INTERNATIONAL JOURNAL

JOURNAL

OF ACADEME AND INDUSTRY RESEARCH

This journal is published quarterly every March, June, September and December.

For more information, visit the website **https://iiari.org/journals/ijair**.

Aims and Scope

International Journal of Academe and Industry Research (IJAIR) is an open-access refereed journal focused on the two dimensions of business research: business education and applied industry research. The interconnectedness of the industry and academic institutions needs a platform that aligns their respective research needs. From the academic perspective, the business program management and the teaching and learning had been dramatically influenced by the industry trends and needs, collaborative approaches and internationalization. From there comes the indispensable role of the industry as they become partners to the academic institutions in producing quality workforce and entrepreneurs. Along these areas are the interesting topics for academic and industry researchers.

The journal employs rigorous double-blind review to ensure quality publications. Authors receive formative feedback through feedforward communication approach. It is the prime objective of the reviewers to help authors improve the quality of the papers. As the journal promotes internationalization and collaboration, the multi-dimensional perspectives of the author and reviewers add high value to the research article. Moreover, the journal has solid support system for copyediting and formatting. The journal ensures that the research articles are within the standards of international publication.

The journal covers, but not limited to, the following:

- Current issues and trends in business education such as experiential learning, work training, community immersion and technical education;
- Internationalization and management of business programs;
- Current issues and trends in industry research focusing on hospitality and tourism, online commerce, transportation and communication and agriculture;
- Transformation of industrial to knowledge society;
- Applied concepts of management, human resource, marketing, and operations;
- Application of quality concepts in the industry and the academe;
- Entrepreneurship and entrepreneurial development;
- The industry and industrial revolution 4.0;
- Linkage and collaboration of schools, colleges and universities; and
- Industry and academe linkage.

EDITORIAL POLICIES

Statement of Open Access

The IIARI upholds and supports open access research publication that allows global sharing of scholarly information without restrictions. Through this platform, free access to shared information promotes knowledge and education. As such, this journal publishes open-access research articles that anyone can reproduce, redistribute and transform, commercial or non-commercially, with proper attribution. The articles' first publication in the journal should always be acknowledged.

Copyright

The open-access articles herein are published under the Creative Commons Attribution (CC BY 4.0) license, which grants anyone to reproduce, redistribute and transform, commercially or non-commercially, with proper attribution. Authors retain the copyright but grant the journal the right to the first publication. Authors can use any contents of the article provided there is proper acknowledgement. Reprint and reproduction of the article does not require prior permission. Read full license details here: https://creativecommons.org/licenses/by/4.0/.

Repository Policy

The authors are allowed to deposit their articles in institutional repositories, publish in institutional websites and upload in social networking sites with proper attribution and link to the article's DOI. This journal uses OJS/PKP submission that allows archive of pre-print. The post-print in PDF version is also deposited in Internet Archive for long-term preservation of the articles.

Authors' Warranties

Upon signing the copyright transfer form, authors ensure that:
- The article is an author's original work.
- It is not considered for publication nor any part previously published elsewhere.
- The author confirms, to the best of his knowledge, the authenticity and integrity of the data gathered.
- There is no fabrication, plagiarism, material misrepresentation, academic dishonesty, discriminatory and bigoted language contained in the article.
- The author obtains prior permission for the use of any previously published text or material owned by another person.

Peer Review

The journal recruits external experts in the field to assist the editor in the evaluation and selection of the papers. They are selected based on their qualification and specialization. All submitted papers duly accepted by the editor for suitability to journal scope or structural requirements are sent to the reviewers. The journal editorial staff reserve the right to choose the appropriate reviewer based on their knowledge of the topic. The journal adheres to the double blind peer-review process. Neither the author nor the reviewers know each other's identity. Invitations are sent to potential reviewers. Thereafter, the paper is sent only to those who agreed to accept the review invite. The editor makes the decision after the receipt of at least two reviews.

For other editorial policies and publication details, you can visit the following:

Editorial Policies: https://iiari.org/journals/ijair/policies/

Author Guidelines: https://iiari.org/journals/ijair/guidelines/

ABSTRACTING AND INDEXING

This journal is included in the following abstracting and indexing databases.

Article Identifier

Repository

Table of Contents

Student Expectation and Perception on Service Quality: Gap Analysis Model

Aye Mya Mon

Abstract

In the competitive market, it is crucial to stand as the market leaders maintaining the current customers offering the satisfying service quality and creating impacts to attract the potential. Hence, this research identifies the gaps between the customer expectation and perception on the academic service quality of an English Department in Yangon, Myanmar through the five dimensions SERVQUAL model. Deductive approach and exploratory research design are applied in the research. The study uses proportional sampling where a definite number of populations is known and the respondents are selected randomly from every batch. Through mixed method, quantitative and qualitative data are collected from 66 respondents attending English Language Programme. The results reveal that there are significant gaps between the customer expectation and perception, and the customers' expectation level is higher than the perceived service quality. The qualitative data analysis is not merely provided in the research; therefore, it seems weak to identify the detailed opinions of the respondents' views on the research factors. The customers' perception and suggestions should be prioritised for the betterment of developmental progress of the academic service quality. The research indicates the prominence of the customer loyalty to maintain the customer satisfaction in the organisation.

Suggested Citation:
Aye Mya Mon (2023). Student Expectation and Perception on Service Quality Through Gap Analysis Model. *International Journal of Academe and Industry Research*, Volume 4 Issue 1, pp. 1 - 23. DOI: **https://doi.org/10.53378/352958**

About the author:

Lecturer. ALC Academy, Yangon, Myanmar

1. Introduction

Education nowadays is regarded as the cornerstone of the development, therefore, the quality of the learning and the field of the study offered to the students get more attention. The private education institutions strengthen the images and market positions to gain competitive advantages in the markets (Azoury, 2014). On this account, the education service institutions focus on the students' needs and wants since the education is a kind of service related to the resources creating the awareness of the students (Legčević, 2009). Service quality is supposed to be accepted as one of the most important factors in the aggressive competitive education business world.

In Myanmar, H.E. U Set Aung, Deputy of Minister of Planning and Finance, explained the Myanmar Sustainable Development Plan (MSDP) and the project bank which are related to both private sector and business community (Invest Myanmar Summit , 2019). Subsequently, the Foreign Direct Investments (FDIs) are welcomed to promote the investment and the business climates within the commitment of the government for the reformation. Directorate of Investment and Company Administration (DICA) estimates to hit the FDI capital flows of US$ 3 billion in the fiscal year 2018-2019. DICA announces that the 17 points of standard criteria which are needed to comply by private education services after Myanmar Investment Commission (MIC) declares that the foreigners can fully invest in the education institutions. The specific guidelines on organizational structure, standards for instructors and the school environment are also included (Directorate of Investment and Company Administration, 2018; Ko, 2019). Therefore, the competitiveness in the market becomes higher because every institution is providing the quality services and standardised facilities to adjust with the students' needs and perceived quality. In this way, the satisfaction of the students is achievable and sustainable.

Good service quality leads to the impacts of the increased customer satisfaction bringing up to the long-term benefits towards the market share and profitability (Anderson et al., 1994). The other rivalries in the markets are attempting to provide the students the world-recognised additional skills certificates; for instance, the IELTS preparation and Business English as additional courses. These kinds of programmes can attract the students' satisfaction helping the students to improve the professional skills such as presentation skills, communication skills and so on.

Most of the private institutions in Myanmar establish their partnership with foreign universities which are recognised as the world ranked universities. Thus, the medium language of the study becomes English because of the management process and quality grantee agreements. Taking the situation in the research setting, the English Department of ALC is responsible for the quality development of the students' English language skills in academic ways. However, according to

English Department (2018), the satisfaction rate of the students on the English are not stable, and sometimes, the rate dropped out of the targeted percentage of 80%, although the programme is provided for the academic requirement. Although the English language is important for the academic development, the students do not pay much attention to attend the English class regularly and taking the tests. The lecturers are supporting the students aligned with the academic requirements for the students' improvement on the English Language Skills. Therefore, the study intends to find out the gaps between the perceived service quality of the students and their expectation on the English Department of ALC in depth-information.

The purpose of the study is to contribute the further development of the English Department since the researcher is currently working as the team member there, and the study is expected to be beneficial to the department and in some ways, to acquire the competitive advantages providing the firmed and authentic data-based information and critical analysis on the students' responses towards the service quality on the English Department of ALC. To attain the enormous market share, the maximisation of the student satisfaction is a necessity and providing high quality service is one of the best strategies as well (Stevens et al., 1995). The students prefer the higher quality education which provides the better service quality and attainable satisfaction (Tahir et al., 2010).

In the beginning of 1970s, the theoretical study of the importance of the customer satisfaction had begun and in 1980s, the rapid development was found in the attempt of the customer-centred management concept satisfying the customers' requirements and expectations to persuade their satisfaction. The notion of the customer was extensively applied after its first introduction in China in late 1900s, and then, the service industries accepted the linkage between the customer satisfaction and the service perspectives (Luo, 2012). Therefore, the significance of this research focuses on the relationship between service quality and the students' satisfaction and find out the gaps to take remedial actions, if necessary. The purpose of the research is to cover up the gaps either to fill in or to modify, measuring and evaluating the students' satisfaction towards service quality provided by the English Department of ALC. Hansemark and Albinos (2004) noted that "*satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfilment of some needs, goals or desire.*"

The main aim of the research is to investigate the relationship between the service quality and student satisfaction. As such, it will identify the gaps between the students' perception on the service quality provided by the English Department of ALC and the expected service quality of the students. The research question of the study has been constructed as following:

Is there any difference between the students' perception on the service quality provided by the English Department of ALC and the expected service quality of the students?

2. Literature Review

2.1. Student Satisfaction

Howard and Sheth (1969) define the concept of satisfaction to the customer theory in which the achievement organisational goal is inseparable with the customer satisfaction from both inside and outside. Internal and external customers feel satisfied that the better expectation of needs is perceived when the real performance being offered than the prior one, on the contrary, the dissatisfaction is found when the perception is worse than the expectation (Pascual-Nebreda et al., 2022).

Customer satisfaction is a way of emotionally responding towards the experiences gained by the purchased products, service, retail outlets, molar patterns of behaviours and the overall marketplace (Westbrook & Reilly, 1983 cited in Woodruff et al., 1983; Szeliga-Duchnowska, 2016). Customer satisfaction can be regarded as the evaluation on the purchase and consumption experience on the products and service at the certain moments (Fornell et al., 1996). Oliver (1999) points out that the actionable information; the outcome of the customer satisfaction is attained when the customers are served the expected goods and service. "*Satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product or service's perceived performance (or outcome) to expectations,*" (Kotler & Keller, 2016).

2.2 SERVQUAL and SERVPERF

Parasuraman et al. (1985, 1988) cited in Schneider and White (2004) introduced the dimensionality of service quality in the way of communicating with the customers. At first, several themes emerged because the customers evaluate the service quality through access, credibility, competence, courtesy, reliability, responsiveness, tangibility, understanding the customers and communication. SERVQUAL measures these dimensions by the collecting quantitative data. After the revisions and refinement of the previous assumptions, the dimensions are summarised at five-factor version which includes Tangibility, Empathy, Reliability, Responsiveness and Assurance in 1994. *Tangibility* measures the physical evidence, facilities provided and the personal appearance. Furthermore, *Reliability* aims to consider the performance of the promised service in the dependable and accurate ways. Enthusiasm towards assisting customers and providing prompt service is related to *Responsiveness*. *Assurance* conducts the knowledge levels of the service provides and the capabilities of inspiring trust and coincidence, while *Empathy* is for the caring actions to the customers of the firm (Sumaedi et al., 2014). The results between the customers' perception and expectation are compared in SERVQUAL Model to identify whether there are any gaps or not (Mohapatra et al., 2018).

Cronin and Taylor (1992, 1994) cited in Rodrigues (2013) claim that service quality should be measured only on the performance index through SERVPERF instead of the gap analysis model SERVQUAL. Similar to the SERVQUAL, SERVPERF has five dimensions which are Tangibility, Reliability, Responsiveness, Empathy and Assurance (Kasim et al., 2012), but the difference is that SERVQUAL focuses on both perception and expectation of the customers whilst SERVPERF targets the perception on the performance.

Hasbolah et al. (2018) investigated that the way students describe the expectation on the service quality based on the five dimensions of SERVQUAL, and Berry (1985) aligned with the academic perspective point of setting. The service quality pays the role of prominence to drive the higher level of the customer satisfaction (Minh et al., 2015). Bomrez and Rahman (2018) claim that the majority of the students are satisfied with the service provided by the university. The students are satisfied with Reliability, Responsiveness, Empathy and Tangibility except Assurance on the Service Quality and students' satisfaction on these factors implicitly lead the customer loyalty (Leonnard, 2018). When the service quality is higher than the customers' perception in order to the result of the quantitative data analysis, the customer loyalty can be extended for the future development (Marathe, 2017). Sudhakar et al. (2011) suggested that if there are significant gaps in the service quality, the organisation needs to take action to do amendment for the better development of the organisation.

In another study, Bomrez and Rahman (2018) examined the influence of the service quality on the student satisfaction through SERVQUAL and indicated significances and influences of the service quality on the customer satisfaction. While the universities provide the medium level compared to the students' expectation (Saif, 2014), studies of Aghmoaei et al. (2007), Hanaysha et al. (2012) and Khanli et al. (2014) focus on the quality gap of the educational services through descriptive research method in the quantitative data collection and analysis. The results revealed that the gaps are identified in all of the five dimensions of service quality as measured through SERVQUAL Model. Hence, this study applied SERVQUAL Model to identify the gaps between the customers' perception and expectation on the service quality of the lecturers of the English Department of Academy Language Center. Therefore, the SERVQUAL Model is more suitable than SERVPERF Model.

2.3. Service Quality

Parasuraman et al. (1988) developed SERVQUAL, the gap analysis model, for the purpose of measuring the influence of service quality on the consumer-service product provider in the integrated point of view. The service quality is measured in the framework of five dimensions: tangible, reliability, responsiveness, assurance and empathy. When the customers view the service quality, the

satisfaction can be fulfilled if the service quality is strongly provided completing the dimensions. The result of applying this theory might lead to the positive customer behaviour.

Like the other service sectors, the services on the educational institutions have the same characteristics in the existence of intangibility, heterogeneity, perishability, and lack of ownership (Zeithaml et al., 1985; Zeithaml et al., 1990; Gruber et al., 2010). Bedner and Reeves (1994) claim that greatness to esteem, conformance, and meeting and surpassing client desire are advanced perceptions descended from the idea of quality. Service quality is the apparent result of the reference for the fulfilment (Spreng & Mackoy, 1996). The quality of service plays the vital role to execute the educational magnificence which is the key variable to acquire the solid customer recognition in educational service industries (Ahmed et al., 2010). Kotler and Armstrong (2011) explain the service quality as the ability to attract the customers in service firms determining the competitive advantage and sustainability of the organisations.

2.4. Service Quality and Customer Satisfaction

Owing to Bitner (1990), Service Encounter Evaluation Model is introduced exposing the empirical evidence of the effect of satisfaction on the service quality. The level of customer satisfaction depends on the evaluation of the service quality provided by the service provider in the measurement of the determined factors (Hurley & Estelami, 1998). The service quality can perform as the antecedent to customer satisfaction investigating the causal relationship between the service quality and the customer satisfaction (Lee et al., 2000). The core concern of the firms and the enterprises become the customer satisfaction to prove their efforts, performance on the service quality for maintaining the customer loyalty in the highly competitive market (Awwad, 2012).

Studies claim that there are always difference between the customers' expectation and perception of the service quality. Hence, the measurements through SERVQUAL Model apply descriptive and causal research methods collecting quantitative and qualitative data. However, the purpose of the study is different because of the discrepancies between anticipated and observed results. These results are explained and evaluated.

The study adapted the closeness from the filed study area analysis by critically reviewing the related studies. Accordingly, the resources available and time limitation, the study chose quantitative data analysis and the descriptive research method because the research applies SERVQUAL Model to investigate the existence of the gaps between the customers' perception and expectation on the service quality.

2.5. Hypotheses of the Study

A hypothesis represents what the researcher expects to analyse through the research when the researcher proves the existence of a relationship between the factors raised in the research study (Kabir, 2016). This study aims to prove the following:

H1: There is a significant difference between the customers' perception and the expectation on Assurance on the classroom administration and academic setting arrangement.

H2: There is a significant difference between the customers' perception and the expectation on Responsiveness on the recognition on academic performance and commitment.

H3: There is a significant difference between the customers' perception and the expectation on Empathy on the arrangement of the flexibility in the classroom.

H4: There is a significant difference between the customers' perception and the expectation on Reliability on the availability of the accessibility.

H5: There is a significant difference between the customers' perception and the expectation on Tangibility on professional appearance and faculties provided.

3. Research Methodology

3.1 Conceptual Framework of the Study

Figure 1

Conceptual Framework of the Study
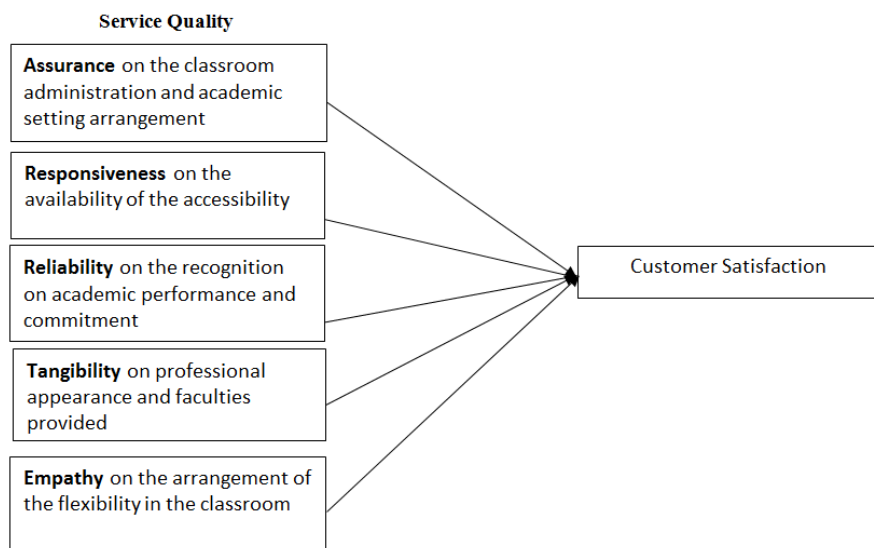
Source: Self-arranged framework based on Parasuraman et al.(1988)

3.2 Research Design and Method

The research is conducted by the sequel steps of the research onion suggested by Saunder et al. (2012). Six layers of the onion: philosophies, approaches, strategies, choices, time horizons and, techniques and procedures, are systematic set-up procedures to identify the validity and reliability of the process of the research. Cooper and Schindler (2014) explain that the research design represents a series of research techniques to combine the collected data and critically consider the measures of variables so that the research problem is efficiently solved. The type of this research is descriptive because the experiment determines the cause and effect without manipulating, but only observing and measuring the variables in the compliance of survey method and deductive approach.

Research methods or techniques can be defined as the means the researcher applied in the research operation performance (Kothari, 2004). These methods include mono-method qualitative, mono-method quantitative, multi-method qualitative, multi-method quantitative, mixed-method qualitative and mixed-method quantitative (Saunder et al., 2012). The research uses mono-method quantitative because in the numerical form, the data is collected and the quantitative data analysis techniques are utilised.

Qualitative research itself is array of practices such as in-depth interviews, focus groups and the observation of the participants. Initially, it is for the inductive process to formulate the theories or the hypotheses. The exploration on the phenomena and new insights in the limitation of the non-numerical data is focused on the qualitative research method (Leavy, 2014). Otherwise, in quantitative method, the data are collected through specific measurements and analysed by the statistical inferences (O'Dwyer & Bernauer, 2014).

3.3 Sampling

There are two types of sampling methods: probability and non-probability methods. Probability sampling technique is used when the population targeted for the research is known that every individual in the population has equal chances to be selected. There are five probability sampling methods: simple random sampling, stratified random sampling, systematic sampling, cluster random sampling, and multi-stage random sampling. In non-probability sampling, the respondents from the unknown population are selected having no equal chance for the selection (Babbie, 2011). Proportional sampling is used in this research because the definite number of populations is known and the respondents are selected randomly from every batch of the English programme having the benefit occupying samples for being well-representative of the total population.

3.4 Population

A population is a collection of individuals or groups of people who have the specialised set of characteristics that the researcher targets (Banerjee & Chaudhury, 2010). Among the total student number of 706, 191, students from the English Language Programme of ALC are targeted to conduct in the research; so the population is known.

3.5 Sampling Frame

From the population of English Language Programme, the students are randomly selected from every batch according to the number of the students.

Table 1

Sampling Frame

Batches	Number of Students	Selected Student Number
Eng-03-18	57	20
Eng-01-19	62	18
Eng-02-19 (AM)	35	22
Eng-02-19 (PM)	37	6
Total	**191**	**66**

Source: Academy Language Center

3.6 Sampling Design

Basically, the groundwork of the research selecting a specific audience is the sampling design. In this stage, the final decision of the data collection method is decided; and the appropriate sample size is calculated (Lohr, 2010).

Since the population is known, Yamane (1967) formula is used using 99% confidence level and 10% of margin of error. The calculated sample size is 66.

3.7 Research Instruments

3.7.1 Content of Questionnaire

Gender and age as the demographic characteristics are added as the closed-type question in the questionnaire. The rest of the questionnaire is prepared for the five components of SERVQUAL Model which are tangibility, empathy, reliability, responsiveness, and assurance. The 5-point Likert scale (1 = Very dissatisfied, 2 = Dissatisfied, 3= Neutral, 4 = Satisfied, 5 = Very satisfied) format is applied for the measurement the expectation and perception of the students on the academic service quality of the English Department of ALC. The open-type questions welcoming the suggestions or the opinion of the students are added as the final part of the questionnaire as well.

3.7.2 Pilot Test

Five questionnaires are offered to the respondents who have the previous experience with the research field and were requested to answer the questionnaires after the development of the questionnaire design. According to the feedbacks from the five respondents, the researcher modified the error found with guidance from the supervisor. The final questionnaire was prepared.

3.8 Data Collection

3.8.1 Survey Method

Firstly, the researcher asked for the permissions of the university to do survey strategy conducting the valid respondents. After receiving the approval of the management team, the questionnaires were distributed to the targeted population. The data collection was administered by the researcher using the structured questionnaire. Then, the questionnaires were distributed to the 70 respondents and were collected after completion. The researcher stayed back to respond promptly if the respondents are not clear with the aims of questionnaire format.

3.8.2 Response Rate

The collected data are useful having high response rate and it is assumed that the interest of the respondents is matched with the concept of the questionnaire constructed in the simple and understandable ways. To collect the questionnaires, the classroom lecturers in the classes are requested to retrieve completed questionnaires. The response rate is presented in the table 2.

Table 2

Response Rate

Description	Number of Questionnaires
Total Questionnaires	66
Complete Questionnaires	66
Response Rate	100 %

Source: Survey Data of Aye Mya Mon, 2019

The collected data are evaluated if reliable or not; if it is necessary, the data are edited such as collecting the data from the new respondents rejecting the unacceptable ones asking for the advice of the experienced supervisor. Afterwards, the final data is coded using the SPSS statistics tool version 20. As the last stage, the data are inputted as the finalisation.

3.9 Ethical Consideration

Ethical consideration is the vital area of the research because it can lead the disruption to the dissertation if this part is missing (Bell et al., 2018; Saunder et al., 2012). The study follows the three rules of ethical consideration which are confidentiality, reliability and validity.

The participants are allowed to quit from the process at any given time. In addition, the researcher asks the organisation the permission for the data collection activity as the part of the study. The answers and the feedbacks on the questionnaires by the respondents are kept confidential and the respondents can answer the questionnaire as anonymous.

The research makes sure to avoid the bias whilst in the research process and data report. The researcher cares to give credit and mentions the participants and the supervisor who are involved to complete the research project. The discrimination and the irritation to the participants are forbidden as well.

4. Findings and Discussion

4.1 Gap Analysis through SURVQUAL Model

The data analysis by the SPSS statistics tool is tested for the reliability and interpreted to investigate the gaps between customers' perception and expectation on the service quality through gap analysis model, SERVQUAL in which the five dimensions: Assurance, Responsiveness, Empathy, Reliability and Tangibility are included.

4.1.1 Overall Gap Analysis on all factors

Figure 2

Customer Expectation and Perception on Academic Service Quality
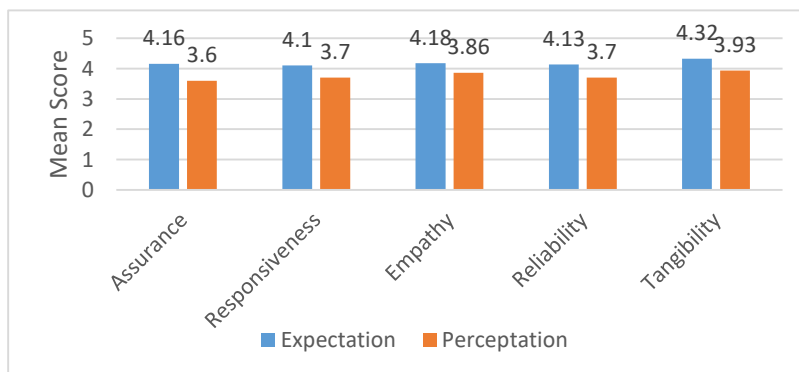
Source: Survey Data of Aye Mya Mon (2019)

Overall gap analysis points out that the respondents' expectation is highest on Tangibility which its overall mean scores of expectations and perception 4.32 and 3.93 in particular. The lowest perception mean score, 3.6, is analysed on "Assurance" and the expectation mean score of the same factor is 4.16. The expectation mean scores of "Responsiveness", "Responsiveness", "Empathy" and "Reliability", are 4.1, 4.18 and 4.13 and the perception mean scores of those factors are 3.7, 3.86 and 3.7. Indeed, the perception and expectation mean scores are nearly the same; however, the gaps are found when the customer expectation mean scores are higher than the expectation mean scores in average.

4.1.2 Hypothesis Testing on the differences between Customer Expectation and Perception on the service quality

The paired sample t test is occurred when the certain factors are measured before and after the performance of the action. The purpose of the test is to decide if the means of the paired observations on the results are different from zero or not (Bui, 2009). In paired sample t test, if t > critical value (1.98), it rejects H_0 and if not, it accepts H_0. If sig. < 0.05, it rejects H_0 or if not, it accepts H_0.

Table 3

Paired Sample Test

Factors		Paired Differences			95% Confidence Interval of the Difference		t	df	Sig. (2 tailed)
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper	-5.169	65	.000
Pair 1	AP - AE	-0.567	0.891	0.110	-0.786	-0.348	3.700	65	.000
Pair 2	RP - RE	-0.409	0.898	0.111	-0.630	-0.188	3.367	65	.001
Pair 3	EP - EE	-0.327	0.790	0.097	-0.521	-0.133	4.386	65	.000
Pair 4	R2P -R2E	-0.436	0.808	0.100	-0.635	-0.238	3.999	65	.000
Pair 5	TP - TE	-0.389	0.790	0.097	-0.583	-0.195	5.169	65	.000

Source: Survey data of Aye Mya Mon (2019)

H_0: There is no significant difference between the customers' perception and the expectation on Assurance on the classroom administration and academic setting arrangement.

H1: There is a significant difference between the customers' perception and the expectation on Assurance on the classroom administration and academic setting arrangement.

According to the t value and two tailed p value, the null hypothesis is rejected because it is greater than the critical value (1.98) and two tailed p value is lesser than 0.05. Therefore, the research hypothesis is accepted.

H_0: There is no significant difference between the customers' perception and the expectation on Responsiveness on the recognition on academic performance and commitment.

H2: There is a significant difference between the customers' perception and the expectation on Responsiveness on the recognition on academic performance and commitment.

The calculated t value for H2 is greater than the standardised critical value and the lesser two tailed value than 0.05 is found as well. Consequently, the research hypothesis is accepted; alternatively, the null hypothesis is rejected.

H_0: There is no significant difference between the customers' perception and the expectation on Empathy on the arrangement of the flexibility in the classroom.

H3: There is a significant difference between the customers' perception and the expectation on Empathy on the arrangement of the flexibility in the classroom.

Similar to the paired sample test results of H1 and H2, the same result comes out the as the rejection of the null hypothesis while the alternative one is accepted.

H_0: There is no significant difference between the customers' perception and the expectation on Reliability on the availability of the accessibility.

H4: There is a significant difference between the customers' perception and the expectation on Reliability on the availability of the accessibility.

The mean gap score result of the paired sample test supports the research hypothesis, in addition, the t value is being greater than the critical value and two tailed p value is lesser than 0.05. In contrary, the null hypothesis is rejected.

H_0: There is no significant difference between the customers' perception and the expectation on Tangibility on professional appearance and faculties provided.

H5: There is a significant difference between the customers' perception and the expectation on Tangibility on professional appearance and faculties provided.

Agreeably to the paired sample test, the research is approved and the null hypothesis is rejected since the greater t value than 1. 98 and the lesser two tailed p value than 0.05 are investigated.

The study tested the proposed hypotheses analysing and interpreting the calculated data. Therefore, it was found that there are significant differences on the academic service quality provided by English Department on account of the application of SERVQUAL Model in the research. The results proved that the students' expectation is higher than the perceived service quality provided by English Department of ALC.

5. Conclusion, Recommendation and Implication

5.1. Recommendation and Suggestions

Research Objective: To identify the gaps between the students' perception on the service quality provided by the English Department of ALC and the expected service quality of the students

The service quality is measured through the five dimensions complying SERVQUAL Model. According to paired simple test and the results shown in Table 3, the perception of the students is lesser than the expectation for all of the dimensions. The lowest perception mean score of 3.6 is received for Assurance on the classroom administration and academic setting arrangement and its mean score of the expectation is 4.16. In consequence, the gap is found for that dimension. Although there is a significant difference between the customer expectation and perception, the highest mean score of perception, 3.93, is recognised for the Tangibility on professional appearance and faculties provided and the expectation mean gap score of the factor is 4.32. The mean scores of the other dimension are approximately the same, but there are still gaps.

Parasuraman et al. (1988) state that the differences are found for the customer perception compared to the expectation on the service offered by the service provider. Reflecting the experiences of consuming the product or service office and the emotional response of the clients in the assumption of the comparison to the expected and perceived values, is the relation of the customer satisfaction towards the products or service provided (Biesok & Wyród-Wróbel, 2011).

The study provides the three open-type questions in the questionnaire to hear the voices of the students on the academic quality. The study received plenty of comments but some of those are common, which are combined. Based on the feedback on the academic service, the appropriate recommendation and suggestions are proposed as following.

Assurance on the Classroom Administration and Academic Setting Arrangement

Comment 1 - "*We only receive the textbook and prefer to get the audio CD as well so that we can practice listening alone, too.*"

Comment 2 - "*Language levels of the students should be classified. I feel demotivated to learn the language together with the one whose levels are higher than mine. And, I keep silent after all and do not want to follow the lessons. I just use the applications such as Grammar Checker for my assignment preparation.*"

Comment 3 - "*Since I am adult, if the teacher asks me to sit in the front when I am sitting at back, I feel uncomfortable to move around.*"

Comment 4 - "*Reading Club, Debate Class like River Conversation Club and Musical Activities of the American Centre should be provided because we would like to participate more delightful activities related to learning English Language. I don't like the English class because it's too boring.*"

More comments are received for the Assurance on the Classroom Administration and Academic Setting Arrangement with lowest perception score. Evaluating the feedbacks of the students, most of the students want more classroom activities which are effective to learn English Language. Another troublesome issue for the students who have lower levels of English, knowing themselves, they feel demotivated attending the class being mixed with students of higher English language level. Consequently, the students do not want to participate with others during classes. As majority of them like to be treated as grown-up adults, teachers need to be considerate not to treat them as young adults.

Suggestions for Comment 1. In fact, the students are given the copied version of the textbook, thence, the audio CD are not available. If the department would like to provide audio CD, there are two options: provide original version of the textbook which CDs are attached or the audio files would be added when the students are offered the knowledge boxes at the beginning of the first term of the academic year. The first option might entail higher cost as the approximate price for the original textbooks attached CDs is around $35. The second option can save the budget but it has copyright issue as well. However, the school has the strong partnership with Pearson, somewhat supplier of the organisation. Thus, the price can be discussed and hence, the copyright issue can be solved out.

Suggestion for Comments 2 & 3. The students expect that the classroom management matters. Although the majority of the students are young adults, the teaching methods which are applicable for the young learners are not workable according to the culture adaption of the ALC students. In addition, based on the monthly report evaluation of English Department, the teachers apply different approaches and teaching methods to the students. The teaching methods are adjusted ought to the students' nature and the preference of the teachers. However, the majority of the teaching

methods should be consistently applied especially in ALC because the levels of the students are mixed. In addition, the teachers have to take care of the different classes alternatively every two months so the students also need to adapt the different teaching styles of the different teachers. Consequently, it is inconvenient for both the lecturers and the students to build rapport within two months.

The suggested teaching methods for better communication with the students are TCL (Teacher Leaner Care) and PPP (Presentation, Practice and Production) because these methods encourage the involvement of both teacher and students. In fact, the teaching language would be effective if the levels of the students are filtered. The appropriate classroom management and teaching development trainings should be provided to the lecturers occasionally as well. To ensure consistency of the teaching method and arrangement, the supervision of the head of the department is required in decisions and monitoring of teaching practices; however, the position is currently unfilled.

Suggestions for Comment 4. It is highly evident that no interesting activities for the students as arranged by English Department. The students are also willing and keen to take part of the activities, if arranged, like the musical class where an English song is sung together creating network of the students and rapport between teachers and the students. Since the students need to the write assignments, reading and writing skills are a must to complete the tasks successfully. The reading club can help students read subject-related books, reflection can be practiced, and the reading habit can be developed by sharing and exchanging books with speaking session at the sideline.

Responsiveness on the Recognition on Academic Performance and Commitment

Comment 1 - "*Teachers cannot be always right. The more chances should be given to share or exchange the knowledge in the class.*"

Comment 2 - "*Let us speak more.*"

The teachers should provide more chances for students to participate to some extent. The PPP method is suggested as this method allows the teacher to give the awareness of the lesson, discuss with the students the same lesson and exchange ideas and give feedback on the students' answers. The involvement of the student matters in PPP because they have to self-arrange subject-related project in small or big groups.

Empathy on the Arrangement of the Flexibility in the Classroom

Comment 1 - "*Teachers should get aware of the emotional situation of the students before asking to do the activities.*"

Comment 2 *"Teachers should create more active classroom environment."*

Comment 3 - *"I want more flexible and fun teaching hours."*

Comment 4 "*I want to be provided more samples to adapt the lesson.*"

Similarly, the teachers practice and adapt the students' wants and need providing more effective class hours.

Reliability on the Availability of the Accessibility

Comment 1 - "*We are not clear with the consequences of taking the tests or not because the ones who did not take the exams are doing fine to attend the next class.*"

Comment 4 - "*I want to talk about my grammatical problems to write my assignment with the teacher. And, I want more support.*"

Comment 5 - "*Teacher should approach the students like friends, so, we don't need to feel uncomfortable.*"

In reality, making time for the students to discuss about the subject is a must; however, the number of the teachers is not enough to fill the gap because of the tight schedule. The standardisation of the exam system is required because lecturers take time explaining and giving instructions to the students. The appropriate recognition for passing or accomplishing the test should be provided, for example, setting grading system, offering certificate, or taking action to those who are absent or failed the test.

Tangibility on Professional Appearance and Faculties provided

Comment 1 - "*I wish library to be bigger to sit around comfortably and provide more English Language Learning related books and make people silent.*"

While the library has the same space available, the provision of more books is the best solution. The lecturers should suggest a list of related books and ask the management for budget approval. Accompanied by the purchasing department, the books should be purchased and displayed in the library.

5.2. Implication to Management

The customers' opinions and the appropriate suggestions are proposed for better academic service quality of the English Department at Academy Language Center. As to the school management, the research includes the positive and constructive process to support the development of English Department as shown in table 4.

Table 4

Implication to the Management

Responsible Departments	The Needs for the Implication
Academic Department	- To standardise the English Exam System
	- To classify the levels of the students' English Proficiency
HR Department	- To recruit the Head of English Department
	- To provide appropriate professional development trainings
Operation Department	- To purchase the English Language related books according to the
	suggestions of the English Lecturers and place the books in the library
Finance Department	- To approve the budget for the activities such as purchasing books, awarding
	for small achievements of the students like project accomplishment

Source: Aye Mya Mon (2019)

The suggestions are only for the betterment of the department in positive ways.

5.3. Limitation

Time constraint is the core limitation for the research. With the lack of qualitative data analysis, it is merely to know the detailed opinions of the respondents' views on the research factors. The study only targets the student population of English Language Programme, thence; it is difficult to generalize the results as the credible and reliable observation and reflection of the academic service quality at ALC.

Declaration

I hereby sincerely declare that this paper, submitted for the sake of the journal publication, is my own work. The lifted sources and reference are explicitly acknowledged and mentioned in my work and any part of my work has not been copied or written for me by another person. Since the official commencement date of the approval, the result which has been carried out is the content of the study.

References

Aghmoaei, T., Zare, S. & Abedini, S. (2007). The Quality Gap of Educational Services from the Point of View of Students in Hormozgan University of Medical Sciences. *Strides Dev Med Educ.,* Volume 3, pp. 78-85.

Ahmed, I. et al. (2010). Effects of Motivational Factors on Employees Job Satisfaction: A Case Study of University of the Punjab, Pakistan. *International Journal of Business and Management,* 5(3), pp. 70-80.

Anderson, E. W., Fornell, C. & Lehmann, D. R. (1994). Customer Satisfaction, Market Share, and Profitability: *Findings from Sweden. Journal of Marketing,* 58(3), pp. 53-66.

Awwad, M. S. (2012). An application of the American Customer Satisfaction Index (ACSI) in the Jordanian Mobile Phone Sector. *The TQM Journal,* 24(6), pp. 529-541.

Azoury, N. (2014). *Business and Education in the Middle East.* 1st ed. New York: Palgrave MacMillan.

Babbie, E. R. (2011). *The Basics of Social Research.* 5th Edition ed. Belmont: Wadsworth.

Banerjee, A. & Chaudhury, S. (2010). Statistics without tears: Populations and samples. *Industrial Psyhiatry Journal,* 19(1), pp. 60-65.

Bedner, D. A. & Reeves, C. A. (1994). Defining Quality: Alternatives and Implications. *Academy of Management Review,* 19(3), pp. 419-445.

Biesok, G. & Wyród-Wróbel, J. (2011). *Marketing and logistic problems in the management of organization.* 1st Edition ed. Willowa: Scientific Publishing House.

Bitner, M. J. (1990). Evaluating Service Encounters: The Effects of Physical Surroundings and Employee Responses. *Journal of Marketing,* 54(2), pp. 69-82.

Bomrez, H. A. A. & Rahman, N. R. B. A. (2018). Factors Influencing the Service Quality on Student Satisfaction at Management Sciences University. *International Journal of Business Society,* 2(8), pp. 1-11.

Directorate of Investment and Company Administration (2018). *Directorate of Investment and Company Administration.* [Online] Available at: https://www.dica.gov.mm/en/news/notification-carry-out-investment-activities-education-services [Accessed 1 August 2019].

English Department (2018). *Annual General Meeting 2018,* Yangon: Academy Language Center.

Fornell, C. (1996). The American Customer Satisfaction Index: Nature, Purpose, and Findings. *Journal of Marketing,* Volume 60, pp. 1-18.

Gruber, T., Fuß, S. & läser-Zikuda, M. (2010). Examining Student Satisfaction with Higher Education Services: Using A New Measurement Tool. *International Journal of Public Sector Management,* Volume 23, pp. 105-123.

Hanaysha, J. R. M., Kumar, D. & Hilman, H. (2012). Service Quality and Satisfaction: Study on International Students in Universities of North Malaysia". *International Journal of Research in Management,* 3(2), pp. 116-133.

Hansemark, O. C. & Albinos, M. (2004). Customer Satisfaction and Retention: The Experiences of Individual with Employees. *Managing Service Quality,* 14(1).

Hasbolah, F., Kumarasamy, M. M. & Fazmi, K. N. M. (2018). Students' Perception of Service Quality Delivery in a Private Higher Education Institution. *Journal of Management,* 1(1), pp. 35-43.

Howard, J. A. & Sheth, J. N. (1969). *The Theory of Buyer Behavior.* 1st ed. New York: John Wiley and Sons.

Hurley, R. F. & Estelami, H. (1998). Alternative indexes for monitoring customer perceptions of service quality: A comparative evaluation in a retail context. *Journal of the Academy of Marketing Science,* 26(3), pp. 209-221.

Invest Myanmar Summit (2019). *Invest Myanmar.* [Online] Available at: https://investmyanmar2019.com/investment/invest-myanmar-summit-u-set-aung-presents/ [Accessed 1 August 2019].

Kabir, S. M. S. (2016). *Basic Guidelines for Research: An Introductory Approach for All Disciplines.* 1st ed. Chittagong: Book Zone Publication.

Kasim, A. (2012). *Proceedings of the International Conference on Science, Technology and Social Science (ICSTSS) 2012.* New York, Springer International Publishing.

Khanli, M. R., Daneshmandi, H. & Choobineh, A. (2014). The Students' Viewpoint on the Quality Gap in Educational Services. *Journal of Advances in Medical Education & Professionalism,* 2(3), pp. 114-119.

Ko, T. K. (2019). *Myanmar Times.* [Online] Available at: https://www.mmtimes.com/news/fdi-forecast-hitus-5-8b-2018-19.html [Accessed 1 August 2019].

Kotler, P. & Armstrong, G. M. (2011). *Marketing: An Introduction.* 14th ed. London: Pearson Education.

Kotler, P. & Keller, K. L. (2016). *Marketing Management.* 15th ed. Boston: Pearson Education.

Leavy, P. (2014). *The Oxford Handbook of Qualitative Research.* 1st Edition ed. New York: Oxford Univrsity Press.

Lee, H., Lee, Y. & Yoo, D. (2000). The Determinants of Perceived Service Quality and Its Relationship with Satisfaction. *Journal of Services Marketing,* 14(3), pp. 217-231.

Legčević,. J. (2009). Quality Gap of Educational Services in Viewpoints of Students. *Ekonomsko Miso Praksa DBK,* XVIII (2), pp. 279-298.

Leonnard, L. (2018). The Performance of SERVQUAL to measure Service Quality in Private University. *ERIES Journal,* 11(1), pp. 16-21.

Lohr, S. L. (2010). *Sampling: Design and Analysis.* 2nd Edition ed. Boston: Brooks/Cole.

Luo, J. (2012). Soft Computing in Information Communication Technology. 1st ed. New York: Springer.

Marathe, D. S. (2017). Gap Analysis in Service Quality through SERVQUAL Model: A Study in Private Bank, Pune City. *IMR (India Management Review),* 11(1), pp. 82-91.

Minh, N. H., Ha, N. T., Anh, P. C. & Matsui, Y. (2015). Service Quality and Customer Satisfcaction: A Case Study of Hotel Industry in Vietnam. *Asian Social Science,* 11(10), pp. 73-85.

Mohapatra, S., Ganesh, K., Punniyamoorthy, M. & Susmitha, R. (2018). *Service Quality in Indian Hospitals: Perspectives from an Emerging Market.* 1st Edition ed. New York: Springer International Publishing.

O'Dwyer, L. M. & Bernauer , J. A. (2014). *Quantitative Research for the Qualitative Researcher.* 1st Edition ed. New Delhi: Sage Publications Inc.

Oliver, R. L. (1999). Whence Customer Loyalty. *Journal of Marketing,* Volume 63, pp. 33-44.

Parasuraman, A. P., Berry, L. L. & Zeithaml, V. A. (1988). SERVQUAL: A multiple- Item Scale for Measuring Consumer Perceptions of Service Quality. *Journal of Retailing,* 64(1), pp. 12-40.

Parasuraman, A., Zeithaml, V. A. & Berry, L. L. (1988). SERVQUAL: A multiple-item scale for measuring consumer perceptions of service quality. *Journal of Retailing,* 64(1), pp. 12-40.

Pascual-Nebreda, L., Cabanelas-Lorenzo, P. & Blanco-González, A. (2022). Understanding dissatisfaction through evaluation theory. Volume43, Issue7, Pages 3116-3129 https://doi.org/10.1002/mde.3585

Rodrigues, L. L. R. (2013). *Service Quality Measurement: Issues and Perspectives.* 1st Edition ed. Hamburg: Anchor Academic Publishing.

Saif, N. I. (2014). The Effect of Service Quality on Student Satisfaction: A Field Study for Health Services Administration Students. *International Journal of Humanities and Social Science,* 4(8), pp. 172-181.

Saunder, M., Lewis, P. & Thornhill, A. (2012). *Research Methods for Business Students.* 6th Edition ed. Harlow: Pearson Education Limited.

Schneider, B. & White, S. S. (2004). *Service Quality: Research Perspectives.* 1st Edition ed. London: Sage Publications, Inc.

Szeliga-Duchnowska, Anna; Goranczewski, Boleslaw (2016). The significance of internal customer satisfaction in a standardized quality management system in the context of a Polish higher education institution. *Jagiellonian Journal of Management*, Tom 2 (2016), Numer 2, p. 147-168, doi: https://doi.org/10.4467/2450114XJJM.16.011.5561.

Spreng, R. A. & Mackoy, R. D. (1996). An Empirical Examination of a Model of Perceived Service Quality and Satisfaction. *Journal of Retailing,* 72(2), pp. 201-214.

Stevens, P., Knutson, B. & Patton, M. (1995). Dineserv: A tool for measuring service quality in restaurants. *The Cornell Hotel and Restaurant Administration Quarterly,* 36(2), pp. 56-60.

Sudhakar, S., Padmavathi, M. & Ravindran, D. S. (2011). Service Quality Gap Analysis & Customers' Perception - An Investigation. *Summer Internship Society,* 3(1), pp. 123-129.

Sumaedi, S. (2014). *Public Transport Passengers' Behavioural Intentions: Paratransit in Jabodabek - Indonesia.* 1st Edition ed. New York: Springer International Publishing.

Tahir, I. M., Bakar, N. M. & Ismail, W. Z. W. (2010). Importance-Performance Analysis of Service Quality among Business Students: An Exploratory Study. *Interdisciplinary Journal of Contemporary Research of Business,* 2(1), pp. 330-341.

Woodruff, R. B., Cadotte, E. R. & Jenkins, R. L. (1983). Modelling Consumer Satisfaction Processes Us-ing Experience-based Norms. *Journal of Marketing Re-search,* 20(3), pp. 296-304.

Zeithaml, V. A., Parasuraman, A. & Berry, L. L. (1985). Problems and Strategies in Services Marketing. *The Journal of Marketing,* Volume 49, pp. 33-46.

Zeithaml, V. A., Parasuraman, A. & Berry, L. L. (1990). *Delivering Quality Service: Balancing Customer Perceptions and Expectations.* 1st ed. New York: Simon and Schuster.

Role of Gender Diversity on Corporate Social Responsibility: Evidence from a Developing Economy

[1]Chandula A M T, [2]Dissanayake H & [3]Anuradha I.

Abstract

While the importance of Corporate Social Responsibility (CSR) increased during the COVID-19 period, it is also imperative to increase the female representation of the board. Empirical evidence suggests inconclusiveness of the results in the country, period and methods applied. In addition, there is a dearth of studies in the world as well as developing economies. To bridge these research gaps, this study examined the impact of gender diversity on corporate social responsibility in the developing economy as Sri Lanka during the COVID-19 period. A quantitative study using a survey design was conducted with sample size of 133 companies listed at Colombo Stock Exchange using random sampling. The data analysis included descriptive analysis and correlation using Statistical Package for Social Science (SPSS) and Partial Least Squares Regression Model through SMART PLS 3.0. This study found the level of gender diversity in Sri Lanka is 10% indicating low level in the developing economy. Findings also revealed that gender diversity and legal responsibility have significant impact while economic, ethical, and philanthropic have no impact on Sri Lankan companies. Although the study is limited to listed companies and quantitative cross-sectional study, results clearly suggest an increase to the percentage of women directors on board to improve legal responsibility and further achieve sustainable goals in the economy. The findings also suggest new perspective on resource dependence theory.

About the authors:
[1]B.Sc. (Special) Accountancy & Business Finance, Undergraduate, Department of Accountancy, Wayamba University of Sri Lanka
[2]Corresponding author. Reading for PhD in Management(USJP), MSc in Applied Finance(USJP), Senior Lecturer, Department of Accountancy, Wayamba University of Sri Lanka. Corresponding email: hiranya@wyb.ac.lk
[3]PhD (USJP), Senior Lecturer, Management and Science Unit, Department of Mathematics, University of Sri Jayewardenepura

* This paper is a finalist in the International Research Competitions 2022.

1. Introduction

Corporate Social Responsibility (CSR) and its consequences for corporations have gained considerable interest from academics and professionals. As CSR was introduced as "a combination of strategies, practices, and principles that firms follow to strength and create relationships towards stakeholders and the environment" (Carroll, 2009, p. 499-500), it has become an essential tool for companies and operations throughout a variety of industries with the rise in environmental and ethical concerns. For instance, García-Sánchez (2020) examined how companies responded during the most difficult times of the pandemic and what goals they set for themselves to overcome the crisis. The study found out that certain businesses have demonstrated a strong commitment to society by implementing activities to offset Covid-19 effects through three responsibility clusters: (i) securing only the interests of shareholders and investors; (ii) promoting the well-being of society in general and vulnerable groups in particular; and (iii) integrating the previous charitable actions with commercial interests.

In Sri Lankan context, businesses are also engaged in various CSR activities at the internal levels, such as employee health, workplace safety, compensation, and employment and at the external level, such as donations, charitable giving, volunteering, providing resources to customers, and supporting the community to ensure their safety and well-being. However, the Department of Census and Statics (2020) disclosed that Sri Lankan economy has grown a negative impression caused by the Covid-19 pandemic. The stiff restriction that applies to the entire island, the implementation of immigration restrictions, and the blocking of ports and airports in other impacted countries, throughout the country, racist social distance measures have been adopted, as well as emergency health and economic procedures all affect the economic growth of Sri Lanka. These policies have a substantial influence on people's survival, families, and societies, as well as national economies and global trade. The economy of Sri Lanka shortened by 1.6% in the first quarter of 2020 and by a 2% growth (Department of Census and Statics, 2020).

The diversity of genders is one of the most significant diversity factors for companies. Gender diversity became a crucial issue for nearly all firms as a result of the Covid-19 pandemic. The pandemic has had major consequences, especially on women and girls, and will impact global attempts to meet most gender-related SDG targets, particularly those about

gender equality. However, at all levels of the workforce, including management, gender diversity is crucial. The pandemic has several industries commitment to adapting CSR strategies and activities to current health, financial, and social desires. While business companies redefine goals by considering how to fulfil financial, social, and environmental targets, the CSR tactics has eventually focused more on support to their employees, customers, and communities through donating money to health facilities or local governments, donating equipment to resist the disease, moving to the different manufacturing processes to produce tools that doctors and nurses need such as gowns, masks, and hand sanitizer (Sunday Observer, 04th August 2021).

It is sometimes stated that an overly homogeneous team may disregard significant alternatives and encourage its members' own biases in their conclusions (Asmat & Boring, 2020). It is advantageous to have a varied workforce since having a variety of perspectives is essential for growing in a workplace that is constantly changing. A culture of inclusion and equality is a useful force for innovation and growth. Diversity is seen to bring not only additional creativity but also a distinct perspective and the identification of different unsatisfied product demands that a non-diverse team would have missed. Furthermore, a company's seeming sensitivity to the issue of diversity may assist it to attract top personnel. A diversified workforce with inclusive practices and a range of viewpoints is intrinsically more competitive in a globalized economy.

Gender diversity in a workplace implies men and women hired at a comparable rate, paid evenly, and given the same working opportunities with equal promotions (UN Women, 2018, p. 5). The performance of business within an organization is impacted by the significant variations in gender diversity in the workplace. The 'business case' for gender diversity in the workplace, which refers to the argument frequently expressed by business leaders that more diverse teams and leadership help organizations expand and become more competitive, has evolved and received widespread support in recent years (Asmat & Boring, 2020).

In a different league, expanding the number of women directors on board will encourage the industry to commit to more CSR practices. Women, which constitute half of the world's human capital, are one of its most underutilized resources. Sustainable economic growth at national and global levels depends on women joining the labor force and fuller use

being made of their skills and qualifications. More working women would also help offset the negative effects of declining fertility rates and ageing populations in many OECD countries (Foster, 2016, p. 11). To achieve gender equality and empower all women and girls, or just Gender Equality, the 17 Sustainable Development Goals (SDG) of the 2030 Agenda were formed. The gender equality goal, or SDG 5, focuses on achieving real and sustained gender equality in all aspects of women's and girls' lives. This includes eliminating gender disparities, violence against women and girls, early and forced marriage, equal leadership opportunities, and universal access to sexual and reproductive rights (UN Resolution 70/1, the 2030 Agenda).

In the previous decagon, many scholars focused more on women directors' representation and their impact on corporate social responsibility. Many new empirical evidence and findings have been added to the literature as a result of these investigations. For instance, Issa and Fang (2019) and Boukattaya and Omri (2021) found female representation related to CSR reporting, Ahmed (2017) also found a considerable positive connection between CSR practices and gender-diverse boardrooms of Asian emerging economies, and Quintana-García et al. (2018) and Wu et al. (2021) also found gender diversity and CSR with positive relationship. However, Shamil et al. (2014) and Khan (2017) has presented a negative relationship between CSR and female representation on boards while Yarram and Adapa (2021) stated that women directors do not affect the individual components of CSR.

With the number of literature on women representation on board and its relations with the CSR, there is less evidence from a developing country such as Sri Lanka. While there were studies conducted in Sri Lanka on gender diversity and sustainability (Mudiyanselage, 2018; Fernando et al., 2020), this study mainly focuses on the women directors and their impact on CSR. While the studies of Mudiyanselage (2018) and Fernando et al. (2020) have used sustainability reporting as the measurement of CSR, there is no statutory requirement for sustainability reporting in Sri Lanka. As sustainability reporting is quite significant, particularly only among larger firms in Sri Lanka (Dissanayake et al., 2016), therefore, employing sustainability reporting as a CSR measurement does not yield accurate and comprehensive results. Dissanayake et al. (2016) argued that, in comparison to economic and social indicators, environmental indicators are less frequently reported in Sri Lanka listed

companies. Even though companies followed sustainability reporting, they have not disclosed the negative side and the issues of the operating activities. Hence, the full image of the sustainability reporting will not be disclosed. Similarly, there exists inconclusive evidence related to gender diversity and CSR as well as there is a dearth of studies related to gender diversity and CSR in the Sri Lankan context. On the other hand, gender diversity on board has a very critical impact on those economic and environmental environments and sustainable development. Thus, the major research problem associated with this study is whether there is an impact of gender diversity on corporate social responsibility in Sri Lanka.

This study aims to examine the impact of gender diversity on CSR elements such as economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. The relationship between gender diversity and CSR is explained using Resource Dependence Theory (RDT). The significance of the board of directors in managing unpredictability in the external environment and gaining access to vital resources is highlighted by RDT (Hillman et al., 2009; Pfeffer & Salancik, 2003). Female directors provide numerous advantages to firms as they assist firms in better understanding specific clients and hence in gaining access to superior resources (Nadeem et al., 2017).

2. Literature Review

Gender Diversity on board is characterized by "*the presence of female directors on the board of directors of corporations*" (Carter et al., 2003, p. 33-38). It indicates the fair representation of members of various genders within the corporate board. The concept of gender diversity suggests that the corporate boards should be in better structure with suitable gender representation. According to Dutta et al. (2008, p. 70), board gender diversity is the "*presence of women on the board of directors and term it an important aspect of board diversity*". This may improve board functioning and, as a result, business performance.

On the other hand, CSR is described as "*the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time*" (Carroll, 2009, p. 499-500). This means a business organization needs to consider the economic factors, laws, ethics, and philanthropic expectations of society. These four components imply that business has to do something for

the society. These responsibilities are not what the business firm does for itself but what the organization does for the entire society.

Empirical evidence on gender diversity and CSR showed female representation on boards have a plenteous influence on their CSR policies. For instance, Bear et al. (2010) found female representation is positively connected to CSR strength ratings. Similarly, Cabeza-García et al. (2018) emphasized that corporations with a higher female attendance move to disclose higher data about CSR activities. Furthermore, Issa and Fang (2019) and Boukattaya and Omri (2021) argued that female representation was completely associated with CSR reporting, Yasser et al. (2017) found a considerable positive connection between CSR practices and gender-diverse boardrooms of Asian emerging economies while Quintana-García et al. (2018) and Wu et al. (2021) confirmed previous findings that gender diversity and CSR have a positive relationship. While these studies found relationship between gender diversity and CSR using secondary data, Khan (2017) presented a negative connection between CSR and female representation on boards. Similarly, Yarram and Adapa (2021) argued that women on board do not result in the individual components of CSR while Fakir and Jusoh (2020) revealed female directors and sustainability performance in the Bangladesh context have no relationship. These findings suggest that there is an inconclusive relationship between gender diversity and corporate social responsibility.

In Sri Lanka, there are some empirical evidence on how gender diversity impacts CSR and financial performance. For instance, Wellalage and Locke (2013) illustrate that Sri Lankan boardrooms are not entirely varied in terms of gender, race, educational qualifications, and performance. Meanwhile, Shamil et al. (2014) found women directors are inversely linked with sustainability reporting, Rupawaththa (2017) identified considerable reverse relation between boardroom female directors and financial performances., Mudiyanselage (2018) and Fernando et al. (2020) found females on the board are positively and considerably linked to sustainability disclosure while Thambugala (2020) special inherent characteristics of female directors such as love, compassion, and empathy explicit more favor towards women and children-based CSR activities. Sri Lankan studies conducted using secondary data observed inconclusive results.

Most of the earlier studies suggest expanding the sample as well to increase the consideration of industries. In addition, most studies proposed to use different data collecting

methods including questionnaire survey because results found inconclusive results. Therefore, this study tried to bridge these gaps by examining gender diversity and CSR using a survey questionnaire in Sri Lanka. In addition, substantial number of studies use resource dependency theory (Pfeffer & Salancik, 1978) to anticipate the relationship between the presence of women on boards and CSR (Amorelli & García-Sánchez, 2021). Accordingly, this study examined the relationship between gender diversity and CSR using resource dependence theory. According to this theory, more diverse boards contribute to better access to resources, reducing reliance on environmental resources, providing different points of view, advice, legitimacy, business contacts, and information channels (Pfeffer & Salancik, 1978; Terjesen et al., 2009), and favoring the adoption of CSR policies (Hillman et al, 2002). In addition, empirical evidence from Bear et al. (2010), Cabeza-García et al. (2018), Issa and Fang (2019), Yarram and Adapa (2021), and Boukattaya and Omri (2021) mentioned a positive association between female representation and CSR. By considering the previous findings and resource dependence theory, this study argues that the representation of women directors on corporate boards impacts CSR. Therefore, the main hypothesis for this research is proposed as:

H1: There is a significant association between gender diversity and corporate social responsibility.

H1a: There is a significant association between gender diversity and economic responsibility.

H1b: There is a significant association between gender diversity and legal responsibility.

H1c: There is a significant association between gender diversity and ethical responsibility.

H1d: There is a significant association between gender diversity and philanthropic responsibility.

Following the past studies and resource dependence theory, this study develops a conceptual framework to examine the main hypothesis. Figure 1 represents the conceptual framework of the study.

Figure 1

Conceptual Framework
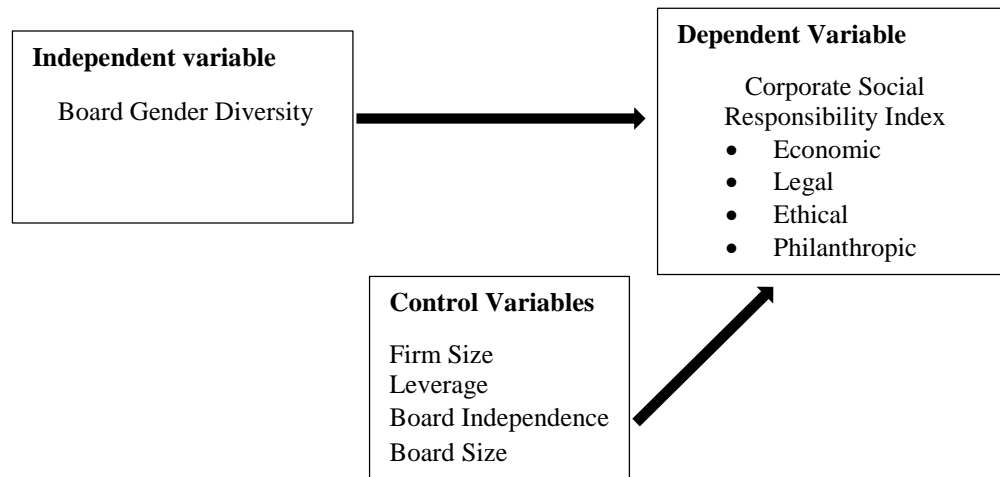
Source: Constructed by Author, 2022

According to the conceptual framework the operationalization of variables is illustrated in Table 1.

Table 1

Operationalization of variables

Variable	Sub-dimension	Measure	Source/Reference	Abbreviation
Independen t variable	Gender diversity	1. Blau index 2. Critical mass concept 3. Percentage of women on board	1. Bear, Rahman, and Post, (2010) 2. Yarram and Adapa, (2021) 3.Cabeza-García, Fernández-Gago and Nieto, (2018)	1. BLAU 2. % WOB
Dependent variable	Corporate Social Responsibility	1. Economic responsibility 2. Legal responsibility 3. Ethical responsibility 4. Philanthropic responsibility	Mahmood and Humphrey, (2013), Lai, Le, and Truong, (2013), Baden (2016) Ike C. Ehie (2016)	1. ECON 2. LEGA 3. ETHI 4. PHIL
Control variables	1. Firm size	The logarithm of total assets	Issa and Fang, (2019)	FISI
	2. Leverage	Quotient between borrowed funds and total assets	Cabeza-García, Fernández-Gago and Nieto, (2018)	LEVE
	3. Board independence	The proportion of independent directors	Bear, Rahman, and Post, (2010)	BIND
	4. Board size	Number of directors on the board	Boukattaya and Omri, (2021)	BOSI

Source: Constructed by Author,2022

Gender Diversity. This study measured gender diversity using two proxies namely Blau Index and Percentage of women of board of directors. Bear et al. (2010) operationalized gender diversity on the board with Blau's index. According to Harrison (2007, p. 1199–1228) "*Blau's index measures the distribution of members across different categories of experience, expertise, or demographic background, and is the most commonly used measure of diversity-as-variety*".

$$\text{Blau index} \quad = 1 - \sum_{i=1}^{n} p_i^2$$

where:

Pi = is the percentage of (male/female) directors; and

n = is the number of distinguished categories (males/females) in the firm.

In addition, Yarram and Adapa (2021) also employed two proxies for the exploration of the link between female representation and corporate social responsibility. In the earlier studies, the first proxy, lady director percentage is figured as the number of ladies on board divided by the sum of directors on the panel at the finish of a specified year. The next proxy is the overall amount of woman board members in a specified year.

Corporate social responsibility. CSR is measured using four dimensions including economic, legal, ethical and philanthropic responsibility. Mahmood and Humphrey (2013) investigate the expectations of stakeholders for CSR by taking a sample of a wide segment of the Kazakhstani economy, containing 12 industries. Economic, Legal, Ethical, and Discretionary (philanthropic) were used as CSR dimensions. After validity and reliability tests were conducted the questionnaire was designed with a format asymmetric 5-point Likert scale. The questionnaire consisted of 40 questions with ten sets of four statements. Similarly, Lai et al. (2013) also used these four CSR dimensions to measure CSR with a sample of more than 300 laborers in the Ho Chi Minh office and a questionnaire that comprises 20 questions regard to the four CSR and questions regarding demographic features and employed position of the applicants. Furthermore, Ehie (2016) also used economic, legal, ethical, and philanthropic dimensions to investigate the CSR orientation in developing countries with a questionnaire consisting of 32 questions and each dimension has eight questions.

3. Methodology

The study examines the relationships between variables, thus, a quantitative strategy was utilized that falls under the positivistic paradigm. The population of this study constituted 281 listed companies in Sri Lanka and the sample was 164 listed companies that were selected by random sampling. Data was collected by distributing a self-administered structured questionnaire which was developed based on a comprehensive literature review by Ehie (2016) and refined based on expert opinions and a pilot survey. Before conducting the main survey, a sample of 10 respondents with more than two years of experience in listed companies was used to carry out a pilot study to validate the items in the questionnaire. The pilot study was conducted to test the items present in the questionnaire, measure the time taken to complete the questionnaire and identify difficulties respondents may face while completing it. After obtaining the results of this pilot study, some minor changes were made to the wording of some items in the questionnaire. Therefore, the content validity of the questionnaire was confirmed. The validity of the research questionnaire was decided based on conducting a reliability test.

The study used a random sample method to select 164 listed companies from a population of 281 listed companies. While the majority of research which employed secondary data suggested using various data collection techniques, a structured questionnaire was used in this study's primary data collection. The study obtained only 133 responses from the sample companies. Saldivar (2012) suggests that a response rate of at least 75%, which is comparable to very good, is required to be considered acceptable for responses in surveys. Hence, the response rate of 81 percent in this study is acceptable. Meanwhile, the Blau index, percentage of women on board, and critical mass used to measure gender diversity were derived from secondary data. The company profile shows most companies in the sample are large enterprises with more than 300 employees (60.2%), Diversified Financial category (17.3%) and nationally distributed (77.4%). The respondents' profile shows most of the respondents were male (54.9%), between 25 to 34 years old (50.7%), had worked between 3 to 5 years in an organization (46.3%) and have degrees (62.7%).

The descriptive statics denotes the mean, standard deviation, and minimum and maximum values of each variable. % WOB obtained a 0.1034 mean and 0.12441 standard deviations. Blau index had a 0.1574 mean and a critical mass had a 0.0902 mean. Economic

responsibility obtained the highest mean which was 4.2977 and philanthropy had the lowest mean at 3.5789. When considering the control variables firm size obtained an 8.5378 mean and the leverage obtained a 0.4111 mean which was the lowest.

The study ensured the demographic profile of the population has been reasonably represented and approximated by the selected sample. After the data collection, data were cleaned by identifying the inaccurate, incomplete data set and correcting them. The study conducts the reliability analysis to test the validity of the measurement instruments. After conducting the reliability and validity, descriptive statistics were generated to describe the basic characteristics of the cross-sectional data. Furthermore, this study used Pearson's correlation technique with SPSS statistical software to determine the relationship between variables after checking the assumptions. Since there are four dependent variables in this study, the models are comprehensive. As a result, the hypothesized models are assessed by Structural Equation Model – Partial Least Squares (SEM-PLS) in Smart PLS version 3.0.

4. Findings and Discussion

The initial step in the investigation was to examine the 133 companies and their demographic characteristics. The demographic characteristics of the 133 responses was described using age, gender, educational qualification, stakeholder category of the company, and the number of years in the current position as well the company profile using company name, number of employees, ownership of the company, geographic composition, and the related industry according to CSE. Meanwhile, the frequency distribution of questionnaire items was analyzed using strongly disagree to strongly agree for each statement. Using the SPSS software, descriptive statistical analysis was performed on independent, dependent, and control variables.

The descriptive statics of the independent variable are: % WOB; 0 minimum; 0.75 maximum; 0.1034 mean; and 0.12441 standard deviation. Based on these findings, it may be inferred that Sri Lanka only has 10% of women on board. However, OECD (2021) shows that WOB represents 31.6%, which is higher than 20%. On the other hand, when considering Blau index its minimum is 0 and the maximum is 0.47. In this study, the Blau index is between 0 and 0.47, with the standard deviation of 0.1595 and the mean of 0.1547. However, Issa and Fang (2019) suggested that the Blau index to be 0.0436, which is lower than Sri

Lanka as well as critical mass with minimum 0 and maximum 1. In this study, the critical mass exists between 0 and 1, mean 0.0902 and std. the deviation is 0.28759. The earlier findings of Cabeza-García et al. (2018) revealed that critical mass is 0.0995 which is higher than in Sri Lanka.

According to the descriptive statics of the dependent variable, there are four dimensions for measuring CSR economic, legal, ethical, and philanthropic. The minimum and maximum values of all responsibilities exist between 1.80 and 5. When considering economic responsibility, the mean is 4.2977 and the standard deviation is 0.55901; legal responsibility, mean is 4.1023 and the standard deviation is 0.44560; ethical responsibility, mean is 3.8226 and the standard deviation is 0.55523; philanthropic responsibility has a 3.5789 mean and 0.60265 standard deviations. The average total CSR has 3.9504 and 0.41256 standard deviation.

When considering the control variable, there are four control variables that include firm size, board independence, leverage, and board size. In terms of firm size, its minimum is 4.56, maximum is 11.23 which exists between 4.56 to 11.23, mean is 8.5378 and standard deviation is 1.49443. in terms of leverage, its minimum is 0, maximum is 1.72, leverage exists between 0 and 1.72, the mean is 0.2259, and the standard deviation is 0.22707. in terms of board size, its minimum is 0.30, with a maximum of 1.20, board size exists between 0.30 and 1.20, mean of 0.8974, and standard deviation is 0.13619. Board independence exists between 0 to 0.80 and has a 0.4111 mean and 0.13578 standard deviations.

Using SPSS software, a correlation analysis is carried out. Economic, ethical, and philanthropic responsibilities do not significantly affect gender diversity, but all three measures of gender diversity have a substantial impact only on legal responsibility. Table 2 displays the correlation analyses.

The hypothesized models are assessed by Structural Equation Model – Partial Least Squares (SEM-PLS) in Smart PLS M3 version 2.0. This study examined four main models and three sub-models inside each of the three main models. Model 01 consists of the individual components of CSR and gender diversity without the control variables. There are three sub-models under Model 01 as: Model 1.1 – Individual CSR with % WOB and without control variables; Model 1.2 - Individual CSR with Blau and without control variables;

Model 1.3 - Individual CSR with critical mass and without control variables; Model 02 consists of the individual components of CSR and gender diversity with control variables.

Table 2

Correlation Analysis Results

CSR measurement	% Of WOB	Blau Index	Critical Mass
ECON	.018	.035	0.039
LEGA	.212[*]	.228[**]	0.128*
ETHI	.032	.044	0.092
PHIL	-.071	-.066	0.072

Source: Constructed by Author,2022

There are three sub-models under Model 02 as Model 2.1 – Individual CSR with % WOB and control variables, Model 2.2 - Individual CSR with Blau Index and control variables, and Model 2.3 - Individual CSR with critical mass and control variables. Meanwhile, Model 03 consists of the total value of CSR and gender diversity with control variables. There are three sub-models under Model 03 as Model 3.1 – Total value CSR with % WOB and control variables, Model 3.2 Total value CSR with Blau Index and control variables and Model 3.3 - Total value CSR with critical mass and control variables. Model 04 consists of the average value of CSR and gender diversity with the control variables. There are three sub-models under Model 04 as Model 4.1 – Average value of CSR with % WOB and control variables, Model 4.2 - Average value of Blau and control variables, and Model 4.3 - Average value of critical mass and control variables.

This study has collected primary data by distributing the structured questionnaire for 133 listed companies and secondary data from the 2021 annual report of listed company as the sample. The internal consistency was examined with Cronbach's Alpha test to measure the reliability of the main variables which denotes the degree to which items function collectively as a complete set and are capable of independently assessing the same concept. Cronbach's Alpha Coefficient (CAC) is calculated for statements of each of the dimensions and the full set of data collected. The alpha value varies from one to zero. A higher alpha value means higher reliability. Gliem (2003) provides the following rules of thumb for the

measurement of the Cronbach's Alpha Coefficient: _ > .9 – Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor, and _ < .5 – Unacceptable.

The validity of the measures is critical for the study before performing the statistical analysis because it determines the correctness and appropriateness of the measures in accomplishing the intended objective of finding answers to the research questions. The validity, according to Saunders et al. (2013) is the metric that establishes the correctness of the gathered data and its intended application. This study used a measuring model to evaluate the convergent and discriminant validity of two different forms of validity. By looking at average variance extracted (AVE) and composite reliability (CR) , the convergent validity of the measurement model was determined. (Hair et al., 2017).

All the findings of reliability and validity are supported by Hair et al. (2017) as shown in table 3.

Table 3

Measurement model analysis results

	Model 01				Model 02				Model 03	Model 04
	Econ	Ethi	Lega	Phil	Econ	Ethi	Lega	Phil		
Cronbach's Alpha	0.821	0.765	0.922	0.832	0.821	0.765	0.922	0.832	0.883	1.000
Composite Reliability (CR)	0.871	0.838	0.863	0.865	0.871	0.838	0.944	0.863	0.895	1.000
Average Variance Extracted (AVE)	0.576	0.511	0.668	0.515	0.576	0.511	0.809	0.565	0.332	1.000

Source: Constructed by Author,2022

The structural models were used to analyze the developed hypothesis after the measurement models were run for all four major models. Table 4 displays the findings from the examination of the structural model.

Table 4

Results of Hypothesis Testing

Hypothesis		T value			P			Decision	R^2		
		% WOB	Blau Index	Critical mass	% WOB	Blau Index	Critical mass		% WOB	Blau Index	Critical mass
H1	There is a significant association between gender diversity and economic responsibility.	0.203	0.204	0.203	0.839	0.838	0.839	Not supported	0.081	0.081	0.081
H2	There is a significant association between gender diversity and legal responsibility.	3.065	2.639	2.641	0.002	0.008	0.008	Supported	0.065	0.066	0.065
H3	There is a significant association between gender diversity and ethical responsibility.	0.046	0.02	0.046	0.963	0.984	0.963	Not supported	0.076	0.076	0.076
H4	There is a significant association between gender diversity and philanthropic responsibility.	0.4	0.366	0.368	0.689	0.715	0.715	Not supported	0.029	0.028	0.029

Note. **p < 0.01, * p < 0.05

Source: Constructed by Author,2022

The findings show that legal responsibility dimension of CSR is positively and significantly associated with gender diversity. Legal responsibility is a stronger predictor of CSR, which help to make a disciplined society. Legal responsibility has a 0.0228 correlation and 0.008 P-value with 0.066 R 2. Even though 6.5% of the variation in CSR was explained by gender diversity, this implies that gender diversity is maintaining good legal CSR practices and will be more likely to show a higher level of legal engagement. These findings are consistent with the findings of Wu et al. (2021) that highlighted gender diversity's significant impact on CSR.

Concerning economic, ethical, and philanthropic responsibilities, the analysis shows no significant relationship with gender diversity. These finding contradict previous studies by

Yasser et al. (2017). The possible explanation for this is that the current study is focused only on the listed companies in Sri Lanka and the female representation on the board is less compared to the male representation. As a result, female representation is lower, and there is no discernible influence on CSR, explaining the current findings that there is no significant impact between economic responsibility and gender diversity.

Concerning the total value and the average value of CSR, this study showed no significant relationship between gender diversity and corporate social responsibility. CSR has a 0.096 R2 and 0.666 P-value with 0.478 t-value. This finding contradicts previous studies by Yasser et al. (2017) and Bear et al. (2010). This could be explained by the use of questionnaire data for the analysis contrasting earlier studies and that the current study is focused only on the listed companies in Sri Lanka and the female representation on the board is less compared to the male representation. Hence, female representation has no significant impact on CSR, which explained the current findings that there is no significant relationship between CSR and gender diversity.

Table 5 depicts the summary of the results.

Table 5

Results Summary

Objective	Hypothesis	Findings
(1). Level of gender diversity	Not applicable	% WOB = 10.3% Blau Index = 0.1547 Critical Mass = 0.0902
(2). Level of Corporate social responsibility	Not applicable	ECON =4.2977 LEGA =4.1023 ETHI =3.8226 PHIL = 3.5789 Average CSR =3.9504
(3). To examine the impact of gender diversity on corporate social responsibility.	There is a significant association between gender diversity and corporate social responsibility.	Not accepted
(4). To examine the impact of gender diversity on economic responsibility.	There is a significant association between gender diversity and economic responsibility.	Not accepted
(5). To examine the impact of gender diversity on legal responsibility.	There is a significant association between gender diversity and legal responsibility.	Accepted
(6). To examine the impact of gender diversity on ethical responsibility.	There is a significant association between gender diversity and ethical responsibility.	Not accepted
(7). To examine the impact of gender diversity on philanthropic responsibility	There is a significant association between gender diversity and philanthropic responsibility	Not accepted

Source: Constructed by Author, 2022

5. Conclusion

This study investigated the impact of gender diversity on CSR. Initially the discussion on the demographic statistics which are depending on the 133 responses gathered through the online questionnaire from the listed company in Sri Lanka. This study has developed one main hypothesis and four sub-hypotheses for testing using Pearson's correlation analysis and partial least squares analysis. The gender diversity has been measured by using three measurements % WOB, Blau index, and Critical mass. Hypotheses have been measured under four main models: individual components of CSR with and without control variables, the average value of CSR, and the total value of CSR each main model has consisted of three sub-models related to the measurement of gender diversity. One sub-hypothesis was concerned with a significant relationship and three sub-hypotheses were concerned with no relationship according to the results of partial least squares.

According to the findings, the correlation coefficient of legal responsibility has a significant impact on gender diversity, which was consistent with the partial least square analysis. Therefore, according to the results of Model 01 and Model 02, the findings support hypothesis H1b that there is a positive significant impact between gender diversity and the legal responsibility of the listed company in Sri Lanka. Furthermore, according to the correlation coefficient results, the economic, ethical, and philanthropic responsibilities have no significant impact on gender diversity. Model 01 and Model 02 of partial least square results also supported those findings. Thus, the hypotheses H1a, H1c, and H1d are not supported by the results. Model 03, which analyzed the relationship of total CSR with gender and control variables, found no significant impact between gender diversity and total CSR under all three sub-models. Thus, the hypothesis H1 is not supported by the results. Furthermore, Model 04, which analyzed the relationship of the average CSR with gender and control variables, also found no significant impact between gender diversity and average CSR under all three sub-models. Thus, the hypothesis of H1 is not supported by the results.

This study aims to highlight and emphasize the women directors' impact on CSR in Sri Lanka. Evidence from global cases showed an inconclusive relationship related to gender diversity and CSR with dearth of studies related to female representation and CSR in the Sri Lankan context. Therefore, this study further enriches the existing dearth of literature on the

impact of gender diversity at CSR Sri Lankan listed companies. Furthermore, this study adds new knowledge to the resource dependency theory which the gender diversified board improve the legitimacy result in increase in legal responsibility.

This study highlighted the relevance of having gender diversity and, as a result, motivate CSR efforts in the company. Additionally, expanding the amount of women directors on boards will encourage the industry to commit to more CSR practices. Concerning the results, the evidence proves that only legal responsibility has an impact on gender diversity while all other three responsibilities have no impact on gender diversity. According to the descriptive statics, Sri Lanka has only 10% of gender diversity on their boards which is equal only to the legally required percentage. Companies have to make policies to increase the number of women on board. When there are women on board, the legal responsibility will be enhanced. Moreover, OECD has identified a sustainable goal as gender equality. As Sri Lanka is a developing country, companies have to make more policies to achieve that sustainable goal. In addition, representing female directors on boards is significant for the economy since women contribute to both social and economic development.

The listed company can align corporate social responsibility with the company values. It assisted to maintain the sustainable culture and practices within the company. Companies can use more women on the board to establish a well-adapted sustainable culture and practices of the organization. Based on the respondents' feedback, company can change the procedure related to the economic, ethical, and philanthropic performance of the company. Similarly, complimenting women on board will gain greater value in the development of the procedures in the company. Companies can execute real corporate social responsibility activities for society. Without imagining the sustainability of the society, they can contribute their maximum for the improving social performance of corporate social responsibility.

In several ways, this study significantly advances the overall understanding of the gender diversity impact on CSR. These include efforts to fill up gaps in the literature, new theoretical insights, and some significant methodological advancements. This study focused on a structured questionnaire, whereas earlier studies employed sustainability reporting to investigate the influence of gender diversity on CSR. The findings of this study therefore not

only add to the body of knowledge in the field of CSR but also have significant implications for CSR and gender diversity in Sri Lanka. In contrast to earlier studies, the findings consider the entire CSE industry to analyze how gender diversity affects CSR rather than just one specific industry. As a result, the evidence supporting the presence of a link between the dependent and independent variables is strengthened. The in-depth analysis describes the current theories about CSR reporting that have been applied in earlier work, as well as their connection to CSR and gender diversity. Although well-known theories, such as resource dependency theory and stakeholder theory, have been utilized to examine the direct link between board characteristics and organizational performance, including CSR performance outcomes. The finding of when there is gender diversity the legal responsibility of the organization will increase is added to the stakeholder theory by this study. Additionally, this study's findings imply that CSR practices increase when there are more women on the board.

This study can identify some inherent limitations in different aspects. The current study is only limited to the listed companies in Sri Lanka with sample consists of only 164 listed companies and only 133 responses. In this scenario, there is a possibility that significant relationships will not be detected within the data set. In addition, because data were gathered using primary data collection methods, there is a possibility of not gathering enough or expected data to ensure the research's success. Another limitation relates to the social desirability bias, where respondents may give answers based on what they believe to be socially desirable because, as employees of a company, they are concerned that the information may harm the company's reputation and have an adverse effect on their jobs. As a result, respondents have a propensity to provide biased responses. The study constructed an anonymous instrument and assured respondents of the confidentiality of the data in an effort to lessen this constraint.

The study is limited to listed companies in Sri Lanka. Hence, the study can be expanded to private limited companies and companies limited by guarantee. In addition, the future study can make a comparison between the CSR initiatives practiced by public and private companies as it will provide meaningful information about the practices of CSR. With the current sample consisting of only 164 listed companies, future researchers can increase the sample to collect more data. This study was carried out based on a quantitative research approach and the qualitative aspect of the study was not addressed. Future

researchers can use a qualitative research approach and conduct this study using qualitative data collection methods like interviews.

References

Amorelli, M. F., & García-Sánchez, I. M. (2021). Trends in the dynamic evolution of board gender diversity and corporate social responsibility. *Corporate Social Responsibility and Environmental Management*, *28*(2), 537-554.

Bear, S., Rahman, N., & Post, C. (2010). The Impact of Board Diversity and Gender Composition on Corporate Social Responsibility and Firm Reputation. *Journal of Business Ethics*, *97*(2), 207–221. https://doi.org/10.1007/s10551-010-0505-2

Boukattaya, S., & Omri, A. (2021). Impact of board gender diversity on corporate social responsibility and irresponsibility: Empirical evidence from france. *Sustainability (Switzerland)*, *13*(9). https://doi.org/10.3390/su13094712

Cabeza-García, L., Fernández-Gago, R., & Nieto, M. (2018). Do Board Gender Diversity and Director Typology Impact CSR Reporting? *European Management Review*, *15*(4), 559–575. https://doi.org/10.1111/emre.12143

Carroll, A. B. (2009). A History of Corporate Social Responsibility: Concepts and Practices. In *The Oxford Handbook of Corporate Social Responsibility* (Issue July 2016). https://doi.org/10.1093/oxfordhb/9780199211593.003.0002

Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate governance, board diversity, and firm value. *Financial Review*, *38*(1), 33–53. https://doi.org/10.1111/1540-6288.00034

Dissanayake, D., Tilt, C., & Xydias-Lobo, M. (2016). Sustainability reporting by publicly listed companies in Sri Lanka. *Journal of Cleaner Production*, *129*(August), 169–182. https://doi.org/10.1016/j.jclepro.2016.04.086

Dutta, Probal and Bose, S. (2008). *Gender Diversity in the Boardroom and Financial Performance of Commercial Banks: Evidence from Bangladesh. 7916.*

Ehie, I. C. (2016). Examining the corporate social responsibility orientation in developing countries: An empirical investigation of the Carroll's CSR pyramid. *International*

Journal of Business Governance and Ethics, *11*(1), 1–20. https://doi.org/10.1504/IJBGE.2016.076337

Fakir, A. N. M. A., & Jusoh, R. (2020). Board gender diversity and corporate sustainability performance: Mediating role of enterprise risk management. *Journal of Asian Finance, Economics and Business*, *7*(6), 351–363. https://doi.org/10.13106/JAFEB.2020.VOL7.NO6.351

Fernando, D., Dissanayake, D.H.S.W., Deshika, N. P. T. (2020). *Women in Boards and Sustainability : Empirical evidence from Sri Lanka*. 76–77.

García-Sánchez, I.-M. G.-S. and A. (2020). *Corporate Social Responsibility during COVID-19 Pandemic*.

Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). A Primer on Partial Least Squares Structural Equation Modeling (PLS-SEM). Thousand Oaks. *Sage*, 165.

Hillman, A. J., Cannella, A. A., Jr., & Harris, I. C. (2002). Women and racial monorities in the boardroom: How do they differ? Journal of Management, 28(6), 747–763

Issa, A., & Fang, H. X. (2019). The impact of board gender diversity on corporate social responsibility in the Arab Gulf states. *Gender in Management*, *34*(7), 577–605. https://doi.org/10.1108/GM-07-2018-0087

Khan, M. A. (2017). *Impact of Gender Diversity of Board on Corporate Social Responsibility of Firm : A case of Pakistan. February*, 84.

Nadeem, M., Zaman, R., & Saleem, I. (2017). Boardroom gender diversity and corporate sustainability practices: Evidence from Australian Securities Exchange listed firms. Journal of Cleaner Production, 149, 874–885.

Pfeffer, J., & Salancik, G. R. (1978). The external control of organizations: A resource dependence approach. NY: Harper and Row Publishers.

Quintana-García, C., Marchante-Lara, M., & Benavides-Chicón, C. G. (2018). Social responsibility and total quality in the hospitality industry: does gender matter? *Journal of Sustainable Tourism*, *26*(5), 722–739.

https://doi.org/10.1080/09669582.2017.1401631

Rathnayaka Mudiyanselage, N. C. S. (2018). Board involvement in corporate sustainability reporting: evidence from Sri Lanka. *Corporate Governance (Bingley)*, *18*(6), 1042–1056. https://doi.org/10.1108/CG-10-2017-0252

Rupawaththa, R. G. M. N. (2017). Do Women in Top Management Affect Firm Performances? Analysis of Public Quoted Companies in Sri Lanka. *SSRN Electronic Journal*, 2016. https://doi.org/10.2139/ssrn.2908791

Shamil, M. M., Shaikh, J. M., Ho, P. L., & Krishnan, A. (2014). The influence of board characteristics on sustainability reporting Empirical evidence from Sri Lankan firms. *Asian Review of Accounting*, *22*(2), 78–97. https://doi.org/10.1108/ARA-09-2013-0060

Thambugala, M. T. (2020). *Board Characteristics and Corporate Social Responsibility Practices : In Upper Echelon Theory Perspective Evidence from Sri Lankan Firms Board Characteristics and Corporate Social Responsibility Practices : In Upper Echelon Theory Perspective Evidence fro*. *November*, 0–28.

Wellalage, N. H., & Locke, S. (2013). Corporate governance, board diversity and firm financial performance: New evidence from Sri Lanka. *International Journal of Business Governance and Ethics*, *8*(2), 116–136. https://doi.org/10.1504/IJBGE.2013.054416

Wu, Q., Furuoka, F., & Lau, S. C. (2021). Corporate social responsibility and board gender diversity: a meta-analysis. *Management Research Review*, *2022*(November), 2020–2022. https://doi.org/10.1108/MRR-03-2021-0236

Yarram, S. R., & Adapa, S. (2021). Board gender diversity and corporate social responsibility: Is there a case for critical mass? *Journal of Cleaner Production*, *278*, 123319. https://doi.org/10.1016/j.jclepro.2020.123319

Yasser, Q. R., Al Mamun, A., & Ahmed, I. (2017). Corporate Social Responsibility and Gender Diversity: Insights from Asia Pacific. *Corporate Social Responsibility and Environmental Management*, *24*(3), 210–221. https://doi.org/10.1002/csr.1400

Formulation of Strategic Plan for a Financial Technology Startup Company

Angelo Efren G. Ngo

Abstract

This study formulated a strategic plan for a financial technology start-up company in the Philippines. The business model involves selling airtime prepaid loads and mobile top-ups, channel and medium for various remittance and financial institutions, and Artificial Intelligence (AI) capable system that gives assistance and basis to its users for granting of loans. The FinTech industry is a fast-emerging industry in the county. The Philippine government pushes and backing up the financial inclusion and digitization programs aiming to simplify and bring ease and convenience of doing business which brings stiff competition among FinTech companies. The emerging market and stiff competitors can bring disadvantage position, thus strengthening marketing initiative campaign will be the best strategy for the company. Based on the strategic management tools and gathered data, market penetration will be the best strategy for the FinTech company to sustain performance. The marketing campaigns and use online social media platforms must be utilized to do promotions and advertisements. Specific action plans to achieve the company's objective is to create social media accounts and increase its presence on all social media platforms. The creation of short audio-visual presentations and videos will inform, and educate the targeted market about the company, and its product and services. The videos will be also used to inform the market about the importance and advantage of doing online transactions. The implementation of the strategies and program plans is expected to bring a FinTech company to a better position and can be the leading and most trusted financial solution providers in the country.

Suggested Citation:
Ngo, A.G. (2023). Formulation of Strategic Plan for a Financial Technology Startup Company. *International Journal of Academe and Industry Research*, 4 (1), 46-79. DOI: **https://doi.org/10.53378/352974**

About the author:
A financial and business professional with over 10 years of progressive experience in a non-bank financial industry. Graduate of B.S. Accountancy and Master in Business Administration. He works as General Manager of Peraquel Inc. and serves as Business Development Head of Raquel Group of Companies Inc. Corresponding email: plukangeloefrenngo@gmail.com

1. Introduction

Financial Technology, otherwise known as fintech, is an emerging industry brought about by the innovation in technology. It is considered as the most important innovation in the financial industry in the recent year. According to KPMG India (2016), there were more than 12,000 start-ups and massive global investment of USD 19 billion in fintech industry in the year 2015 alone. Lee and Shin (2017) describes this new landscape as a promise in reshaping the financial industry through cost-cutting, improving services and offering diverse products and services. With the easy access to technology, fintech opens a wide range of opportunities for startup companies by providing financial solutions using the internet (Milian et al., 2019; Gabor & Brooks, 2017; Alt et al., 2018; Gomber et al., 2018) in the form of trading, lending and asset management (Gomber et al., 2018; Alt et al., 2018; Lee & Shin, 2017).

There has been a phenomenal growth in fintech investment within the last decade. For example, the first quarter of 2016 saw an increase of 67% to reach $5.3 billion in ventures (Accenture, 2016). According to Statista (2023), investments into fintech companies reached $216.8 billion from 2010 to 2019, dropped below $125 billion in 2020 and increased to almost $239 billion in 2021. Although the pandemic period was a slow year for fintech, it opened opportunities for small and medium enterprises through the use of technology. With the threat of fintech competition in the past that 83% of financial institutions believed at risk to fintech startups (PwC, 2016), to opening significant impact on the financial industry and opening more doors for entrepreneurial undertakings. Fintech is touted as a game changing, disruptive innovation capable of shaking up traditional financial markets (Lee & Shin, 2017), which led to cost reduction, innovation and flexibility (Thakor, 2020).

According to KPMG India (2016), fintech start-up firms engage in external partnerships and embeds innovations in financial education and literacy, investments, retail banking and cryptocurrencies (Gomber et al., 2018). The challenge of innovation and digitalization leads financial institutions and FinTechs to cooperate with each other (Ruhland & Wiese, 2022). Through these partnerships, several small entrepreneurs are given opportunities to start their business ventures online. As the industry opens opportunities to almost every budding entrepreneur, Ayman (2021) describes this as providing traditional financial services through a more sophisticated and faster style.

In the Philippines, FinTech is filling a gap that the banking sector has not reached, through cheaper on-boarding, the ubiquity of access, and technology solutions (Ayannah, 2016). Although the country has smaller fintech ecosystem (Economist Intelligence Unit, 2018), there are eight technologies operated such as predictive analytics, machine learning, RPA, image recognition, blockchain, NLP, speech recognition, and deep learning (Rylida et al., 2020). CCAF et al. (2019) identifies six business models in the Philippines including digital lending, digital payments, enterprise tech for finance, capital raising and crowdfunding, AI/ML/Big Data, and personal financial management. According to Parsad (2017), fintech companies are in partnership with several local pawnshops like Raquel Pawnshop, Tambunting, and MLhuillier, traditional remittance companies such as Western Union, MoneyGram, and TransFast, new online remittance companies like World Remit and Xoom, Bitcoin-based remittances like Coins.PH and Rebit.PH, and leading remittance centers like Cebuana Lhuillier, LBC, and Tambunting.

While majority of the studies conducted related to fintech focus mainly on its evaluation and assessment of ecosystem (Schellhase & Garcia, 2019; Vandenberg et al., 2020; Asia-Pacific Economic Cooperation, 2022; Haddad & Hornuf, 2023; Anifa et al., 2022; Bittini, 2022; Gimpel & Röglinger, 2018; Wang, 2022; Siddiqui & Rivera, 2022), there is absence of evaluating the fintech industry for the purpose of formulating a strategic plan for potential fintech startup company. Hence, this study formulated a comprehensive strategic plan for a potential fintech startup company. This study followed a three-stage approach including external analysis, industry and competitor analysis and case study of an existing fintech company.

2. Methodology

This research used the combination of exploratory and descriptive research designs. Exploratory research design discovered ideas and insights to better understand the existing business policies, processes, and guidelines to come up with a doable recommendation or solution to improve business performance. The descriptive research design was used for the better and clear specification of the business.

The development of this paper were based on several facts and information obtained primarily through public and private sources. Accessing various websites was done to get the

essential and needed information and data such as Anti-Money Laundering Council (AMLC) (www.amlc.gov.ph); Association of Remittance Company Compliance Officers (ARCCO) (www.arcco.com.ph); Ayannah Business Solutions Inc. (ABSI) (www.ayannah.com); Bangko Sentral ng Pilipinas (BSP) (www.bsp.gov.ph); FinTech Philippines Association (www.fintechph.org); and Securities and Exchange Commission (SEC) (www.sec.gov.ph).

The study used three-stage approach to formulate a comprehensive strategic plan. The first stage is the external analysis, which identified all the important external factors contributing to the success or failure of any fintech startup company. The second stage is the industry and competitor analysis that provided a comprehensive framework of the industry market as foundation of the strategic actions. The last stage is the case study of an existing fintech company as basis of the comprehensive SWOT and financial analysis. The financial reports are anchored on the case study of an existing fintech company.

There were several methods and tools used to gather information and to evaluate the business processes, data, and information. The summary of the tools and activities used was summarized in the table:

Table 1

Summary of Frameworks, Activities, and Outputs

Framework	Activities	Output
Porter's Five Forces Model	Industry Analysis	
David's Functional Analysis	Company Analysis	Strengths and Weaknesses
	SWOT Analysis	Recommended Strategies

As basis of the case study, the selected sample company (X Company) provides an online platform that offers business solutions with various products and services to tap the huge market. The advancement of technology leveraged the company to develop an interoperable system to cater to various products and services for a specific target market. The targeted market was the unbanked and financially marginalized communities in the Philippines to offer four (4) major products and services: Sendah Direct, a secure, reliable,

and scalable Software-as-a-Service (SaaS) platform that partners with brick-and-mortar retailers can offer mobile top-ups, online game credits, and domestic remittance; Sendah, a Business to Consumer (B2C) gift remittance service for migrants; Sendah Remit, a bank-grade SaaS that allows interoperable international and domestic remittance transactions across different networks; and Kaya Credit, the Philippines' first credit scoring service that uses artificial intelligence to incorporate behavioral data that will give aid and assistance in decision making.

In practicing the Data Privacy Act of 2012, proper notice and requests were made and discussed with an existing fintech company. Other sources used were publicly available on government offices and agencies and over the internet.

3. Findings and Discussion

3.1. External Analysis

a. Philippine Regional Economic Growth

The Philippines' three (3) most populous regions are CALABARZON (Region 4A), National Capital Region (NCR), and Central Luzon (Region 3), which account for nearly two-thirds of the Philippine domestic production. NCR had the largest share of GDP at 37.9 percent in 2015, followed by CALABARZON at 15.5 percent, and Central Luzon at 8.9 percent, for a combined total share of 62.3 percent. The growth of these regions has been due primarily to the location of the central government, which facilitates the expansion of the industry and services sectors (NEDA, 2017).

Figure 1

Average Regional Share in GDP, 2010-2015

Source: National Economic Development Authority
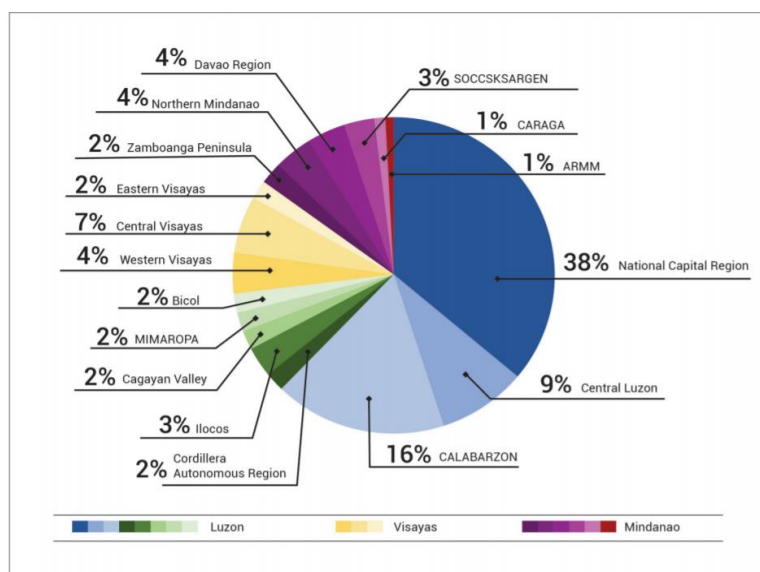
The government aims to decongest NCR and direct growth to key centers throughout the country, where the benefits of agglomeration can have greater potentials of being realized. It recognizes the comparative advantages of cities and municipalities and seeks to address spatial and socioeconomic inequalities by linking lagging regions with leading ones, rather than advocating the uniform dispersal of development, which can create diseconomies and inefficiencies.

Significance: The decongestion of NCR and other key locations for economic activities will mean the building of different infrastructures including telecommunication, diversion of investors, creation of employment, and rise of micro and small enterprises in those areas. It will be an opportunity for the company to do business and reach more clients. The creation of different infrastructures like roads and telecommunication lines will expedite the market penetration, thus it will create a higher opportunity and a higher income.

b. *Bayanihan Act to Recover as One (BARO)*

NEDA Undersecretary Rosemarie G. Edillon explained *"this pandemic has caused substantial disruptions in the domestic economy as community restrictions have limited movement of people and reduced business operations nationwide. As we are now living with the new normal, the use of digital technology and digital transformation has become important for Filipinos in coping with the present crisis, moving towards economic recovery, and getting us back on track towards our long-term aspirations"* (NEDA, 2020).

Significance: The pandemic pushed the people to patronize and used various online applications in their everyday transactions from paying bills to simply purchasing daily necessities. The pandemic also gives way for the government plan and project for financial inclusion aiming for safe cashless transactions. The company will have an opportunity with this government program and with the people's realization for the convenience of doing transactions at the comfort of their home via online platforms and applications.

c. *Increasing In-bound Remittance*

World Bank (2018) reported that the Philippines raked in $32.6 billion (₱1.72 trillion) of remittance in 2017, making it the third-largest remittance receiving nation in the world that year, with most of those remittances coming from OFWs (Grit.ph, 2020).

Significance: Remittances from OFWs were sent here in the Philippines to finance the needs of their families for their needs and necessities, for education, for investments, and other financial purposes. The continuous increase in the inbound remittances will increase the purchasing power of the Filipinos creating a demand for various financial transactions, a possible avenue to do business with. This is an opportunity for the company to acquire new partners and clients and perhaps create new services and products to cater to the increasing demand for financial services.

d. *Increasing Domestic Remittance Factoring Pandemic*

In a written article published by Development Bank of the Philippines (DBP) dated July 19, 2020, DBP used multi-channeled approach keys in cash aid disbursement. DBP president and chief executive officer Emmanuel G. Herbosa said the bank relied on this unique mechanism in the disbursement of more than P50-billion under the Small Business Wage Subsidy (SBWS) program. Mr. Herbosa also said that DBP utilized PESONet to quickly credit the funds to more than two million employees who have accounts with 58 PESONet participating banks, or who maintain e-wallets with PayMaya, a fintech company. DBP also tapped M Lhuillier, a BSP-licensed non-bank financial institution (NBFI), to disburse the social amelioration funds of more than one million unbanked employees through the latter's network of more than 2,500 cash outlets nationwide (Development Bank of the Philippines, 2020).

Significance: The covid-19 pandemic pushed the government to release cash aids to the Filipino people to lessen the impact of the lockdowns due to the pandemic. The government tapped the fintech companies and the non-bank financial institution to disburse the social amelioration funds since the majority of the Filipino people are unbanked. The fintech companies are more accessible to the recipient of the funds. The government program is very beneficial to the Fintech industry as it increases domestic remittance and online transactions.

e. *Socio-cultural, demographic trends, lifestyle changes*

Unbanked Filipinos. The BSP revealed that the number of Filipino adults who are unbanked is estimated at 51.2 million, out of a total adult population of 72 million in 2019. It

added that the lack of enough money remains the topmost reason for not having an account, as reported by almost half (45%) of the unbanked. Other reasons they reported were the perceived lack of need for an account and the lack of documentary requirements. They also noted that the perceived lack of need for an account may be linked to the lack of awareness that an account can be a tool for convenient digital payments. This comes even as over 80% of the unbanked have various payment transactions such as receiving benefits and wages, as well as paying fees, which they do primarily in cash (Adrian, 2020).

Significance: The high number of unbanked Filipinos having various reasons for not having a bank account is the primary targeted market of ABSI. Those high unbanked will be an opportunity for ABSI to expand and widen its reach to cater to the untapped market.

The Millennial Impact. The Philippines alone has approximately 28 million millennials (based on Comelec's voters' data in 2015), with a median age of 23. Many economists believe that this puts the country at an advantage. The entrance of the millennial into the local workforce has already started boosting the country's productivity and the sustainability of the current economic growth will be highly affected by this (KMC Solutions, 2020).

Significance: Millennials are persons reaching young adulthood in the early 21st century that was born from 1981 to 1996 aging from 24 to 39 years old as of 2020. This age group is the computer literate and tech-savvy who can easily adapt to technological advancement and developments that include online financial transactions. An opportunity for the company to easily convince clients about the advantage of being online that will eventually be converted to income (Vogels, 2019).

f. Technological developments

The Philippine Third TELCO. Philippine News Agency (PNA), (2020) reiterated that the House of Representatives approved a third and final measure renewing the franchise of the Dennis-Uy led Mislatel consortium, presently known as the DITO Telecommunity Corp., for another 25 years. There are 240 affirmative votes, 7 negative votes, and no abstention, the chamber approved House Bill 7332, which grants the 25-year franchise application of DITO, as the country's third major telecommunication player, to construct, install, establish, operate, and maintain wired and/or wireless telecommunications systems.

Significance: The entry of the "third TELCO" will create additional competition for the country's existing TELCO provider. The government aims to create healthy competition within the TELCO industry to the benefit of the users and subscribers. The competition and rivalry of the TELCOS will eventually result in better telecommunication infrastructures that can reach the far-flung areas. An opportunity for financial technology companies like ABSI, since FinTech companies are dependent on telecommunication lines, the company can reach more clients.

g. Political, legal, governmental aspects

Philippine Vision 2040. On October 11, 2016, President Rodrigo R. Duterte signed Executive Order No. 5, s. 2016 approving and adopting the 25- year long-term vision entitled AmBisyon Natin 2040 as a guide for development planning. According to EO 5, the Philippine Development Plan 2017-2022 (PDP 2017- 2022) and the succeeding PDPs until 2040 shall be anchored on AmBisyon Natin 2040. In its preamble, EO 5 recognizes the need for a "bold vision and effective development planning" based on a "forward-looking approach that goes beyond a single administration". It also emphasized the centrality of people in development planning and their aspirations as requisite for the design of government interventions to achieve development outcomes (National Economic Development Authority, 2017).

Significance: The AmBisyon Natin 2040 is the President's plan for Philippine development, aiming for a better economy. Its direction is to create government interventions to achieve the development plans, with the AmBisyon Natin 2040. It will encourage more investors to invest in the country, the building of various infrastructures, and the creation of jobs and employment. The projects and programs in the AmBisyon Natin 2040 will be beneficial and an opportunity for the company because the creation of employment will induce the financial capabilities of the client and increase the financial services as well.

Digital Transformation. The Bangko Sentral ng Pilipinas (BSP) has unveiled it is Digital Payments Transformation Roadmap 2020-2023, which charts the central bank's current initiatives and strategy in advancing a digital payment ecosystem. The roadmap, which aims to meet the needs and capabilities of individuals and firms, identifies two key

strategic objectives, first is the strengthening of customer preference for digital payments by converting 50% of the total volume of retail payments into digital form and expanding the number of the financially included to 70% of Filipino adults by onboarding them to the formal financial system through the use of payment or transaction accounts. The second is the availability of more innovative digital financial products and services designed to be responsive to the needs of consumers, enabled by a digital ID (Philippine Identification System or PhilSys), and supported by the availability of a next-generation payment and settlement system to facilitate real-time processing of financial transactions (NewBytes.PH, 2020).

Significance: The Digital transformation of doing business from the traditional face to face to a more convenient way of online and app-based financial transactions and solutions will push the business owners and their patrons to access online platforms. This BSP initiative for the advancement of the digital payments ecosystem will be beneficial for those industries in the financial and technology as it will be easier for FinTech companies to push their products and services to the market and clients. This will be an advantage and an opportunity for ABSI to partner with business owners to be financially online. Since this is a BSP initiative the company can also partner with the BSP in educating and informing the public about the importance of doing business online.

h. *Ecological aspects*

Climate Change. The Philippines is prone to both geological and hydro-meteorological hazards. The frequency and severity of these hazards, climate change, and their impact are expected to increase. Thus, the Philippines ranks third among the countries with the highest disaster risk in the world, after Vanuatu (1st) and Tonga (2nd), according to the World Risk Report 2016. Based on the climate projections in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change, which uses emission scenarios or Representative Concentration Pathways, the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) estimate the country's average temperature to be warmer at 0.9-1.9 °C2 to 1.2-2.3 °C3 by mid-21st century (2036-2065). The projected changes in seasonal rainfall in most parts of the country are expected to be within the range of its natural variability. These changes are strongly influenced by the El Niño Southern Oscillation, except for a highly likely drier future over the central sections of

Mindanao. Projections further reveal, although, with low confidence, that wetter conditions associated with extreme rainfall events could be experienced over most parts of Luzon and western sections of the Visayas. Sea level rise, faster than the global average, has been observed in some coastal areas in the country, and this condition is projected to continue.

Figure 2

Projected Changes in Seasonal Rainfall in the mid-21st Century (2036-2065) relative to 1971-2000 under High Emission Scenario (RCP8.5)
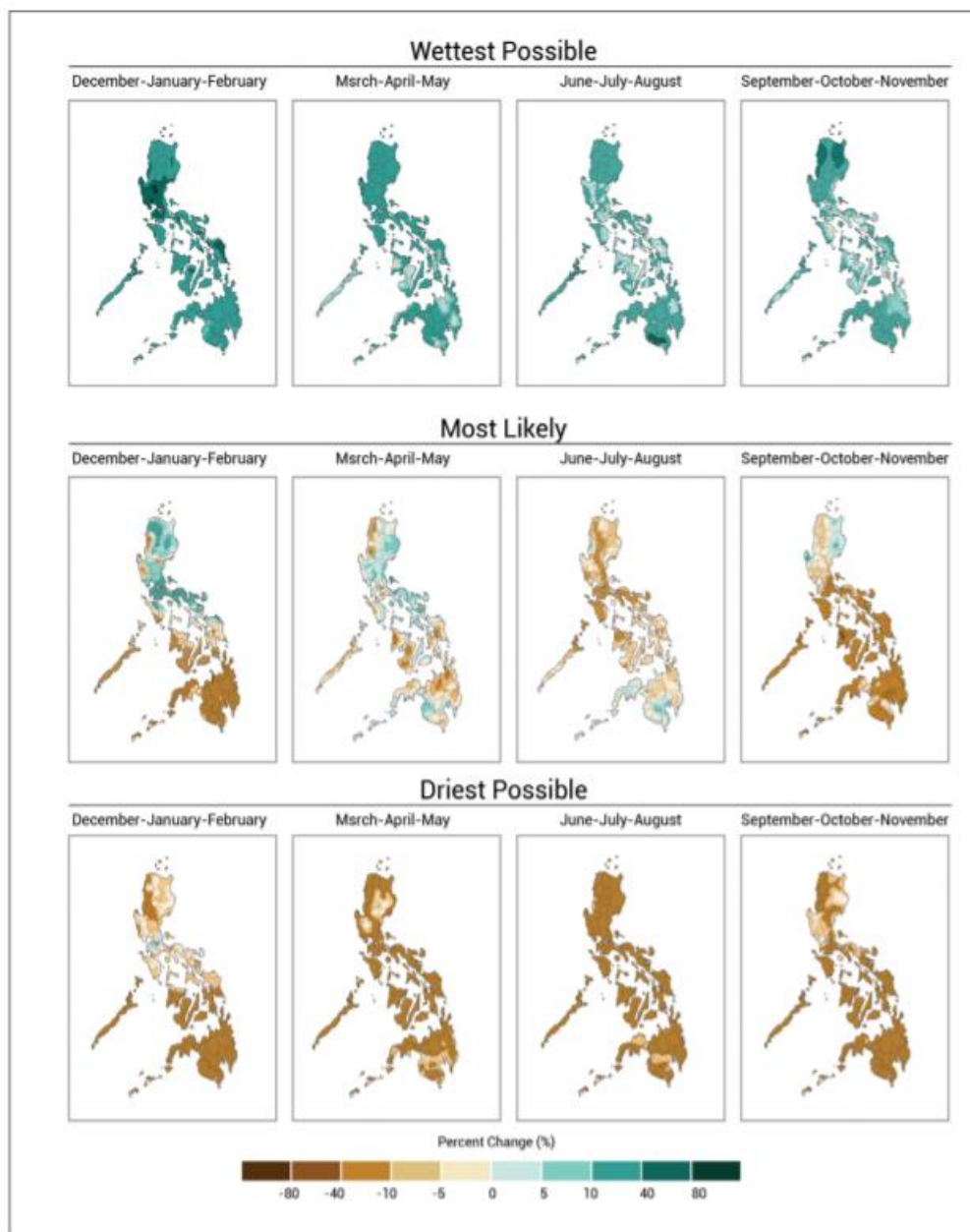
Source: DOST-PAGASA

Significance: The effect of climate is changing and the increasing temperature will result in severe weather conditions, stronger rains, storms, and typhoons to a more humid environment up to extreme heatwaves. These weather conditions are greatly felt and experienced by the country as the Philippines are exposed to geological and hydro-meteorological hazards. This will affect the traditional way of doing the financial businesses and transactions via face to face or needs physical presence of the client. The extreme weather conditions will also affect the accessibility to those physical business locations and offices since public transportation is limited during those situations. This will be an opportunity for the company opportunity because people will tend to stay at home and access online platforms and applications to do their transactions that will eventually increase transactions and sales.

FinTech Bring Environmental Accountability. Barbieri (2019) cited that the environmental concerns are an increasingly important issue for people around the world. From cutting back on the amount of plastic being used to taking public transport wherever possible, there has been a fundamental shift towards more green-conscious habits in many parts of society. Consumers have also come to expect the same standards from businesses, with 81% of people across the globe saying that it is the responsibility of companies to help improve the environment. Consumers enjoy the knowledge of being able to observe and manage their carbon footprint, while manufacturers can show off their sustainability credentials and benefit from any radiant upswing in purchases three quarters (73%) of Millennials say they are willing to pay more for sustainable goods (Vogels, 2019).

Significance: The increasing consumer awareness for reducing carbon footprints will mean a shift to a greener option for doing business. The realization of the consumer to green-conscious habits will create a shift to technological-based processes that includes online transactions. This shift of consumer to a greener option of doing business will be an opportunity with ABSI since the company is engaged in FinTech business. This will lower the cost of doing the business physical offices and stores will not be needed anymore and production costs for cards and other tangible collaterals will not be needed anymore. The lowering of operational costs will increase company profitability.

3.2. Industry and Competitor Analysis

a. Industry Analysis

Philippine FinTech Industry. Gimenez (2020) explained that financial technology is a rising industry that utilizes technology and other digital means for financial activities that have seen a boom recently in the Philippines. The country's government agencies like the Bangko Sentral ng Pilipinas (BSP), Department of Trade and Industry (DTI), and the Securities and Exchange Commission (SEC) have been fervently supportive of the bullish growth of FinTech innovation and the financial sector's digitalization. The BSP has been pushing its initiatives aimed at financial digitization for some time now to accelerate inclusive growth, the progress of the overall economy, and in making the country more globally competitive (Emerging, Fintech, n.d.).

Financial Technology Sectors. The Financial Technology industry can be categorized into 13 sectors, with lending (24%), payments (21%), digital wallets (12%), and remittances (12%) being the four most predominant sectors (www.fintechnews.ph).

Figure 3

Breakdown of FinTech Companies by Sector
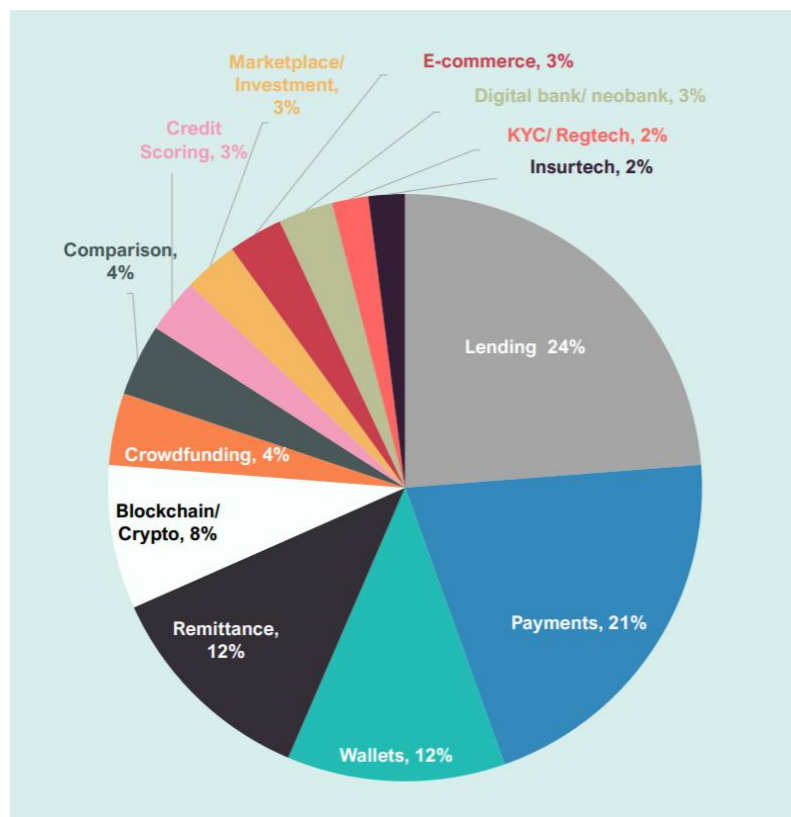
Source: Compiled by FinTech News Philippines

Market Size. The Philippines has a population of over 100 million people, with 71% being active internet users and most of them have mobile subscriptions. With the internet penetration rate of the country at 73%, this makes it a suitable breeding ground for the latest technology to be introduced and tested. The e-money system has recently seen a rise in users ever since its debut in the country, now has 20 million registered users and over 63,000 partner merchants that accept e-money payments. This overtakes the total number of credit cardholders and has made transactions more convenient for Filipinos. The way the digital wallet works is by making transactions possible using Smartphone apps that have digital payment schemes (Emerging, Fintech, n.d).

Figure 4

A Hotbed for FinTech Statistics
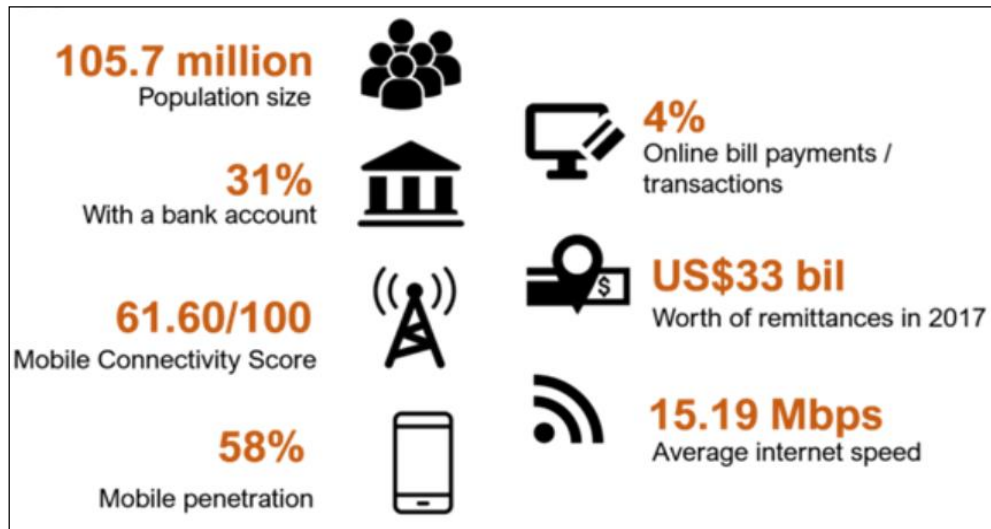
Source: World Bank, We are Social, 2018

Dumlao-Abadilla (2020) exposed that the transaction value of the FinTech market is expected to grow at an annual rate of 16.4 percent to reach $10.5 billion by 2022, from $5.7 billion in 2018.

FinTech Cyber Security and Stability. According to Walker (2020), the digitalization of financial institutions might concern most consumers because technology has not been known to be 100% reliable. The threats that most people were concerned about were identity theft, money laundering, and espionage. Cybercriminals have preyed on the little guys which are smaller banking firms because they were known as companies that do not invest much insecurity. There are more efforts to build awareness on the importance of

safety, especially in FinTech companies. More FinTech companies will be educated about how they can secure their business operations and survive a cyber attack. Part of their education includes being proactive in their security system planning but also includes a reactive strategy (www.fintechweekly.com).

b. Competitor Analysis

FinTech Competition. FinTech News Philippines (2020) presents that there are 197 registered FinTech companies in the Philippines, out of the 197 there are some companies that appear in more than one (1) category to better reflect the nature of the business, but they still count as one towards the total.

Figure 5

Philippine FinTech Map 2020

Source: FinTech News Philippines

Ranking FinTech in General. Noda (2018) presents the top 10 local FinTech companies in the Philippines, focusing on their achievements, present status, innovations, and plans as shown in Figure 6.

Figure 6

Top 10 FinTech Startups in the Philippines

Source: FinTech News Singapore

Ranking concerning the similarity of offerings. Forbes Philippines published in its October 2016 issue a list of the country's leading FinTech startups. The list includes 24 FinTech startups in the country. These offer a variety of Internet-based financial services such as remittance, payments, and lending.

Top 1 Mynt. The Globe Telecom-backed startup extends the mobile money service of GCash into online and mobile payments, remittance, loans, and business solutions platforms. In August, the firm partnered with the Bureau of Internal Revenue to extend the agency's tax payment services to mobile.

Top 2 PayMaya. One of the first and most aggressive FinTech companies in the country, PayMaya provides users with a digital prepaid Visa card which can be used for both offline and online payments. It has also partnered with Beep as an added feature of its physical card. The company has earned PHP 838.7 million, according to Forbes Philippines.

Top 3 PaySwitch. Through its web platform, PaySwitch allows MSMEs to offer services such as electronic loading, remittances, and bill payments. Using a point-of-sale system, customers may use over 500 products and services from 200 companies. The platform is mostly used by MSMEs such as internet cafes, pawnshops, and drug stores in far-flung areas.

Top 4 Ayannah. One of the first FinTech companies founded in the Philippines, Ayannah offers digital remittances, payments, and business solutions through its platforms: Sendah, Sendah Direct, and Sendah Remit. The startup mainly caters to OFWs but aspires to grow its network in South Asia and Latin America. Founded in 2006, the company won the main award at the Rising Expo SEA 2015.

Top 5 Coins.ph. The two-year-old startup offers remittances, fund transfers, bill payments, and shopping through the digital currency of Bitcoin. With 17,000 locations nationwide, Coins.ph hopes to reach the underserved markets in far-flung areas with a digital wallet and financial service (www.fintechnews.sg).

3.3. Porter's Five (5) Forces Analysis

Figure 7 shows the Porter's Five Forces Analysis that evaluates the threats of new entrants, bargaining power of buyers, threats of product substitute and bargaining power of suppliers.

Figure 7

Porter's Five Forces Model
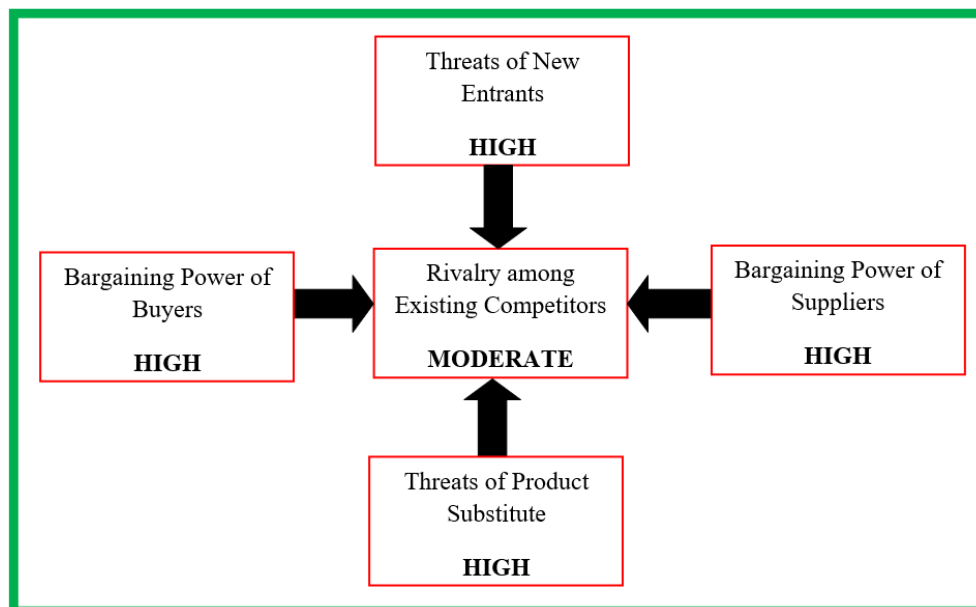
a. Threats of New Entrants- HIGH

New entrants' probability to gain technology and specialized Know-how –HIGH

Under the Republic Act (R.A.) No. 11293 also known as the Philippine Innovative Act, Section 1, "*the State to foster innovation as a vital component of national development*

and sustainable economic growth." According to Section 10, Article XIV of the Constitution recognizes science and technology as "*essential for national development and progress*" and gives priority to research and development, invention, innovation, and their utilization.

Under R.A. 11293, Section 25 Innovation Alliances the NIC shall establish the necessary conditions and framework that will promote the establishment of Innovation Alliances. Such a framework should encourage companies to engage in collaborative research consortia among private sector entities and with academic or educational institutions. This framework shall also facilitate regional networking and alliances to promote knowledge and technology sharing as well as collaboration in innovation projects (www.lawphil.net).

New entrants' probability to gain customer loyalty – LOW

KPMG (2019) discovered from a survey to18,520 consumers from more than 20 countries explores the truth about customer loyalty and how brands and retailers can attract and retain customer loyalty through enhancing customer loyalty programs. Customer loyalty is alive and well, but digital disruption and new generational influences show that the nature of loyalty is changing. Overall, only 37 percent of respondents identified points and rewards as one of the most effective ways to secure their brand loyalty. In almost every country, points and rewards were less likely to earn loyalty than corporate transparency and honesty. Customer loyalty is too critical to be left to a customer loyalty program. When a customer is loyal to a brand 86% will recommend the company to their friends and families, 66% are likely to write a positive online review after a good experience, and 46% will remain loyal even after a bad experience.

Large capital requirements – MODERATE

General Capitalization- LOW. The general minimum capital requirement when registering a FinTech company in the Philippines is PHP10, 000,000 (Emerub, 2018).

Engage in Electronic Money Issuance- HIGH. According to Section 5 of the BSP Circular No. 649 Series of 2009, Electronic Money Issuers must be a stock corporation with a minimum paid-up capital of PHP 100,000,000.00 (Bangko Sentral ng Pilipinas, 2009).

Ease of government regulatory policies – HIGH. The local regulators that have the most intimate contact with the FinTech industry in the Philippines are primarily the

Philippines' Securities and Exchange Commission (Philippine SEC), the Bangko Sentral ng Pilipinas (the BSP), and the Insurance Commission of the Philippines. The regulators consistently expressed openness and positive regulatory view towards the developments offered by the FinTech market, particularly to the extent FinTech players and their products, services or new ways of doing old things can engender financial inclusion for a population that is largely unbanked or underserved by traditional financial institutions (FinTech News Singapore, 2018).

In 2017, the Bangko Sentral ng Pilipinas (BSP) issued two circulars encouraging the development of remittance services, virtual currencies, and other FinTech services in the Philippines. BSP Circular No.942 concerns remittance and money transfer companies while BSP Circular No.944 provides directives for handling virtual currencies. These regulations are especially targeting those that aim to engage the excluded and the unbanked Filipinos, including companies in remittance services, e-money, digital currency, and other FinTech businesses (Emerhub, 2018).

Under Section 24 of RA11293, the National Innovation Council (NIC) and its member government agencies shall eliminate regulatory barriers to innovation and cut red tape to boost innovation efforts. Towards this end, the NIC shall facilitate consultations with stakeholders to identify and cause the removal of barriers in accelerating innovation efforts, such as procurement rules and regulations, and to align efforts and enhance collaboration (Law Phil Project, 2019).

b. *Bargaining Power of Buyers- HIGH*

Number of Customers- HIGH

The Philippines has a population of over 100 million people, with 71% being active internet users and most of them have mobile subscriptions. With the internet penetration rate of the country at 73%, this makes it a suitable breeding ground for the latest technology to be introduced and tested (Emerging, Fintech, n.d.).

Number of Customer Choices- HIGH

FinTech News Philippines (2020) publishes that there are 197 registered FinTech companies in the Philippines. The industry can be categorized into 13 sectors, with lending

(24%), payments (21%), digital wallets (12%), and remittances (12%) being the four most predominant sectors (FinTech News Singapore, 2016).

Few Switching Costs Exists –LOW

There is no switching cost in the FinTech industry since the market and consumers just need to access the web or download the company's application.

c. Bargaining Power of Suppliers - HIGH

More small number of companies - MODERATE

Systems and Channels- LOW. The systems, and channels for FinTech companies are developed by their Information and Technology Team and by their System's Engineers. The developed system and platform are to be submitted to the regulatory agencies such as BSP and DICT for evaluation and system integrity checking.

Products and Services – HIGH

Airtime Load (TELCO) – HIGH. There are only two (2) suppliers of airtime loads for telecommunication in the country, Smart PLDT, and Globe Telecoms, thus they can dictate and control the price.

Bills Payment – HIGH. Bills payment services are dominated by aggregator Bayad Center Inc. allowing system integration to facilitate the bills payment services to various FinTech Companies.

Remittance- HIGH. MoneyMax.ph cited there are fourteen (14) leading remittance companies in the country with almost 20,000 money remittance centers operating all over the Philippines, including far-flung barangays where banks and ATMs are scarce.

Products are differentiated – LOW. Since there are limited suppliers available there is no product differentiation.

Threats of Substitutes - HIGH

For Philippine consumers, "cash is still king," (BSP's Financial Inclusion Survey). In its 2015 country diagnostic for the Philippines, the Better Than Cash Alliance (BTCA), an UN-based global partnership supported by governments, nonprofits, and the private sector reported only 0.3 percent of personal payments were made electronically. The rest were almost entirely transacted in cash. Even among the small number of banked Filipinos, only 18 percent have used their account for payments, according to the FIS. Nearly two-thirds of

Filipino adults or 64 percent preferred to use cash, and 20 percent did not know they could use their account to make payments (Schellhase & Garcia, 2019).

Rivalry among existing Competitors- MODERATE

Number of Players in the Industry - HIGH. FinTech News Philippines (2020) published that there are 197 registered FinTech companies in the Philippines. The industry can be categorized into 13 sectors, with lending (24%), payments (21%), digital wallets (12%), and remittances (12%) being the four most predominant sectors (FinTech News, 2016).

Ability to Switch Brand- HIGH. Since there is no switching cost in the FinTech industry, and market and consumers just need to access the web or download the company's application, the ability to switch from one brand to another is high.

Diverse Competitors- LOW. There is no diversification as to FinTech Competition except with the product or service mixed to offer. According to FinTech News Philippines (2020), there are 197 registered FinTech companies in the Philippines with companies that may have offered more than 1 category (FinTech News, 2018).

Lack of Differentiation- LOW. Physical banks have advantages that FinTech lacks more capital, greater knowledge of regulations, recognized brands, and customer confidence FinTech can bring new capabilities to banks, including agility, innovation, cost reduction, better user experience, and greater ability to use data. Banks are transforming themselves into "FinTech banks" or "marketplace banks (Forbes Magazine, 2019).

3.4. Strategy Formulation

For the purpose of analysis, the strategy formulation and financial projections are based on the evaluation of the X Company operations. It should be noted that the company's market are unbanked and financially marginalized communities in the Philippines accounting for 77% of Filipino adults with no bank accounts (de Guzman, 2018) estimated to be 15.8 million (Financial Inclusion Survey, 2017). In addition, the company provides an online platform that offers business solutions with four (4) major products and services. The company partners with local pawnshops, traditional remittance companies, new online remittance companies and leading remittance centers.

Strengths, Weaknesses, Opportunities, and Threats (SWOT)

The identified strengths, weaknesses, opportunities, and threats based on the assessment of the company and to the business environment shows that the company has a lot of opportunities. Eight out of nine (8/9) opportunities identified were government-initiated or mandated, thus, it is feasible and most likely to happen in the coming years. The company must create necessary and immediate programs to grab such opportunities. The system and the platform is the strength of the company. Capitalizing the company's system will be a great advantage. The company should also take into major consideration to address the noted weaknesses and threats, covering the marketing initiatives and security issues.

Figure 8

SWOT Matrix

Strength -S	Weaknesses- W
1. Product/Service Variety	1. No advertisements and promotional activities
2. 24/7 Customer Service	
3. Award-winning system	2. No alternate in the absence of the approvers
4. Information System Analytics	
5. Pre-fund System Policy	3. Increasing Losses
	4. No mandatory personnel as mandated by the regulators
Opportunity –O	**Threats- T**
1.Philippine Regional Economic Growth	1. Cyber Security and Stability issues
2. Bayanihan Act to Recover as One (BARO)	2. The increasing number of competitors
3. Increasing inbound remittance	3. Filipino mindset that "Cash is still king"
4. Increasing Domestic Remittance	
5. High Number of Unbanked Filipinos	
6. The Philippine third Telco	
7. Philippine Vision 2040	
8. BSP's Digital Transformation Campaign	
9. Climate Change	

Using the SWOT matrix, the identified company's strengths, weaknesses, opportunities, and threats are matched and streamlined to help the company come up with

workable strategies that will improve the company's overall performance and position in the FinTech industry. The matched or combined quadrant is as follows:

- SO. The strategies on this quadrant focuses on how to capitalize on the identified strength of the company and use this to take advantage of the opportunities. The greatest strength of the company that was identified is the system, a marketing campaign to sell, introduced the products and services of the company as a platform and channel for the implementation of the government projects. The campaign shall focus on highlighting the effect of the improvements on the government projects, more especially to the government and BSP direction of digital transformation. The campaign shall also give the importance and advantage of online transactions.

- WO. Strategies on this quadrant will focus on taking advantage of the opportunities by addressing the identified weaknesses. The redirection of the marketing initiatives and additional marketing personnel to strengthen the marketing campaign. The marketing campaign will focus on advertisement and promotion using social media platforms. This will also address the increasing losses, factoring in the marketing campaigns for the noted government projects. Programs for the lack of key alternatives will be handled by the Human Resource Department by appointing key alternates as part of the business continuity plan.

- ST. Addressing the threats with the identified strengths shall consist of a marketing campaign for financial literacy, education, and security. Changing the Filipino mindset that doing an online transaction is safe and very convenient highlighting that the system is a user-friendly one and an award-winning system. The noted threat on the personnel handling the government-mandated position and post for AMLA and Compliance task will be handled by HRD in appointing and nominating one.

- WT. A campaign strategy that will inform the public on the safety and reliability of the products and services is the company's top priority. Regular reminder updates on the security and advantage of doing business online will be the key strategy for this quadrant.

The analysis shows that improvement in the Marketing department and its campaign will be the key to the improvement of the overall performance of the business. The company can improve its performance by redirecting the marketing efforts and hiring additional

marketing staff to handle the marketing redirections. Market development and penetration will be the best strategy for the company factoring in the SWOT analysis. Information and educational campaigns must take into consideration. Product development can also help the company to increase its reach by improving its products and services.

Based on the analysis of the existing fintech company, the following marketing strategies can be formulated. At the end of each strategy, a powerful strategy for a new startup company is suggested.

Market Penetration. The company must prioritize the programs and strategy for penetrating the market. The Philippine market is an emerging market for the FinTech industry, with the development of various infrastructure and improvement projects of the government and the BSP campaign for financial digitization, the Philippine FinTech market will increase and stiffed the competition. New company needs to increase visibility in all available and accessible communication means.

Market Development. The company can also improve its reach and presence in far-flung locations and provinces within the country. The government program to decongest the current key cities and push the business to the provinces will create a new market segment. New company should grab this opportunity to have a bigger and wider reach all across the Philippines. The entry of the "third Telco" will create a new untapped market, thus new company can utilize such to cater to that emerging market. It can also create a system to cater to the small and local enterprises.

Product Development. The marketing strategy will increase sales by improving the existing product or service being offered. The technologically based business is fast-evolving, the urge and needs to improve is mandatory, or else the business cannot survive. The new company can start with the top-up and airtime load, and the system and platform, which can run via a web tool using the computer and the internet. Improving the product and service by developing a mobile application that can be operated on any smart mobile devices can be an advantage.

3.5. Strategy Implementation

Action Plan and Programs. Startup company must synchronize its programs to attain the objectives, mission, and vision of the company. The marketing team will be the lead department that can attain the company's goals, hand in hand, and with collaborative efforts to other departments.

Marketing. The marketing strategies will focus on improving marketing programs to increase sales. The company's marketing department must focus on improving the awareness campaign to fulfill the objectives set. Online web and social media platforms will be used as a channel in making the campaign. It has the least cost comparing with the traditional marketing channels giving an advantage for the company.

Human Resource. The company's Human Resource (HR) will focus on addressing issues on personnel. Supplying the needed manpower and appointing the mandatory positions as one of the identified threats. The HR will also lead the programs to uplift the lives of employees through training.

Business Development. The Business Development (BD) will focus on acquiring partners and partner-clients. The BD will work for hand in hand with the marketing department in achieving the company's goal.

Engineering. The Engineering as the main department deals with the company's system and platforms. Engineering will lead the programs to address the cybersecurity issues. This will also collaborate with the Marketing and Product Development to make new and system adjustments.

3.6. Financial Projection

For the purpose of analysis, the financial figures are based on the audited financial statements of X Company from 2016 up to 2018. The 2019 financial statements are based on the industry trend since the financial statements given do not have a good trend. For the bases of calculation, it is presumed that all programs will be implemented as planned and as scheduled. Similarly, the Philippine economy and environment will be in a normal situation. The assumptions used in making the 3-year financial projections are the following:

    a.   Uniformity of the account titles will be the same;

b. Reflection of the program budgets and the effect of the program on the business operations; the operating expense will increase by Php 1,885,000 in 2021 and 30% in 2022 and 2023; and

c. Increase 30% in Sales for 2021 and a 40% increase year on year as an effect of the program implementation.

Table 1

Projected Financial Ratios

Ratio	2020	2021	2022	2023
Liquidity				
Current ratio	1.31	1.65	2.08	2.54
Quick ratio	1.03	1.17	1.44	1.86
Leverage				
Debt-to-total asset ratio	0.34	0.28	0.24	0.22
Debt-to-equity ratio	1.48	0.75	0.48	0.38
Activity				
Inventory turnover	5.47	4.81	4.42	4.56
Fixed assets turnover	12.90	17.42	23.48	33.98
Total assets turnover	0.82	0.87	0.88	0.90
Profitability				
Gross profit margin	6%	6%	6%	6%
Net profit margin	17%	25%	27%	30%
Return on total assets (ROA)	13%	20%	21%	23%
Return on stockholder's equity (ROE)	56%	52%	42%	40%
Growth				
Sales	30%	30%	30%	40%
Net income	106%	92%	40%	57%

Liquidity. Data shows that the current ratio has significantly improved and can be managed to pay for their current liabilities. It also implies that the company can pay its liabilities with its short-term assets. The company's quick ratio also increased and improved the previously noted liquidity concern was already been addressed.

Leverage. The equity continuously increases year-on-year as reflected in the figure, which indicates that the company is already financing its operations from its assets. The company was using less debt to finance its assets, resulting in a lower risk for the company.

Activity. The company is continuously doing great on managing its inventory, with the pre-funded system being implemented. The company's asset turnover ratios are continuously increasing, this is a sign that the company is managing its assets well and efficiently using them to generate sales.

Profitability. The gross profit margin shows no changes from 2020 to 2022. The company cannot increase its selling price to increase profit margin as it will affect the business operations. Despite the stagnant figures of gross profit margin, the company's net profit margin significantly increases due to the increase in sales volume.

Growth. The sales growth is constantly increasing by 30% year-on-year as a result of the extensive marketing campaigns. The company's bottom line also increases year-on-year, a clear indication that the company is doing great.

Table 2

Statement of Financial Performance Horizontal Analysis

	Estimated				Projected			
	2020		2021		2022		2023	
Service Revenue	30,362,698	30%	39,471,508	30%	51,312,960	30%	71,838,145	40%
Operating Expenses	23,431,050	16%	25,316,050	8%	32,910,865	30%	42,784,125	30%
Other Income (Charges)								
Interest Income	19,387	65%	25,203	30%	32,764	30%	45,869	40%
Interest and other Financing Charges	(546,960)	-18%	(426,960)	-22%	(306,960)	-28%	(186,960)	-39%
Other Expense	(48,365)	408%	(1,245,612)	2475%	(383,674)	-69%	(575,511)	50%
	(575,938)	-13%	(1,647,369)	186%	(657,870)	-60%	(716,602)	9%
Profit/Loss Before Income Tax	6,355,710	147%	12,508,089	97%	17,744,225	42%	28,337,418	60%
Provision for Income Tax	1,906,713	147%	(3,127,022)	64%	(4,436,056)	42%	(7,084,355)	60%
Net Income/Loss	4,448,997	14%	9,381,067	111%	13,308,169	42%	21,253,064	60%
Other Comprehensive Income (Loss)	700,000	0%	529,625	-24%	529,625	0%	529,625	0%
Total Comprehensive Income/Loss	5,148,997	106%	9,910,692	92%	13,837,794	40%	21,782,689	57%

The 3-year projected financial performance indicates that the marketing strategies implemented are all working. The strategy on marketing penetration requires a dedication budget of an 8% increase based on the last years operating expenses. Marketing requires a

little budget since it will utilize social media that is free to advertise. The program budgets and expenses were factored in the operating expenses. Following years will have a budget of at least 30% increase factoring in a more extensive marketing campaign involving incentives and audio-visuals. Following the plan and all interventions, the financial objective will be attained with including the projected increase year-on-year.

Table 3

Operating Expenses Horizontal Analysis

Expenses	Estimated						Projected	
	2020			2021			2022	2023
Salaries, wages and employee benefits	13,279,604.63	3%	14,127,992.77	6%	16,540,792.05	17%	20,149,993.92	22%
Communication	3,399,820.48	85%	3,739,802.53	10%	4,487,763.04	20%	5,385,315.65	20%
Rent	2,895,571.69	71%	3,071,561.98	6%	4,182,121.34	36%	6,478,678.89	55%
Transportation and travel	1,129,513.71	3%	1,163,399.12	6%	2,326,798.24	100%	3,490,197.36	50%
Utilities	545,807.59	3%	562,181.82	3%	730,836.36	30%	877,003.63	20%
Dues and subscriptions	467,844.17	3%	481,879.49	3%	505,973.47	5%	556,570.82	10%
Taxes and licences	442,386.81	3%	455,658.42	3%	501,224.26	10%	561,371.17	12%
Professional fees	415,314.77	3%	427,774.21	3%	440,607.44	3%	484,668.18	10%
Advertising and promotions	211,269.75	3%	503,045.65	138%	2,204,561.60	338%	3,271,407.84	48%
Outside service	116,484.70	3%	119,979.24	3%	137,976.13	15%	206,964.19	50%
Supplies	110,354.82	3%	113,665.46	3%	170,498.19	50%	340,996.39	100%
Representation and entertainment	97,339.70	3%	146,009.55	50%	150,389.83	3%	300,779.66	100%
Actuarial fee	93,329.61	133%	93,329.61	0%	93,329.61	0%	93,329.61	0%
Depreciation expense	176,523.00	566%	201,523.00	14%	201,523.00	0%	201,523.00	0%
Repairs, maintenance and security	26,365.49	3%	27,156.45	3%	32,587.74	20%	43,993.45	35%
Insurance expense	14,608.59	3%	21,912.89	50%	132,869.33	506%	199,304.00	50%
Seminars and workshops	8,910.50	3%	59,177.81	564%	71,013.38	20%	142,026.75	100%
Others		-100%		0%		0%		0%
TOTAL	**23,431,050.01**	**16%**	**25,316,050.00**	**8%**	**32,910,865.01**	**30%**	**42,784,124.51**	**30%**

The horizontal analysis of the Statement of Financial Performance shows that the financial objective set of increasing revenue by 30% year-over-year was achieved. The significant increase in the operating expenses especially on the advertising and promotions was due to the implementation of the marketing programs for the said years. Likewise, the expense increase in seminar and workshops were due to the implementation of programs from the Human Resource for AMLA training that will be a yearly activity.

The 3-year projected statement of financial position expresses a stable increase in total assets. The company will become liquid because of the implementation of the pre-fund system and the nature of the business in dealing with airtime loads, and commission-based remittance transactions. The company's inventories will continue to increase as part of the marketing and business development intervention and programs. The non-current asset will remain the same since the nature of business is more technology and systems development. Through the marketing programs the company will continuously increase its assets and the stakeholders will expect a better return on their investments.

Table 4

Statement of Financial Position Horizontal Analysis

	Estimated		Projected					
	2020		**2021**		**2022**		**2023**	
	ASSETS							
Current Assets								
Cash	2,564,003	65%	3,333,204	30%	4,333,165	30%	6,066,431	40%
Receivable	2,890,045	52%	7,089,126	145%	15,697,144	121%	36,834,861	135%
Receivable from related parties	24,020,950	0%	24,020,950	0%	24,020,950	0%	24,020,950	0%
Inventories	6,311,757	32%	10,091,583	60%	13,119,058	30%	18,366,681	40%
Prepayment and other current asset	1,740,247	10%	3,904,574	124%	6,754,914	73%	5,931,087	-12%
Total current asset	**37,527,002**	**11%**	**48,439,437**	**29%**	**63,925,230**	**32%**	**91,229,009**	**43%**
Non-Current Aseets								
Rental deposit	873,736	100%	961,110	10%	1,057,221	10%	1,162,943	10%
Office equipment	1,480,814	841%	1,304,291	-12%	1,127,768	-14%	951,245	-16%
Total non-current assets	**2,354,550**	**296%**	**2,265,401**	**-4%**	**2,184,989**	**-4%**	**2,114,188**	**-3%**
	39,881,552	15%	50,704,838	27%	66,110,219	30%	93,334,197	41%
	LIABILITIES & EQUITY							
Current Liabilities								
Accounts and other payables	1,825,449	-66%	2,094,465	15%	2,729,759	30%	6,892,296	152%
Payables related to parties	7,217,890	32%	8,662,468	20%	10,393,762	20%	12,472,514	20%
Loans payable	4,558,000	-18%	3,558,000	-22%	2,558,000	-28%	1,558,000	-39%
Deposit for future stock subscription	15,000,000	25%	15,000,000	0%	15,000,000	0%	15,000,000	0%
Total current liabilities	**28,601,339**	**1%**	**29,313,933**	**2%**	**30,681,521**	**5%**	**35,922,810**	**17%**
Non-Current Liability								
Pension liability	2,068,058	11%	2,268,058	10%	2,468,058	9%	2,668,058	8%
Deferred tax liability		-100%		0%		0%		0%
Total non-current liability	2,068,058	2%	2,268,058	10%	2,468,058	9%	2,668,058	8%
Total liability	**30,669,397**	**1%**	**31,581,991**	**3%**	**33,149,579**	**5%**	**38,590,868**	**16%**
Equity (Capital Deficiency)								
Capital stock	28,000,000	0%	28,000,000	0%	28,000,000	0%	28,000,000	0%
(Deficit)/Surplus	(20,480,326)	-18%	(11,099,260)	-46%	2,208,909	-120%	23,461,973	962%
Other comprehensive income	1,692,481	71%	2,222,106	31%	2,751,731	24%	3,281,356	19%
Total equity	**9,212,155**	**127%**	**19,122,846**	**108%**	**32,960,640**	**72%**	**54,743,329**	**66%**
	39,881,552	16%	50,704,837	27%	66,110,219	30%	93,334,197	41%

The horizontal analysis of the statement of financial position confirms that the company is continuously improving as a result of the implementation of programs and action plans. A significant increase was seen on the current accounts, both for assets and liabilities. The significant increase on those accounts was normal factoring the business operations of primarily selling of airtime loads and the remittance which involve frequent movements on current accounts.

4. Conclusion

The Philippine market has a lot of potentials based on an industry analysis conducted with a lot of untapped and underserved market in a population of over 100 million and 71% active internet users. A new fintech startup venture is feasible following the government interventions of pushing to an online economy as backed up by the BSP's unveiling of the Digital Payments Transformation Roadmap 2020-2023, which charts the central bank's current initiatives and strategy in advancing the digital payments ecosystem. Similarly, the approval of the third TELCO franchise is beneficial for the industry.

The fintech industry is a promising one, despite the results of Porter's five forces model. The Philippines' fintech ecosystem is brimming innovation with a vibrant mix of entrepreneurs attempting to fill in the gap within the financial system. Despite the strides that the country has made in this space, the Philippines' narrative has often been overlooked by international media when examining financial innovations. In addition, the identified external and internal forces that are affecting the fintech industry in the county serve as tools to have better performance results. For any new start-up company, the programs covering minimal investment or expenses but with a desired return are manageable.

References

Abadilla, Doris Dumlao. (2020, February 11). *Gearing to become next hotbed for FinTech*. Philippine Daily Inquirer. https://business.inquirer.net/290279/gearing-to-become-next-hotbed-for-fintech#ixzz6atzoXudR

Anifa, Mansurali, Swamynathan Ramakrishnan, Shanmugan Joghee, Sajal Kabiraj, & Malini Mittal Bishnoi (2022). Fintech Innovations in the Financial Service Industry. *Journal of Risk and Financial Management* 15: 287. https://doi.org/10.3390/jrfm15070287

Asia-Pacific Economic Cooperation (2022). *Public Policy, Fintech and SMEs: Recommendations for Promoting a New Financing Ecosystem*. APEC Small and Medium Enterprises Working Group.

Ayannah (2018). *Money remittance*. https://vulcanpost.com/636041/ayannah-ph-money-remittance/

Ayman Mansour Khalaf Alkhazaleh (2021). Challenges and Opportunities For Fintech Startups: Situation In The Arab World. *Academy of Accounting and Financial Studies Journal*. Volume 25, Issue 3, 2021

Bangko Sentral ng Pilipinas (2009). *Bangko Sentral ng Pilipinas Circular No. 649* https://www.bsp.gov.ph/Regulations/Issuances/2009/m031.pdf

Bangko Sentral ng Pilipinas (2020). *911 risk management*. https://morb.bsp.gov.ph/911-risk-management/

Bittini, J. S., Rambaud, S. C., Pascual, J. L., & Moro-Visconti, R. (2022). Business Models and Sustainability Plans in the FinTech, InsurTech, and PropTech Industry: Evidence from Spain. *Sustainability*, 14(19), 12088. MDPI AG. Retrieved from http://dx.doi.org/10.3390/su141912088

Development Bank of the Philippines (2020). *Multi-channel approach keys DBP's cash aid disbursement*. https://www.dbp.ph/newsroom/multi-channel-approach-keys-dbps-cash-aid-disbursement/

Emerhub (2018). *5 reasons to start a FinTech company in the Philippines*. https://emerhub.com/philippines/fintech-company-philippines/

Emerhub (2018). *Philippines FinTech Regulations*. https://emerhub.com/philippines/fintech-company-philippines/

FinTech News Singapore (2016). *Top 24 FinTech start-ups by Forbes Philippines*. https://fintechnews.sg/5978/fintechphilippines/top-24-fintech-startups-forbes-philippines/

FinTech News Singapore (2018). *Top 10 FinTech start-ups in Philippines 2018*. https://fintechnews.sg/20428/fintechphilippines/top-10-fintech-startups-in-philippines-2018/

Forbes Magazine (2019). *The FinTech revolution*. https://www.forbes.com/sites/esade/2019/07/30/the-fintech-revolution-who-are-the-new-competitors-in-banking/#2649c4601161

Gimpel, H., Rau, D. & Röglinger, M. (2018). Understanding FinTech start-ups – a taxonomy of consumer-oriented service offerings. *Electron Markets* 28, 245–264. https://doi.org/10.1007/s12525-017-0275-0

Grit Ph. (2020). *Can banks and FinTech bring environmental accountability to their everyday purchasing decisions*? https://grit.ph/money-transfer/

Haddad, C. & Hornuf, L. (2023). How do fintech start-ups affect financial institutions' performance and default risk? *The European Journal of Finance*, DOI: 10.1080/1351847X.2022.2151371

KMC Solutions (2020). *The emerging FinTech Sector in the Philippines*. https://kmc.solutions/blogs/the-emerging-fintech-sector-in-the-philippines/

KPMG (2019). *The truth about customer loyalty*. https://home.kpmg/ph/en/home/insights/2019/12/the-truth-about-customer-loyalty.html

KPMG India (2016). *Fintech in India A global growth story*. KPMG Network

Kurt Walker. (2020). *Top 6 global FinTech trends of 2020*. https://fintechweekly.com/magazine/articles/top-6-global-fintech-trends-of-2020

Law Phil Project. (2019*). The minimum requirement for E-money issuer BSP Circular 649 series of 2009*. https://lawphil.net/statutes/repacts/ra2019/ra_11293_2019.html

Lee, I. & Shin, Y. (2017). Fintech: Ecosystem, business models, investment decisions, and challenges. Business Horizons. 0007-6813. http://dx.doi.org/10.1016/j.bushor.2017.09.003

National Economic Development Authority. (2017). http://pdp.neda.gov.ph/wp-content/uploads/2017/01/PDP-2017-2022.pdf

National Economic Development Authority. (2020). *Philippine Pandemic recovery* https://www.neda.gov.ph/harnessing-digital-technologies-can-help-philippines-overcome-impact-of-pandemic-hasten-recovery/

National Privacy Commission (2020). Appointing a Data Protection Officer https://www.privacy.gov.ph/appointing-a-data-protection-officer/

News Byte Philippines. (2020). https://newsbytes.ph/2020/10/13/bsp-bares-digital-payments-transformation-roadmap/

Philippine News Agency. (2020). https://www.pna.gov.ph/articles/1113235

Quimba, F.A., Barral, M.A. & Carlos, J. (2021). *Analysis of the FinTech landscape in the Philippines.* PIDS Discussion Paper Series, No. 2021-29, Philippine Institute for Development Studies (PIDS), Quezon City

Ruhland, P. & Wiese, F. (2022), "FinTechs and the financial industry: partnerships for success", *Journal of Business Strategy*. https://doi.org/10.1108/JBS-12-2021-0196

Rylida, V., Makararavy, T. & Leakhena, C. (2020). *Financial Technology Landscape in the Kingdom of Cambodia Technical Report*. Techno Startup

Schellhase, J. & Garcia, A. (2019). *FinTech in the Philippines: Assessing the State of Play*. Milken Institute.

Siddiqui, Z., & Rivera, C. A. (2022). FinTech and FinTech ecosystem: A review of literature. *Risk Governance and Control: Financial Markets & Institutions*, 12(1), 63–73. https://doi.org/10.22495/rgcv12i1p5

Statista (2023). *Total value of investments into fintech companies worldwide from 2010 to 2022*. Retrieved from: https://www.statista.com/statistics/719385/investments-into-fintech-companies-globally/

Thales Group (2019). *Can Banks and FinTech bring environmental accountability*. https://dis-blog.thalesgroup.com/financial-services/2019/08/08/can-banks-and-fintech-bring-environmental-accountability-to-their-everyday-purchasing-decisions/

Vandenberg, P., Hampel-Milagrosa, A. & Helble, M. (2020). *Financing of Tech Startups in Selected Asian Countries*. ADBI Working Paper Series, No. 1115

Vogels, E. (2019). *Millennials stand out for their technology use, but older generations also embrace digital life*. Pew Research Center.

Wang, R. (2022). *Business Model Innovation in Swedish FinTech Industry A case Study of Klarna*. KTH Royal Institute of Technology.