/wiki/Tudou>
- Tse, R. T. 2016. Application of data mining in sina weibo -- sentiment indicator to gauge tourist satisfaction in macao. *International Journal of Innovation, Management and Technology*, 7(2), 80-85.
- Wang, F., Zheng, P., Freeman, B., and Chapman, S. 2015. Chinese tobacco companies' social media marketing strategies. *Tobacco Control*, 24(4), 408.
- Wasserman, S. and K. Faust. 1994. *Social Network Analysis*, Cambridge University Press, Cambridge.
- Whyte, Martin King. 2005. Continuity and Change in Urban Chinese Family Life. *The China Journal*, 53 (January), 9-33.
- Wong, Kevin. 2015. Unique Challenges of Social Media Marketing in China. *Chinamarketing*, Retrieved on September 22, 2016, <http://chinamarketingtips.com/unique-challenges-of-social-media-marketing-in-china/>
- Yingdan, Lu. 2015. Social Media Technology and Female Emancipation in China: Case Study in Sina-Weibo. *The Journal of Comptemporary Asian Studies*, 1(1).
- Youku Tudou. 2016. *Wikipedia*, Retrieved on September 22, 2016, https://en.wikipedia.org/wiki/Youku_Tudou
- Zeng, F., Deng, G., Wang, Z., & Liu, L. 2016. WeChat: A new clinical teaching tool for problem-based learning. *International Journal of Medical Education*, 7, 119-121.
- Zheng, Lei. 2013. Social media in Chinese government: Drivers, challenges and capabilities. *Government Information Quarterly*, 30, 369-376.

