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Evaluation of Relationship between Lease and Debt: A Study on 50 Domestic Firms of Bangladesh

Dr. Fazle Elahi Mohammad Faisal and Dr. Syed Mohammad Khaled Rahman *

Abstract

Lease financing has some special characteristics that might be more advantageous than other types of financing. Different sectors of Bangladesh are taking lease financing services. The main objective of the study is to evaluate whether term loan taken by the firms are substitute for lease financing or not in Bangladesh. Study period is five years and fifty firms were selected randomly which had taken lease financing from financial institutions. Z test has been performed to evaluate the difference between lease and loan proportion in capital structure. It is found that higher interest rate, incurrence of VAT, loss of residual value, lack of secondary market for leased asset etc. are the disadvantages of lease financing. The leasing companies or the banks are not getting the tax benefit on the depreciation amount now. Depending on the Z-test it can be said that the lease financing is not the substitute of term loan at present in Bangladesh. It is also observed that the use of both loan and lease of those 50 firms capital structure have decreased over time and the use of equity have increased over time.

Key Terms: Lease financing, capital structure, term-loan,

1. Introduction

The economy of Bangladesh is rising increasingly and the significance of lease financing is growing day by day. A lease is a contractual agreement between a lessee and lessor which establishes that the lessee has the right to use an asset and in return must make periodic payments to the lessor. The lessor is either the asset's manufacturer or an independent leasing company. The leasing companies in Bangladesh are not only providing leasing activities but also are involved in stock market connected activities such as underwriting, issue management, private placement, trust management, portfolio investment and, mutual fund operation (Ahmed & Chowdhury, 2007). The leasing companies are also providing house building financing, merchant banking, corporate financing, short term financing and lease financing. Different sectors of Bangladesh are taking lease financing services. Transport, construction and engineering, paper and printing, pharmaceuticals, food and beverage, chemicals, leather and leather products, telecommunication, agro based industries are the different sectors which have taken the services of lease financing (Imam, 2005).

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2. Review of Literature

Lewis and Schallheim (1992) in their paper demonstrated that, because leasing is a mechanism for selling excess tax deductions, it can motivate the lessee firm to increase the proportion of debt in its capital structure relative to an otherwise identical firm that does not use leasing. Thus, debt and leases can be complements. They also showed that a competitive lessor could use diversification to reduce risk and increase the probability that tax deductions are fully utilized so that it can lower lease payments. Yan (2002) in his paper empirically explored the relationship between lease and debt by constructing a simple structural model in which the substitutability/complementarity between debt and leases is related to their joint financing cost function. He investigated the impact of asymmetric information, agency costs, and taxes on the substitutability between debt and leases. Study found that debt and leases are more likely to be used as substitutes in those firms facing more severe asymmetric information problems or agency problems, or in those firms having less redundant tax shields. Banarjee and Mamun (2003) showed that weighted average cost of fund for the leasing companies is always positioned much higher than that of banks. International Finance Corporation (1996) has observed that leasing companies are in a great dilemma while managing the mismatch between their asset and liability. According to IFC, the average weighted life of the company's business portfolio should be less than the average weighted life of its deposits and borrowing in its operating guidelines for a leasing company.

Duke et al. (2006) described that companies can hide many liabilities from financial reporting and they can also enhance net income, retained earnings, and key financial ratios – all by reporting leases as operating leases instead of capital leases. Yan (2006) in his paper reinvestigated the relation between leases and debt. He presented a model to incorporate different theories on the substitutability and complementarity between leases and debt, and test the model implications empirically in a GMM framework that simultaneously controls for endogeneity problems and firms' fixed effects. The findings suggested that leases and debt are substitutes instead of complements. He also found that in those firms with more growth options or larger marginal tax rates, or in those firms paying no dividends, the substitutability is more pronounced, i.e., the cost of new debt increases to a larger degree with extra leases. Ahmed and Chowdhury (2007) stated that although the major business of most NBFIs is leasing, some are also diversifying into other lines of business like term lending, housing finance, merchant banking, equity financing, and venture capital financing. They identified some challenging issues for NBFIs in Bangladesh. In order to sustain the high cost of borrowing, NBFIs may be inclined to invest in the high return segments, which can expose them to commensurately higher risk.

Deloof et al. (2007) in their study investigated the lease-debt relationship for Belgian small and medium-sized enterprises (SMEs). In Belgium, tax differences between lessor and lessee do not affect the choice between leases and debt, because the lessee is considered to be the fiscal owner of the assets. He may write off these assets for tax purposes, and the interest part of the lease payments are deductible from his taxable income. Leases and debt can therefore be expected to be substitutes. This hypothesis was tested for a sample of 5,595 firm-year observations for 1,119 Belgian nonfinancial SMEs in the 1995–1999 periods. The results

provided strong support for the substitution hypothesis: more debt is associated with less leases. Kurfi (2009) in his paper had examined lease financing practices and corporate capital structure of selected Nigerian manufacturing firms. The findings of the study revealed that leasing is a veritable alternative for capital assets acquisitions and that lease constitute about 50% of their total fixed assets because most of the lease contracts are structured with provision for ultimate purchase by the lessee after the primary lease term to finance capital assets acquisition.

Rahman (2011) stated that leasing and finance companies in Bangladesh have deposit and credit products, which are understood by people to be the core business of banks. Bangladesh Leasing and Finance Companies Association (BLFCA) data showed that lease financing has been declining continuously which is not good for the leasing companies. At present condition, leasing companies earn more from capital market operations than their core business because of withdrawal of the depreciation allowance and some other measures including tax issues. The study conducted by Singh (2011) investigated the lease-debt relation in a sample of 233 restaurant and retail firms from 2006 to 2008. Using a comprehensive measure of leasing that includes both capital and operating leases and other control variables, the results showed that leasing and debt are significantly and inversely related. On average, \$1.00 of leasing displaced approximately \$0.50 of debt. The results are robust to alternative specifications of the regression models and provide additional evidence that growth opportunities and firm size are important determinants of leasing. The purpose of paper of Morais (2013) was to review empirical research on the determinants of leasing. The paper reviews previous literature that has focused on studying the determinants of leasing decisions. There are some factors that affect the choice between leases and debt, such as size, taxes, nature of assets, financial constraints and management compensation. Leases tend to be more prevalent in some industries (such as air transport, retailing and services and utilities) than in others, and companies tend to lease assets that are less specific, of general usage and more liquid. Previous studies also showed that higher leverage companies tend to use leases rather than other forms of financing.

3. Statement of the Problem

The leasing companies in Bangladesh are providing leasing activities and are also involved in stock market related activities. The International Finance Corporation (IFC) promotes leasing as a method of financing industrial development in the developing countries as a part of its capital market development strategies. Leasing business is gaining increased importance in the economy of Bangladesh with its gradual transformation from an agrarian to industrial one. The government periodically revises the trade and industrial policy to create a liberal business environment for domestic and foreign investment. Increased investment in the energy sector as well as the power, transport, telecommunications, water and sanitation and safe disposal of wastes are expected to bring further opportunities for leasing industries.

Leasing companies, however, face some problems in conducting their business in the country. The relatively slow growth of the demand side compared to the fast growth of the lease business is one such problem. The culture of loan default that prevails in the country is also a deterrent. Leasing companies often find it difficult to raise funds through short or long term

borrowing from money and capital markets. NBFIs as well as leasing companies in Bangladesh have some difficult issues. These issues are cost of fund, asset-liability mismatch, sources of funds, investment in high risk portfolio, competition with banks, lack of human resources, weak legal system, lack of secondary market, etc. (Rahman, 2011). The cost of fund for NBFIs is higher than banks because of huge amount of deposit collection and restriction to collect short term deposits.

4. Objective of the study

The main objective of the study is to examine the relationship between lease and debt of corporate firms in Bangladesh. The specific objectives are:

- a. To explore the problems of leasing companies in extending lease facilities
- b. To identify the disadvantages of lessee due to taking lease financing
- c. To analyse the proportion of lease, loan and equity in capital structure of firms for five years (2007-2011)
- d. To evaluate whether the term loan is a substitute of lease or not for lessee.

5. Hypothesis of the study

H₀ : Lease and debt are substitutes

H_a : Lease and debt are not substitutes

Null hypothesis implies that there are no significant differences between loan and lease proportion in capital structures of firms.

6. Methodology of the study

Nature of the study is explorative. Research approach is quantitative. The study is based on secondary data which were collected through annual reports, company documents and websites of lessee and lessor. Sample size was fifty (50) firms from different industrial sectors. Simple random sampling technique has been applied. Inferential statistic (z test) has been used to test the significance of difference between loan and lease proportion in capital structure. Pooled mean of 50 firms over 5 years was used to estimate the parameters of the test. Study period was 5 years (2007-2011).

7.0 Results and Discussions

7.1 Problems Faced by Leasing Companies in Bangladesh

As because of some advantages, some of the borrowers prefer lease financing than term loan. Leasing companies face some problems in conducting their business in Bangladesh. The comparatively slow increase of the demand side compared to the fast expansion of the lease business is one such problem. Leasing companies often find it complicated to increase funds through short or long-term borrowing from money and capital markets. Lease financing as a mode of finance has some advantages like the provision of collateral, no third party guarantee for lease, faster service, less documentation etc. In spite of these advantages, lease financing has some problems also. Higher interest rate, loss of residual value, lack of secondary market for leased asset etc. are the disadvantages of lease financing. As per BAS-17, financial lease is required to be accounted for in the same way as the term loan is accounted for. Financial lessor has to provide annual statement of interest to the lessee for accounting purpose. One of the problems of lease financing is that the lessee may not get the expected residual value.

Lease financing was becoming popular in the previous years and the growth of lease financing was increasing in Bangladesh. But in recent years it has been found that most of the firms have reduced the use of lease financing.

When the equipment is selected by the lessee and if it is a local purchase, the lessee has to incur an additional cost of around 4% for Value Added Tax (VAT) and Advance Income Tax (AIT) at present in Bangladesh. Though the lessor purchases the leased asset but the new accounting law, BAS-17, has made the financial lease to be treated as an asset for the lessee firm and the leased asset has to be shown in the asset side of balance sheet of the lessee firm. Before 2004, the financial lease was treated as off balance sheet item like operating lease for lessee firm. But the accounting law, BAS-17, has made the financial lease to be treated as on balance sheet item for lessee firm.

Now, leased asset has to be shown in the asset side of the balance sheet of lessee firm. As per BAS-17, financial lease is required to be accounted for in the same way as the term loan is accounted for. Before the revised accounting standard-BAS-17, the total rental payment (both the principal amount and the interest) had to be shown in the income statement of the lessee firm because leased asset was considered as off balance sheet item and was not needed to show the principal amount outstanding in the liability side of the balance sheet and also leased asset was not needed to show in the asset side of balance sheet of the lessee firm. Rather the leased asset had to be shown at the asset side of balance sheet of the leasing company/lessor. For that reason, the lessee firm would get the tax benefit on the principal amount portion of lease rentals that are not getting now after the inclusion of BAS-17. In 2004, after the inclusion of BAS-17, only the interest payment is charged as an expense of the lessee firm and the principal amount is not treated as an expense. Before the accounting standard- BAS-17, the lessee could get the tax benefit on interest payment of lease rental and side by side principal amount of lease rental because both of these was considered as an expense and therefore was needed to show in the income statement. Now, after the inclusion of BAS-17, only interest portion of lease rental is considered as expense for the lessee and need to show in the income statement of lessee firm. The principal amount of lease rental is not considered as expense for the lessee firm and therefore need not to show in the income statement of lessee firm. As a result, tax benefit on principal amount portion of lease rental of the lessee firm has been reduced.

The amount of lease payable has to be shown in the liability side of the balance sheet for the lessee firm. The depreciation of the asset has to be shown in the income statement of lessee firm as an expense. Though, the lessee is getting tax benefit on the interest and the depreciation amount but the lessee is now not benefitted as before when the total rental payment (the principal amount and the interest) was considered and treated as an expense in the income statement of the lessee firm. So the demand for lease financing has declined for that reason. Before the inclusion of BAS-17, the depreciation of leased asset had to show as an expense for the lessor/leasing company because the leasing company had to show the asset at their balance sheet. Now, the lessee firm is required to show the depreciation as an expense because they need to show the leased asset at their balance sheet.

Another reason is that, the leasing companies or the banks can not show the leased asset in

their balance sheet and they cannot show the depreciation in their (lessor's) income statement. So, they are not getting the tax benefit on the depreciation amount now. As a result, the supplier interest on lease financing has been declined also.

7.2 Z test to Evaluate Lease Financing as Substitute of Term Loan

Whether we can consider lease financing as the substitute of term financing in Bangladesh or not could be an issue that should be identified. For that reason, 50 firms' capital structures for 5 years (those firms which have taken lease financing from banks or leasing companies) have been collected. From the capital structure of those firms, proportions of loan and proportions of lease have been analyzed. Proportion test has been used to find out whether there is any significant difference between the proportions of loan and proportions of lease of those 50 firms for 5 years or not. Here, the null hypothesis is that the mean proportion for lease and loan are equal. The alternative hypothesis is that they are not equal. Based on the hypothesis, equality of two independent mean test has been performed and the test statistic is:

$$z = \frac{\bar{x}_1 - \bar{x}_2}{s_p \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}}$$

Here s_1 and n_1 are sample standard deviation and the number of observations of loan respectively. s_2 and n_2 are sample standard deviation and the number of observations of lease. The pooled standard deviation(s_p), is calculated using the following formula:

$$s_p = \sqrt{\frac{(n_1 - 1)s_1^2 + (n_2 - 1)s_2^2}{n_1 + n_2 - 2}}$$

From the table A-1, the following average proportion of loan and lease in capital structure is derived:

Table 1: Sample Average Proportions of Lease and Loan in the Capital Structures

Year	2007		2008		2009		2010		2011	
	Loan	Lease	Loan	Lease	Loan	Lease	Loan	Lease	Loan	Lease
Sum	977.35	534.91	849.93	492.83	781.28	450.28	707.68	396.09	659.19	343.77
Average	19.547	10.698	16.999	9.857	15.626	9.006	14.154	7.922	13.184	6.875
Pooled Average of loan (%) 15.902										
Pooled Average of Lease (%) 8.872										

Source : Derived from table A-1

Z-value -2.386

Here, assuming that the proportion of loan and lease among the companies are equal, the Z-value is 2.386 which is more than the critical value of 1.96. The test is significant. Based on z-value, we have seen that the proportion of loan and lease of different 50 organizations have significant difference at five percent level of significance. Depending on the Z-value it can be said that the lease financing is not the substitute of term loan at present in Bangladesh. It can also be observed that the use of both loan and lease of those 50 firm's capital structure have decreased over time and the use of equity have increased over time. Higher interest rate, restriction on equipment use, loss of residual value, new tax treatment of lease have decreased the use of lease financing of those firms.

8. Recommendations

Operating lease or short term lease should be introduced by the leasing firms. Lessee should be exempted from Advance Income Tax or additional cost of VAT. As leasing companies purchase the assets, so lessor should get the benefit of depreciation tax shield.

9. Conclusion

Utilization of operating and financial lease is not yet developed in Bangladesh due to some problems of lease financing from the perspective of lessor and lessee. Lease financing has failed to become a substitute of term loan. But it has the potentiality of becoming an attractive alternative to purchase of assets. A corporation will choose operating lease if the value of the lease is greater than the value of purchase. Cash outflow due to capital expenditure program can be avoided by undertaking operating lease and funds freed can be invested in lucrative business opportunities.

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Appendix

Table A1: Capital Structure of 50 Firms

Company Name	Year	Total Equity(000)	Total Equity(%)	Total Loan	% of loan	Total Lease	% of lease	Total Capital	Products
Sassy	2011	2,500,000	78.13	550,000	17.19	150,000	4.69	3,200,000	Leather
	2010	2,360,000	77.12	475,000	15.52	225,000	7.35	3,060,000	
	2009	2,180,000	73.15	500,000	16.78	300,000	10.07	2,980,000	
	2008	2,070,000	79.01	300,000	11.45	250,000	9.54	2,620,000	
	2007	1,860,000	76.39	275,000	11.29	300,000	12.32	2,435,000	
Rahman Lather Goods	2011	3,580,000	85.65	350,000	8.37	250,000	5.98	4,180,000	Leather
	2010	3,450,000	80.8	520,000	12.18	300,000	7.03	4,270,000	
	2009	3,370,000	77.12	650,000	14.87	350,000	8.01	4,370,000	
	2008	3,160,000	74	710,000	16.63	400,000	9.37	4,270,000	
	2007	2,800,000	68.46	840,000	20.54	450,000	11	4,090,000	
Duce Leather	2011	3,500,000	75.59	700,000	15.12	430,000	9.29	4,630,000	Leather
	2010	3,200,000	77.67	550,000	13.35	370,000	8.98	4,120,000	
	2009	2,800,000	78.43	470,000	13.17	300,000	8.4	3,570,000	
	2008	2,200,000	80	300,000	10.91	250,000	9.09	2,750,000	
	2007	1,800,000	81.45	220,000	9.95	190,000	8.6	2,210,000	
Leathe Reign	2011	5,500,000	74.63	1100,000	14.93	770,000	10.45	7,370,000	Leather
	2010	4,800,000	76.31	800,000	12.72	690,000	10.97	6,290,000	
	2009	4,300,000	73.13	950,000	16.16	630,000	10.71	5,880,000	
	2008	3,900,000	74.22	700,000	13.32	655,000	12.46	5,255,000	
	2007	3,400,000	72.03	750,000	15.89	570,000	12.08	4,720,000	
3 Tech	2011	2,800,000	86.82	200,000	6.2	225,000	6.98	3,225,000	Leather
	2010	2,500,000	87.57	155,000	5.43	200,000	7.01	2,855,000	
	2009	2,200,000	90.16	130,000	5.33	110,000	4.51	2,440,000	
	2008	1,800,000	88.67	100,000	4.93	130,000	6.4	2,030,000	
	2007	1,300,000	86.09	95,000	6.29	115,000	7.62	1,510,000	
Crative Connection	2011	1,400,000	62.5	500,000	22.32	340,000	15.18	2,240,000	Jute
	2010	1,340,000	59	575,000	25.32	356,000	15.68	2,271,000	
	2009	1,100,000	59.78	430,000	23.37	310,000	16.85	1,840,000	
	2008	1,060,000	59.89	460,000	25.99	250,000	14.12	1,770,000	
	2007	975,000	60.75	410,000	25.55	220,000	13.71	1,605,000	
DWCCI	2011	2,380,000	79.87	340,000	11.41	260,000	8.72	2,980,000	Ornament & Jute
	2010	2,280,000	80.99	290,000	10.3	245,000	8.7	2,815,000	
	2009	2,170,000	81.43	295,000	11.07	200,000	7.5	2,665,000	
	2008	1,930,000	80.92	275,000	11.53	180,000	7.55	2,385,000	
	2007	1,735,000	82.19	231,000	10.94	145,000	6.87	2,111,000	
Jahan Handicrafts	2011	1,710,000	77.73	350,000	15.91	140,000	6.36	2,200,000	Handicrafts
	2010	1,560,000	75	300,000	14.42	220,000	10.58	2,080,000	
	2009	1,470,000	77.78	260,000	13.76	160,000	8.47	1,890,000	
	2008	1,260,000	67.74	400,000	21.51	200,000	10.75	1,860,000	
	2007	1,020,000	59.3	450,000	26.16	250,000	14.53	1,720,000	
SilverLink International Ltd.	2011	560,000	59.57	200,000	21.28	180,000	19.15	940,000	Ornaments, jewellery,
	2010	430,000	54.78	175,000	22.29	180,000	22.93	785,000	
	2009	435,000	53.05	210,000	25.61	175,000	21.34	820,000	
	2008	405,000	52.26	185,000	23.87	185,000	23.87	775,000	
	2007	390,000	51.52	180,000	23.78	187,000	24.7	757,000	
Jumbi	2011	875,000	59.93	360,000	24.66	225,000	15.41	1,460,000	Handicrafts
	2010	820,000	60.52	330,000	24.35	205,000	15.13	1,355,000	
	2009	770,000	60.16	315,000	24.61	195,000	15.23	1,280,000	
	2008	730,000	59.59	310,000	25.31	185,000	15.1	1,225,000	
	2007	700,000	58.14	320,000	26.58	184,000	15.28	1,204,000	

Company Name	Year	Total Equity(000)	Total Equity(%)	Total Loan	% of loan	Total Lense	% of lease	Total Capital	Products
Raynnabi	2011	1,890,000	61.76	670,000	21.9	500,000	16.34	3,060,000	Handicrafts
	2010	1,715,000	63.52	510,000	18.89	475,000	17.59	2,700,000	
	2009	1,650,000	59.25	685,000	24.6	450,000	16.16	2,785,000	
	2008	1,600,000	74.07	350,000	16.2	210,000	9.72	2,160,000	
	2007	1,450,000	67.13	450,000	20.83	260,000	12.04	2,160,000	
M/S Rony Poultry Incubator Co. Ltd	2011	2,550,000	74.56	520,000	15.2	350,000	10.23	3,420,000	Poultry
	2010	2,390,000	74.69	490,000	15.31	320,000	10	3,200,000	
	2009	2,224,000	74.28	465,000	15.53	305,000	10.19	2,994,000	
	2008	2,070,000	74.59	410,000	14.77	295,000	10.63	2,775,000	
	2007	1,850,000	72.27	435,000	16.99	275,000	10.74	2,560,000	
Kazal Collection	2011	750,000	61.22	350,000	28.57	125,000	10.2	1,225,000	Tissue Box cover
	2010	720,000	67.61	235,000	22.07	110,000	10.33	1,065,000	
	2009	680,000	64.45	195,000	18.48	180,000	17.06	1,055,000	
	2008	625,000	65.45	210,000	21.99	120,000	12.57	955,000	
	2007	560,000	56.28	300,000	30.15	135,000	13.57	995,000	
Shamima Botique	2011	550,000	68.75	150,000	18.75	100,000	12.5	800,000	Boutique
	2010	490,000	62.82	180,000	23.08	110,000	14.1	780,000	
	2009	424,000	55.35	172,000	22.45	170,000	22.19	766,000	
	2008	400,000	47.9	285,000	34.13	150,000	17.96	835,000	
	2007	405,000	45.76	300,000	33.9	180,000	20.34	885,000	
Atashi	2011	3,100,000	69.58	1,200,000	26.94	155,000	3.48	4,455,000	Handicrafts
	2010	2,950,000	70.74	1,050,000	25.18	170,000	4.08	4,170,000	
	2009	2,800,000	72.26	975,000	25.16	100,000	2.58	3,875,000	
	2008	2,670,000	71.58	910,000	24.4	150,000	4.02	3,730,000	
	2007	2,500,000	67.57	1,000,000	27.03	200,000	5.41	3,700,000	
Eva Enterprise	2011	1,400,000	86.42	100,000	6.17	120,000	7.41	1,620,000	Cosmetics
	2010	1,315,000	87.38	50,000	3.32	140,000	9.3	1,505,000	
	2009	1,360,000	79.53	150,000	8.77	200,000	11.7	1,710,000	
	2008	1,330,000	70.31	300,000	15.63	270,000	14.06	1,920,000	
	2007	1,200,000	63.16	400,000	21.05	300,000	15.79	1,900,000	
New Sumatra	2011	2,800,000	86.15	200,000	6.15	250,000	7.69	3,250,000	Bag Manufacturer
	2010	2,730,000	83.74	230,000	7.06	300,000	9.2	3,260,000	
	2009	2,680,000	73.32	575,000	15.73	400,000	10.94	3,655,000	
	2008	2,450,000	72.7	500,000	14.84	420,000	12.46	3,370,000	
	2007	2,200,000	63.77	750,000	21.74	500,000	14.49	3,450,000	
Labanno Boutique	2011	4,580,000	91.05	200,000	3.98	250,000	4.97	5,030,000	Cloths manufacturer
	2010	4,350,000	89.14	230,000	4.71	300,000	6.15	4,880,000	
	2009	4,270,000	81.41	575,000	10.96	400,000	7.63	5,245,000	
	2008	3,940,000	81.07	500,000	10.29	420,000	8.64	4,860,000	
	2007	3,750,000	75	750,000	15	500,000	10	5,000,000	
Antique Boutique	2011	2,200,000	79.85	375,000	13.61	180,000	6.53	2,755,000	Boutique for furniture cloths
	2010	2,100,000	75.68	450,000	16.22	225,000	8.11	2,775,000	
	2009	1,980,000	83.9	180,000	7.63	200,000	8.47	2,360,000	
	2008	1,850,000	77.08	300,000	12.5	250,000	10.42	2,400,000	
	2007	1,600,000	69.57	500,000	21.74	200,000	8.7	2,300,000	
Ittadi Handicraft & Food Products	2011	1,490,000	88.43	120,000	7.12	75,000	4.45	1,685,000	Baby Cloths & Foods
	2010	1,400,000	90.32	100,000	6.45	50,000	3.23	1,550,000	
	2009	1,300,000	74.71	340,000	19.54	100,000	5.75	1,740,000	
	2008	1,150,000	68.66	400,000	23.88	125,000	7.46	1,675,000	
	2007	1,000,000	76.92	200,000	15.38	100,000	7.69	1,300,000	

Company Name	Year	Total Equity(000)	Total Equity(%)	Total Loan	% of loan	Total Lease	% of lease	Total Capital	Products
Nini's Collection	2011	1,790,000	75.53	400,000	16.88	180,000	7.59	2,370,000	Baby Cloths
	2010	1,650,000	71.9	420,000	18.3	225,000	9.8	2,295,000	
	2009	1,600,000	74.25	355,000	16.47	200,000	9.28	2,155,000	
	2008	1,550,000	70.62	400,000	18.22	245,000	11.16	2,195,000	
	2007	1,490,000	69.63	380,000	17.76	270,000	12.62	2,140,000	
Ruby ShilpaKurir	2011	1,580,000	88.76	200,000	11.24	nil	nil	1,780,000	Uptan, Hair oil, Cleanser Face Pack, Body oil.
	2010	1,500,000	79.79	350,000	18.62	30,000	1.6	1,880,000	
	2009	1,420,000	80.68	300,000	17.05	40,000	2.27	1,760,000	
	2008	1,250,000	77.88	275,000	17.13	80,000	4.98	1,605,000	
	2007	1,300,000	72.22	400,000	22.22	100,000	5.56	1,800,000	
Yaduns Enterprise	2011	3,080,000	73.51	910,000	21.72	200,000	4.77	4,190,000	Rice Mill
	2010	2,990,000	71.45	985,000	23.54	210,000	5.02	4,185,000	
	2009	3,050,000	67.18	1,170,000	25.77	320,000	7.05	4,540,000	
	2008	3,000,000	66.96	1,120,000	25	360,000	8.04	4,480,000	
	2007	2,800,000	62.92	1,250,000	28.09	400,000	8.99	4,450,000	
Mollikas Boutique & Handicrafts	2011	9,350,000	82.6	1,370,000	12.1	600,000	5.3	11,320,000	Fatua, Orna, Jeans, T-Shirt
	2010	8,800,000	80	1,520,000	13.82	680,000	6.18	11,000,000	
	2009	8,400,000	79.62	1,400,000	13.27	750,000	7.11	10,550,000	
	2008	8,750,000	77.43	1,850,000	16.37	700,000	6.19	11,300,000	
	2007	8,300,000	72.33	2,300,000	20.04	875,000	7.63	11,475,000	
Aesthetica	2011	6,040,000	76.55	1,350,000	17.11	500,000	6.34	7,890,000	RMG for Fatua Jeans, T-Shirt
	2010	6,000,000	76.73	1,300,000	16.62	520,000	6.65	7,820,000	
	2009	6,200,000	74.97	1,520,000	18.38	550,000	6.65	8,270,000	
	2008	5,800,000	72.5	1,700,000	21.25	500,000	6.25	8,000,000	
	2007	5,500,000	73.33	1,650,000	22	350,000	4.67	7,500,000	
Meena Boutiques	2011	3,700,000	82.96	500,000	11.21	260,000	5.83	4,460,000	Ladies T-Shirt, Ladies Fatua
	2010	3,600,000	82.38	650,000	14.87	120,000	2.75	4,370,000	
	2009	3,350,000	77.37	800,000	18.48	180,000	4.16	4,330,000	
	2008	3,300,000	74.53	888,000	20.05	240,000	5.42	4,428,000	
	2007	3,500,000	76.92	750,000	16.48	300,000	6.59	4,550,000	
Saat Rang Handicraft & Fashion	2011	4,300,000	80.83	700,000	13.16	320,000	6.02	5,320,000	Fatua, Ladies Shirt, Bed Cover, Regular Katha, Comforter
	2010	4,100,000	76.71	870,000	16.28	375,000	7.02	5,345,000	
	2009	3,900,000	75.44	850,000	16.44	420,000	8.12	5,170,000	
	2008	4,220,000	74.43	900,000	15.87	550,000	9.7	5,670,000	
	2007	4,000,000	73.39	950,000	17.43	500,000	9.17	5,450,000	
Shucharu	2011	2,900,000	76.72	600,000	15.87	280,000	7.41	3,780,000	Fatua, Unsteached Salwar-Kamiz, Shari
	2010	3,100,000	75.98	620,000	15.2	360,000	8.82	4,080,000	
	2009	3,250,000	74.88	650,000	14.98	440,000	10.14	4,340,000	
	2008	3,200,000	74.51	575,000	13.39	520,000	12.11	4,295,000	
	2007	3,000,000	73.17	500,000	12.2	600,000	14.63	4,100,000	
Eminent Fashion Cottage & Handicrafts	2011	3,800,000	87.96	100,000	2.31	420,000	9.72	4,320,000	Fatua, T-Shirt, Jeans, Formal Shirt
	2010	3,900,000	86.28	120,000	2.65	500,000	11.06	4,520,000	
	2009	3,750,000	83.33	280,000	6.22	470,000	10.44	4,500,000	
	2008	3,700,000	77.89	500,000	10.53	550,000	11.58	4,750,000	
	2007	3,500,000	72.92	700,000	14.58	600,000	12.5	4,800,000	
Ashmika's	2011	3,600,000	85.71	350,000	8.33	250,000	5.95	4,200,000	Ladies Fatua & T Shirt, Kamiz Cosmetics.
	2010	3,370,000	82.6	410,000	10.05	300,000	7.35	4,080,000	
	2009	3,420,000	80.85	630,000	14.89	180,000	4.26	4,230,000	
	2008	3,150,000	85.57	300,000	8.13	240,000	6.5	3,690,000	
	2007	2,800,000	77.78	500,000	13.89	300,000	8.33	3,600,000	

Evaluation of Relationship between Lease and Debt: A Study on 50 Domestic Firms of Bangladesh

Company Name	Year	Total Equity(000)	Total Equity(%)	Total Loan	% of loan	Total Lease	% of lease	Total Capital	Products
Sejuti's Dream	2011	7,000,000	72.61	1,620,000	16.8	1,020,000	10.58	9,640,000	Dyeing & Embroidery 3 Piece, Kurti
	2010	6,800,000	70.61	1,730,000	17.96	1,100,000	11.42	9,630,000	
	2009	6,520,000	70.11	1,630,000	17.53	1,150,000	12.37	9,300,000	
	2008	6,300,000	67.74	2,000,000	21.51	1,000,000	10.75	9,300,000	
	2007	5,800,000	69.05	1,800,000	21.43	800,000	9.52	8,400,000	
Akansha	2011	3,570,000	76.45	620,000	13.28	480,000	10.28	4,670,000	Moslen Shari & Bed Cover
	2010	3,400,000	78.7	520,000	12.04	400,000	9.26	4,320,000	
	2009	3,350,000	78.45	600,000	14.05	320,000	7.49	4,270,000	
	2008	3,100,000	73.81	720,000	17.14	380,000	9.05	4,200,000	
	2007	2,900,000	70.3	775,000	18.79	450,000	10.91	4,125,000	
Matuail Block and Jamdani House	2011	3,450,000	79.68	500,000	11.55	380,000	8.78	4,330,000	Jamdani Shari, 2-Pieces, 1-Piece
	2010	3,300,000	76.39	580,000	13.43	440,000	10.19	4,320,000	
	2009	3,200,000	71.59	750,000	16.78	520,000	11.63	4,470,000	
	2008	2,820,000	68.12	720,000	17.39	600,000	14.49	4,140,000	
	2007	2,600,000	68.06	800,000	20.94	420,000	10.99	3,820,000	
Easmin Boutique and Fashion House	2011	2,600,000	86.67	300,000	10	100,000	3.33	3,000,000	Boutiques & Jute item Piece
	2010	2,450,000	82.21	370,000	12.42	160,000	5.37	2,980,000	
	2009	2,500,000	80.13	400,000	12.82	220,000	7.05	3,120,000	
	2008	2,370,000	77.2	420,000	13.68	280,000	9.12	3,070,000	
	2007	2,200,000	71.2	550,000	17.8	340,000	11	3,090,000	
Rubina Angel Beauty Parlor & Boutiques	2011	2,300,000	80.84	420,000	14.76	125,000	4.39	2,845,000	Boutiques item & Parlour
	2010	2,130,000	72.7	600,000	20.48	200,000	6.83	2,930,000	
	2009	2,000,000	69.57	600,000	20.87	275,000	9.57	2,875,000	
	2008	1,890,000	65.4	650,000	22.49	350,000	12.11	2,890,000	
	2007	1,750,000	63.06	775,000	27.93	250,000	9.01	2,775,000	
SP Academy	2011	2,730,000	91.61	230,000	7.72	20,000	0.67	2,980,000	Boutiques item
	2010	2,500,000	87.41	300,000	10.49	60,000	2.1	2,860,000	
	2009	2,430,000	85.26	320,000	11.23	100,000	3.51	2,850,000	
	2008	2,260,000	81.29	400,000	14.39	120,000	4.32	2,780,000	
	2007	2,170,000	80.97	350,000	13.06	160,000	5.97	2,680,000	
Thai Poly Shawn (BD) Ltd.	2011	4,920,000	81.8	720,000	11.97	375,000	6.23	6,015,000	Export Orient HDPI Bags
	2010	4,800,000	77.42	800,000	12.9	600,000	9.68	6,200,000	
	2009	4,640,000	71.77	1,000,000	15.47	825,000	12.76	6,465,000	
	2008	4,170,000	66.51	1,050,000	16.75	1,050,000	16.75	6,270,000	
	2007	3,800,000	64.96	1,250,000	21.37	800,000	13.68	5,850,000	
Hafez Plastic Toy	2011	3,160,000	96.64	nil		110,000	3.36	3,270,000	Tea Set, Cricket Set, Golf Set, Baby Toy Item
	2010	3,000,000	92.88	30,000	0.93	200,000	6.19	3,230,000	
	2009	2,570,000	86.53	160,000	5.39	240,000	8.08	2,970,000	
	2008	2,480,000	80.52	300,000	9.74	300,000	9.74	3,080,000	
	2007	2,350,000	67.92	750,000	21.68	360,000	10.4	3,460,000	
Sumon Plastic	2011	2,360,000	86.67	240,000	8.81	122,880	4.51	2,722,880	Baby Toy manufacturer
	2010	2,240,000	82.55	320,000	11.79	153,600	5.66	2,713,600	
	2009	2,100,000	78.01	400,000	14.86	192,000	7.13	2,692,000	
	2008	1,960,000	73.68	460,000	17.29	240,000	9.02	2,660,000	
	2007	1,870,000	70.04	500,000	18.73	300,000	11.24	2,670,000	
XL Product	2011	4,120,000	73.05	1,260,000	22.34	260,000	4.61	5,640,000	Crockery item manufacturer
	2010	4,050,000	72.84	1,200,000	21.58	310,000	5.58	5,560,000	
	2009	3,900,000	73.86	1,000,000	18.94	380,000	7.2	5,280,000	
	2008	3,710,000	71.9	1,030,000	19.96	420,000	8.14	5,160,000	
	2007	3,400,000	71.28	1,170,000	24.53	200,000	4.19	4,770,000	

Company Name	Year	Total Equity(000)	Total Equity(%)	Total Loan	% of loan	Total Lease	% of lease	Total Capital	Products
Esha Plastic Product	2011	2,800,000	84.59	510,000	15.41	nil	0	3,310,000	Crockery Item manufacturer
	2010	2,870,000	80.62	590,000	16.57	100,000	2.81	3,560,000	
	2009	2,680,000	74.86	700,000	19.55	200,000	5.59	3,580,000	
	2008	2,540,000	72.88	645,000	18.51	300,000	8.61	3,485,000	
	2007	2,350,000	65.64	830,000	23.18	400,000	11.17	3,580,000	
Khaleque Plastic Co.	2011	1,680,000	87.5	140,000	7.29	100,000	5.21	1,920,000	Plastic Box, Crockery Item manufacturer
	2010	1,600,000	81.63	210,000	10.71	150,000	7.65	1,960,000	
	2009	1,620,000	76.42	300,000	14.15	200,000	9.43	2,120,000	
	2008	1,560,000	73.24	320,000	15.02	250,000	11.74	2,130,000	
	2007	1,400,000	67.63	370,000	17.87	300,000	14.49	2,070,000	
Bikrampur Plastic	2011	3,080,000	89.02	280,000	8.09	100,000	2.89	3,460,000	Plastic Mug, Box, Rack & Crockery Item manufacture
	2010	2,960,000	86.55	310,000	9.06	150,000	4.39	3,420,000	
	2009	2,820,000	81.5	470,000	13.58	170,000	4.91	3,460,000	
	2008	2,700,000	79.41	500,000	14.71	200,000	5.88	3,400,000	
	2007	2,550,000	76.58	560,000	16.82	220,000	6.61	3,330,000	
Bengal Polymer Wares Limited	2011	4,890,000	82.74	720,000	12.18	300,000	5.08	5,910,000	Home Furniture, Crockery Items manufacturer
	2010	4,500,000	82.27	800,000	14.63	170,000	3.11	5,470,000	
	2009	4,370,000	79.17	870,000	15.76	280,000	5.07	5,520,000	
	2008	4,150,000	74.51	1,020,000	18.31	400,000	7.18	5,570,000	
	2007	3,800,000	67.74	1,260,000	22.46	550,000	9.8	5,610,000	
Khan Bakelite Product	2011	2,190,000	83.27	320,000	12.17	120,000	4.56	2,630,000	Switch, Socket, Indicator, Various Holder
	2010	2,100,000	78.36	400,000	14.93	180,000	6.72	2,680,000	
	2009	2,025,000	75.42	360,000	13.41	300,000	11.17	2,685,000	
	2008	1,970,000	76.65	400,000	15.56	200,000	7.78	2,570,000	
	2007	1,840,000	71.32	480,000	18.6	260,000	10.08	2,580,000	
Pritom Prokash	2011	1,630,000	89.86	100,000	5.51	84,000	4.63	1,814,000	Press, Publication
	2010	1,570,000	85.7	150,000	8.19	112,000	6.11	1,832,000	
	2009	1,480,000	82.59	170,000	9.49	142,000	7.92	1,792,000	
	2008	1,500,000	76.05	300,000	15.21	172,500	8.75	1,972,500	
	2007	1,460,000	70.87	370,000	17.96	230,000	11.17	2,060,000	
Agami Prakashani	2011	3,280,000	74	930,000	20.9	240,000	5.39	4,450,000	Press, Publication
	2010	3,240,000	69.08	1,090,000	23.24	360,000	7.68	4,690,000	
	2009	3,060,000	66.23	1,140,000	24.68	420,000	9.09	4,620,000	
	2008	2,950,000	63.44	1,200,000	25.81	500,000	10.75	4,650,000	
	2007	2,760,000	60.13	1,260,000	27.45	570,000	12.42	4,590,000	
Creative International	2011	2,980,000	85.14	380,000	10.86	140,000	4	3,500,000	Ladies Bags, cosmetics, ornaments
	2010	2,740,000	83.03	400,000	12.12	160,000	4.85	3,300,000	
	2009	2,660,000	80.12	440,000	13.25	220,000	6.63	3,320,000	
	2008	2,450,000	73.8	620,000	18.67	250,000	7.53	3,320,000	
	2007	2,360,000	71.73	560,000	17.02	370,000	11.25	3,290,000	
Aziz Plastic Co. Ltd	2011	7,380,000	89.89	480,000	5.85	350,000	4.26	8,210,000	Plastic
	2010	7,150,000	91.08	550,000	7.01	150,000	1.91	7,850,000	
	2009	6,960,000	90.98	440,000	5.75	250,000	3.27	7,650,000	
	2008	6,650,000	87.27	620,000	8.14	350,000	4.59	7,620,000	
	2007	6,460,000	83.14	860,000	11.07	450,000	5.79	7,770,000	
ABM Dressers	2011	5,380,000	85.94	500,000	7.99	380,000	6.07	6,260,000	Cloths, RMG
	2010	5,150,000	84.98	550,000	9.08	360,000	5.94	6,060,000	
	2009	4,960,000	84.64	480,000	8.19	420,000	7.17	5,860,000	
	2008	4,680,000	81.96	550,000	9.63	480,000	8.41	5,710,000	
	2007	4,450,000	77.26	760,000	13.19	550,000	9.55	5,760,000	

How to Build-up Trust in an Organization: A Critical Review Mohammad Abul Kashem*

Abstract

Individual differences, risk, and situational factors manipulate trust which in contrast are related to communication, organizational openness, and employee involvement in context to organizational goals. These factual influences on trust also are inflamed through nature of job, future expectation and employee relations. With this instigation, the study focuses to identify the impact of the factors on trust and trust related activities. In judgment, type and level of work, intimacy and cooperation, dedication and contribution, individual characteristics, acceptance of risk and future growth potential and motivation are strongly supported at the end with Standardized Beta Coefficient of 0.675, 0.671, 0.550, 0.534, 0.422 and 0.356 respectively for trust development in the organization under multiple regression analysis through SPSS 22.0 with the sample size of 200. Finally, the model which ultimately used for trust movement in future relationships has covered 77.7% variation of trust constituents with the key factors.

Key Words: Factor analysis, organization, trust, trustworthiness

Introduction

Trust is whatever the organization develops through a process of keeping promise and commitment of dimensions of quality (Hennig-Thurau, Gwinner, & Gremler, 2002). Relationship value has a predominant role for maintaining relationship quality and behavioral outcomes, even though value displays more positive impact on satisfaction than on commitment and trust. Again, in order to maintain trust based relationship, relationship value should emphasize on relationship quality for avoiding risk. However, customer's intention is directed through value but trust worked as a mediator in between satisfaction and commitment (Ulaga & Eggert, 2004). Consequently, belief based mental state of trust comprises of competence belief-positive evaluation toward other party for accomplishing goal or expected result or action; dependence belief - role of other parties to accomplish goal; disposition belief - other party's willingness to do task or action; and fulfillment belief - belief oneself to goal achievement (Castelfranchi & Falcone, 1998). Usually competence in trust arises through technical knowledge, skills and ability to operate business application accordingly (Ratnasingham & Kumar, 2000). In these aspects, McAllister (1995) suggested that the choice basis for whom to trust and what circumstances were interpersonal.

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The climate of trust in an organization which in turns ensures high level of success, adaptation and innovation is created through organizational roles, relationships, experiences, and interdependencies (Shockley-Zalabak, Ellis, and Winograd, 2000). The common factors like sharing, cooperation, warmth, and fellowship are leading to develop trust in a work relationship (Sullivan & Peterson, 1982). Someone says trust is "based on belief not observable proofs" or "grounded in perceptions rather than evidence" (Tuckett, 2009).

On other hand, trust has importance on bilateral trade in goods, financial assets, and direct foreign investment (Guiso, Sapienza, & Zingales, 2009) and also in generation and structuring of deals (Bottazzi, Da Rin, & Hellmann, 2011). Though quality and adequacy of information foretells through trust of employees or top management (Thomas, Zolin, & Hartman, 2009), but risk and social preferences as well as beliefs about trustworthiness are reflected through trustaggregately (Duarte, Siegel, & Young, 2012). Due to multiplicity of causes surrounded with trust, the study aims at identifying how trust is created among employees in organization and also identify the role of key variables in trust development.

Literature Review

The inter relationship, duration of togetherness, interaction effect, mutual understanding, initiatives taken for risks, intimacy of work, type of work, and trust create dependency in between persons (Mayer, Davis, & Schoorman, 1995). But, it is subjected to vulnerability (Boss, 1978) and the level of trustworthiness in the relationship (Key & Knox, 1970). Again, trust materializes a transaction between parties, and continuation of relationships through a process of keeping promise (Hewlett & Bearden, 2001) and the commitment of relationship quality (Hennig-Thurau, Gwinner, & Gremler, 2002). In addition, trust relies on confidence in exchange of transaction keeping a golden rule of maximizing credibility and reputation at expected levels (Schanz, 2009).

From several other factors, trustworthiness, a frontward view has been crafted off in an organization from competence, business sense, judgment (Gabarro, 1978), personal orientation (Jones, James & Bruni, 1975), intentions (Cook & Wall, 1980); integrity (Lieberman, 1981); tendency about taking risk & risk behavior, organizational control, social influences (Sitkin & Pablo, 1992) and likelihood of person's behaving (Solomon, 1960). The other considerable factors that working behind the trust development are transparency, trustworthiness, reputation and staff morale subject to corporate governance, disclosures and ethics (Schanz, 2009). Again, it is believed that financial transactions are trust sensitive (Duarte, Siegel, & Young, 2012). In contrast, Graham, Harvey & Puri (2010) warned that the chances of fraudulent practices can prevail due to misleading trustworthy appearance or absence of predicting actual personality traits or characteristics.

Trust, an unavoidable dimension of social interaction (Gambetta, 1988), has been used in several areas like leadership (Atwater, 1988), labor-management relations (Taylor, 1989) and team development (Lawler, 1992). Again, trust arises due to riskiness of economic transaction (Humphrey, and Schmitz, 1998). It is related with the factors like perceived risk, and technology orientation (Mukherjee, and Nath, 2003). However, it pertains to likelihood of beneficial cooperation (Gambetta, 1988; Guseva & Rona-Tas, 2001). By using trust, uncertainty inherent with commercial credit transactions can be transformed into risk, but

subjective to probability judgments (Schoemaker, 1982). Again, it is evident from the literature on organizational capabilities and inter-firm relations that the joint use of technical and economic know-how, mutual flexibility, and collective bearing of risk associated with technological innovation are allowed in long term oriented relationship (Loasby, 1994).

In today's world, the policies and practices of management along with the activities of employees were related to trust with respect to competency, and benevolence in business aspects (Sirdeshmukh, Singh, & Sabol, 2002). The effect of trust goes beyond either predictability (Deutsch, 1958) or expectancy (Good, 1988; Rotter, 1967) depending on personality traits (Farris, Senner, & Butterfield, 1973) or professional competence and integrity (Lieberman, 1981). Basically, the formation of expectation is influenced through appearance -based inferences and keenly related to economic actions (Cesarini, Dawes, Fowler, Johannesson, Lichtenstein, and Wallace, 2008). Few scholars argued that in transition period between IT economy to trust economy is leading to positive predictable outcomes by willingness to belief (Keen, 1997).

Methodology

The study is descriptive in nature conducted by using a survey method. The population was the officials of Dutch Bangla Bank Limited, Bangladesh Shipping (Pvt.) Limited, Shahjalali Islami Bank Limited, NRB Global Bank Limited, First Security Islami Bank Limited, Farcast Life Insurance Limited, Progati Life Insurance Limited, Agrani Bank Limited, Pubali Bank Limited, Ispahani Group Limited (Tea Division) and Bangladesh Shipping Corporation Limited. The objective of the research is to examine the relationships among predictors and criterion variable creating trustworthiness and trust in an organization in general and the selected organizations in particular. The study based on quantitative view for generating credible and reliable result (Hyde, 2000) and cross-sectional study for at one point of time survey (Saunders, Lewis & Thornhill, 2009) through self-administered survey for better and complete response with shorter period of time (Muijs, 2004). Due to absence of clear idea about population size, items-scale ratio ranged from 1:4 to 1:10 for each set of scale (Hinkin, 1995). That's why; sample size of 250 respondents was considerable for 21 items for descriptive purposes. For easy access and saving of time, money and effort, convenience sampling was considered here (Marshall, 1996). The perception survey questionnaire measured through earlier suggested measures opined by the researchers/experts and also changes made by states using a five-point closed order Likert scale, where 1 indicates that the variable is not important at all and 5 is very important with extensive support from the literature. The sample size was targeted 250 initially, 200 were selected based on avoiding missing responses.

Here the variables - Type & Level of Work (TLW), Intimacy & Cooperation (IC), Future Growth Potential & Motivation (FGP), Acceptance of Risk (AR), Individual Characteristics (ICH), Dedication & Contribution (DC) have been considered to justify the role as predictors and Trust (T) as a criterion variable. Based on past literature review, the hypotheses set for analyzing the relationships were:

Hypothesis 1: There is a significant relationship between type & level of work and trust in the organization.

Hypothesis 2: There is a significant relationship between intimacy & cooperation and trust in the organization.

Hypothesis 3: There is a significant relationship between future growth potential & motivation and trust in the organization.

Hypothesis 4: There is a significant relationship between acceptance of risk and trust in the organization.

Hypothesis 5: There is a significant relationship between individual characteristics and trust in the organization.

Hypothesis 6: There is a significant relationship between dedication & contribution and trust in the organization.

Data Analysis

To assess relationships among the studied variables the researcher has performed multiple regression analysis through SPSS 22. These analyses supposed to help to understand which model fits the data best while presenting a credible assessment on the antecedents of trust in the organization.

The typical multiple linear regression is:

$$Y = B_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n + e$$

Where,

Y = Dependent Variable

B_0 = Intercept

b = Slope for any corresponding change in one unit of X.

X = Independent variable.

e = Error term (Normally distributed about a mean of zero)

The above formula can be converted as follows depending on the variables [Type & Level of Work (TLW), Intimacy & Cooperation (IC), Future Growth Potential & Motivation (FGP), Acceptance of Risk (AR), Individual Characteristics (ICH), Dedication & Contribution (DC) as predictors and Trust (T) as criterion variable] considered for the study:

$$T = B_0 + b_1TLW + b_2IC + b_3FGP + b_4AR + b_5ICH + b_6DC$$

Result

Statistical techniques were applied to assess the reliability and validity of the survey and to obtain more clarity regarding the influence of the selected variables on trust.

Reliability

In measuring reliability coefficient for the different constructs were computed using the reliability procedure in SPSS 22.0. The reliabilities of the entire construct used in this study found to be above the standard set which is 0.70 (Nunnally, 1978). The range of Cronbach's alpha shows the reliability of the variables of research ranges from = 0.711 to = 0.880; mean scores had been computed by equally weighting the mean scores of all the relevant to each construct.

Table # 1: Reliability Statistics

Items	Cronbach's Alpha Based on Standardized Items	Overall Cronbach's Alpha
Trust	0.711	0.798
Intimacy & Cooperation	0.880	
Individual Characteristics	0.766	
Future Growth Potential& Motivation	0.801	
Dedication & Contribution	0.799	
Acceptance of Risk	0.803	
Type & Level of Work	0.815	

Table 1 shows the Cronbach's Alpha of each of the variables where the variables intimacy & cooperation has the highest alpha values and individual characteristics has the lowest but all are within acceptable limit of 0.70.

Table#2: Descriptive Statistics

	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Intimacy & Cooperation Individual	2.632	0.87598	0.648	0.11	-0.138	0.22
Characteristics Future Growth	2.9696	0.77619	-0.32	0.11	-0.636	0.22
Potential & Motivation	3.7792	0.5297	-0.592	0.11	0.069	0.22
Dedication & Contribution	3.2042	0.47082	0.518	0.11	0.235	0.22
Acceptance of Risk	3.7336	0.65816	-0.336	0.11	0.721	0.22
Type & Level of Work	4.0324	0.64683	-0.478	0.11	0.318	0.22
Trust	3.3054	0.37112	-0.281	0.11	0.288	0.22

Descriptive Statistics: The followings are the attempts undertaken to justify the result of the study:

Normality Test

With the previous set guidelines for checking normality through Skewness and Kurtosis were used where positive and negative value indicates the direction of positive and negative relations respectively (Saunders, Lewis & Thornhill, 2009) and the threshold values for justification were +/- 3 and +/- 10 for Skewness and Kurtosis respectively (Kline, 2005).

Table # 2 results that the mean for type & level of work (4.03) is the highest while for Intimacy & Cooperation(2.63) is the lowest though highest dispersion goes with Intimacy &

Cooperation(0. 875). The skewness and kurtosis are ranged from -0.636 and 0.721, but within the expected values of skewness and kurtosis. Hence the data is normally distributed.

Multicollinearity Test

To test the linear association among predictors and the degree of relationship, Pearson Correlation analysis has been used with the issue of multicollinearity having score more than +/- 0.90 (Hair, Bush & Ortinau, 2006).

Table #3: Pearson's Correlations

		Trust	Intimacy & Cooperation	Individual Characteristics	Future Growth Potential & Motivation	Dedication & Contribution	Acceptance of Risk	Type & Level of Work
	Trust	1	0.382	0.442	0.382	0.506	0.518	0.59
Pearson Correlation	Intimacy & Cooperation	0.382	1	0.368	0.216	0.044	-0.096	-0.008
	Individual Characteristics	0.442	0.368	1	0.232	0.022	0.077	0.127
	Future Growth Potential & Motivation	0.382	0.216	0.232	1	0.253	0.022	0.054
	Dedication & Contribution	0.506	0.044	0.022	0.253	1	0.216	0.141
	Acceptance of Risk	0.518	-0.096	0.077	0.022	0.216	1	0.607
	Type & Level of Work	0.59	-0.008	0.127	0.054	0.141	0.607	1

From table # 3 of Pearson's correlation analysis, the highest coefficient value shown is 0.607 which is not so close to the limit of multicollinearity issues.

Multiple Linear Regressions

The study under Multiple Linear Regressions is perfect due to more than one independent variables and a single dependent variable (Zikmund et. al., 2010). To identify the relative significance, regression coefficient is used whereas coefficient of multiple determinations (R²) provides the true predictor of multiple regression equation (Saunders et. al., 2009). The threshold value of p is less than 0.05.

Table - 4 a: Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig.F Change
1	.881 ^a	0.777	0.774	0.1765	0.777	281.53	6	486	0
a. Predictors: (Constant), Type & Level of Work , Intimacy & Cooperation, Future Growth Potential& Motivation, Acceptance of Risk , Individual Characteristics , Dedication & Contribution									
b. Dependent Variable: Trust									

Table- 4b: ANOVA ^a

Model		Sum of Squares	df	Mean Square	F	Sig
	Regression	52.622	6	8.770	281.530	.000 ^b
1	Residual	15.140	486	0.031		
	Total	67.762	492			

a. Dependent Variable: Trust

b. Predictors: (Constant), Type & Level of Work , Intimacy & Cooperation, Future Growth Potential& Motivation, Acceptance of Risk , Individual Characteristics , Dedication & Contribution

As per table # 4a, the R² of the model is 0.777 means to 77.7% variation in Trust can be explained by the predictors (Type & Level of Work, Intimacy & Cooperation, Future Growth Potential& Motivation, Acceptance of Risk , Individual Characteristics , Dedication & Contribution). The rest of 22.3% due to other factors' influences namely family relation, dependency and other related issue, etc.

Now, the regression equation is:

$$T = B_0 + b_1 TLW + b_2 IC + b_3 FGP + b_4 AR + b_5 ICH + b_6 DC$$

Table - 5: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1 (Constant)	0.052	0.085		0.607	0.544					
Intimacy & Cooperation	0.615	0.01	0.671	13.634	0	0.59	0.526	0.292	0.624	1.602
Individual Characteristics	0.512	0.011	0.534	9.9	0	0.442	0.41	0.212	0.82	1.219
Future Growth Potential & Motivation	0.309	0.016	0.356	6.763	0	0.382	0.293	0.145	0.866	1.155
Dedication & Contribution	0.576	0.018	0.55	11.499	0	0.382	0.462	0.247	0.83	1.205
Acceptance of Risk	0.425	0.016	0.422	8.029	0	0.518	0.342	0.172	0.602	1.66
Type & Level of Work	0.622	0.016	0.675	15.377	0	0.506	0.572	0.33	0.888	1.126

a. Dependent Variable: Trust

Hence, the equations valued as-

$$T = 0.052 + b_1(0.622) + b_2(0.615) + b_3(0.309) + b_4(0.425) + b_5(0.512) + b_6(0.576).$$

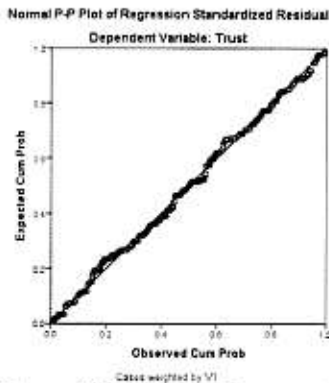


Fig # 1: Normal P-P Plot of Regression Standardized Residual

The model for the chart is found to be accurate being strong correlation between the models' prediction and its actual result in the fig # 1.

Table - 6: Summary of the Multiple Regression Result

Hypothesis	<i>B</i>	<i>P</i>	Statistically supported or not.
There is a significant relationship between type & level of work and trust in the organization.	0.675	.000	Supported
There is a significant relationship between individual characteristics and trust in the organization.	0.534	.000	Supported
There is a significant relationship between intimacy & cooperation and trust in the organization.	0.671	.000	Supported
There is a significant relationship between acceptance of risk and trust in the organization.	0.422	.000	Supported
There is a significant relationship between future growth potential & motivation and trust in the organization.	0.356	.000	Supported
There is a significant relationship between dedication & contribution and trust in the organization.	0.550	.000	Supported

The above table (table-6) summarizes the relationship between dependent and independent variables. All other hypotheses are supported statistically and type & level of work has the most significant impact on trust (0.675).

Discussion and Conclusion

The study demonstrated the use of multiple regression approach as a powerful tool to identify the understanding of influential of trust constituents in the organization. It was found that type & level of work (0.675), intimacy & cooperation (0.671), dedication & contribution (0.550), individual characteristics (0.534), acceptance of risk (0.422), and future growth

potential & motivation (0.356) are the significant positive attitudinal factors for developing footprint in the organization. And these findings also are somewhat evidential with the earlier study of Kim Kim, Song, Braynov, & Rao, (2005), and Mukherjee & Nath (2003) under shared value, opportunistic behavior, consumer -behavior dimension, institutional dimension, transaction dimension & technology dimension perspective. The variation in the result of interdependent factors victimized due to abstract consideration perception of the respondents that will lead to a higher level of trust. In fine, this research has empirically achieved encouraging empirical results for the trust development and has implications for the policy makers and industry leaders.

Historically, banks lending money to the clients in different format either in credit card, personal loan or SME loan and also maintain security, guarantor and so on, but traders on this particular site follow and do business in credit abruptly without having such documents depending on trust. Actually, tenure of transaction, internal cooperation and trust create a different business atmosphere. These kinds of relations are attacked through either on "the increased vulnerability of individual organizations or possible mutual blockage" (Bachmann, 2001). Undoubtedly, belief or trust is one of the most influential role players in such arena. Obviously, tendency for cooperation and the issue of trust has been contributing in trans-organizational economic activities in the organization (Bachmann, 2001). This study incorporates how trust is created and what causes to take risk in enormous level but which can be extended by using more samples and wider coverage in future.

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Shakespeare's Manipulative Approach to Human Psychology in *Hamlet* and *Othello* Muhammad Nazrul Islam

Abstract

William Shakespeare delves deep into human psychology more than any other playwright does. At the nascent stage of psychology, Shakespeare seems to be instrumental in his study of human beings. The characters that Shakespeare sketches are the justified embodiment of human behavior, intellect, passion and paradox. With the indelible brush stroke of a maestro, the playwright portrays the ins and outs of human conscience through life-like and life-oriented characters. The characters in most of his great plays are divided between action and inaction, contradiction and frustration, doubt and despair, belief and disbelief, and above all a perennial battle between good and evil forces has been the trademark of the nature of his portrayal. Employing a rare ingenuity, Shakespeare has been able to bring out the best or the beast inside human beings. This paper critically examines the dramatist's depiction of human relationships among lovers, friends, spouses, father-son, son-mother, father-daughter, brother-sister with a varied but holistic approach. When he analyzes these relationships in his works, he is merged and at one with them and, this proves the majesty of his creations. This article also shows the height of the playwright's excellence when he looks into the innermost part of human conscience during the moments of sorrows, loss or pain, or in the ecstasy of joy and happiness especially in the plays of Hamlet and Othello.

Key Words: Conscience, feigned madness, human psychology, jealousy, suspicion

Of all the dramatic works of Shakespeare, *Hamlet* and *Othello* are marked out as the two outstanding tragedies with their own traits in human dealing. His works have been read and analysed generation after generation. Each generation has interpreted his works as their own. Shakespeare is accessible to all heedful and perceptive readers irrespective of gender, race, religion and nationality. This proves him as one of the greatest dramatists whose fame has been inexhaustible and widespread among mankind. Shakespeare is an open book and the diligent and patient readers can delineate the multifaceted meanings of his works. There are some aspects of Shakespeare's writing which will remain under mystery to be resolved like the chronological order of his plays, the alien material incorporated in his works, borrowings from other writers' works and interpolations if there were any. What is important here is that Shakespeare's works have survived to delight and instruct throughout the ages.

Shakespeare's upbringing helped him to gain knowledge over different groups of people from the king to the clown either living in his beloved countryside or in the din and bustle of London city. This even helped him to figure out how their minds work and what their motives are. In this way, Shakespeare turns to be a master of human 'psychology' although the very word itself was not familiar in his time.

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Shakespeare knew intuitively what modern psychology had been dealing with at that time. It is his understanding of universal humanity, human emotion and instinct that made him one of the greatest philosophers of human mind ever known.

At times, we forget that Shakespeare primarily wrote for the audience of Elizabethan time and the purpose was simply to entertain them. However, our playwright weaved his work creatively as all artisans do and this is how he surpassed the narrow timeframe. His characters have become universal because they have survived the changes of time, place and manners. Shakespeare is indeed a master of human mind because of his minute observation of human subtleties, eccentricities and egocentricities and all that make him a writer of all time.

In Shakespeare's *Hamlet*, we find one of the most subtle and brilliant studies of feigned madness over which the readers were divided. To some readers he was mad and to others that was crafty madness. Hamlet was a dreamer but was forced by circumstances to take the role of the man of action especially when he was instructed by the Ghost of his father King Hamlet to take revenge of his death. This discrepancy between dream and reality resulted in his indecision, melancholy, growing apathy coated with cynicism to life. To him the world is 'weary, stale, flat and unprofitable' (I.ii.133).

Famous French philosopher Montaigne says that the extreme pleasure does not affect us to the degree that a light grief does. In case of Hamlet, we find a true reflection of such an opinion when he overlooks the true love of a sweet girl Ophelia because of his intolerable grief. When Ophelia wanted to return the 'rich gifts' of Hamlet to him, he denied her love by saying 'I loved you not' (III.i.118-119). Controversy may arise regarding Hamlet's age because Shakespeare shows a mere boy having a philosophic turn of mind is profound and pessimistic but this matter is settled in the graveyard scene where Hamlet is a man of profound thought and feeling equivalent to his age especially when he was contemplating on the skulls of dead bodies.

Hamlet was in dilemma regarding religious belief and suicidal desires which crept into his mind greatly because of the hasty marriage of his mother. He curses the whole womankind, 'Frailty thy name is woman', and out of this disgust he finds the world as 'weary, stale, flat, and unprofitable' (I.ii.113). Fear of future punishment and religious obedience withdraws him from the contemplation upon suicide. He thinks that a bold man may 'jump life to come' but that will be an act of cowardice escaping life by self-inflicted death.

Hamlet who is a man of great moral courage with peculiar sensibility becomes desperate to take revenge after the instruction of the ghost. As a result, the play Hamlet reaches its end with the punishment of King Claudius which is reflected through the words of Laertes:

He is justly served; / It is a poison tempered by himself (V.ii.333-334).

Hamlet ultimately takes the vengeance on evil-doers paying the utmost price for his self-imposed torture. His last words: 'The rest is silence' (V.ii.363) probably frees him from the cruel world and John Dover Wilson aptly says, 'Most critics have agreed that Hamlet is one of the most fascinating of Shakespeare's creations; that he is a study of genius.' His psychological study of human being is reflected in his utterance when he says,

The play's the thing/ Wherein I'll catch the conscience of the King (II.ii.600-601).

Othello is a character who changes from a brave, loving husband into a jealous and suspicious husband by the evil design of Iago who is known for his grand boast, 'I am not what I am'(I.i.66). Iago is so successful in his manipulation of Othello that even the simplest action has been suspected by Othello and is shown in the worst possible interpretation. *Othello* is a tragedy of jealousy which almost turns into a mania and it is an intriguing psychological study for mankind.

Othello is a brave soldier who has won the simple and trusting Desdemona by his story of adventures, daring deeds in many lands. His marriage has all the ingredients of a happy one but Iago in the guise of a serpent sneaks into the Eden. Iago hates the Moor because he has made Cassio his lieutenant who,

Nor the division of battle knows/ More than a spinster (I.i.23-24).

The Moor who is a man of open and free nature has no suspicion of Iago rather addresses him as a man of honesty and trust. Here is an interesting psychological aspect when Iago candidly acknowledges the nobility of Othello's outlook:

The Moor, howbeit that I endure him not,
Is of a constant, loving, noble nature,
And I dare think he'll prove to Desdemona
A most dear husband. (II.i.282-285)

So, Iago is determined to blacken Desdemona in her husband's eyes:

So will I turn her virtue into pitch;/ And out of her own goodness make the net/ That will
enmesh them all (II.iii.349-351).

To fulfil his evil design Iago wins over the foolish Roderigo who is easily duped by him and puts money in his purse only to be used by cunning Iago. Iago spins his web of intrigue very well when Cassio, out of courtesy, welcomes Desdemona in Cyprus and he comments:

He takes her by the palm;/ Ay, well said, whisper:/ With as little a web as this will I ensnare as
great a fly as Cassio (II.i.166-169).

So, what we find here is that Iago is in full command over Cassio, Roderigo, Desdemona and Othello and it puzzles the readers to call it as Iago's play rather than Othello's. Iago sows the seeds of suspicion into the Moor's mind to such a scale that there derived a term in medical science as the 'Othello Syndrome' in 1955 by the English psychiatrist John Todd in a paper he published with K. Dewhurst entitled, 'The Othello Syndrome: A Study in the Psychopathology of Sexual Jealousy'. In medical terms it is defined as:

The delusion of infidelity of a spouse or partner. The Othello syndrome affects males and, less often, females. It is characterized by *recurrent accusations of infidelity, searches for evidence, repeated interrogation* of the partner, tests of the partner's fidelity, and sometimes stalking. The syndrome may appear by itself or in the course of paranoid schizophrenia, alcoholism, or cocaine addiction. As in *Othello*, the play by Shakespeare, the syndrome can be highly dangerous and result in disruption of a marriage, homicide and suicide. (Med Terms Medical Dictionary)

A deep-rooted jealousy like this is all-conquering and irresistible. It brings the destruction and

fall of such a strong character like Othello which has been perfectly delineated by Shakespeare. The tragedy of Othello will be enacted as long as human nature keeps working in all changing situations. Regarding Desdemona's murder to which Othello appears to be a victim of Iago's malignity, he said so truly but pitifully of himself: For nought I did in hate, but all in honour (V.ii.298).

Shakespeare understands people, how they think and feel, even their shortcomings in terms of their social, ideological and religious expectations. He knows how people's thinking is so lazy, illogical and short sighted. Shakespeare seems to have understood heuristics which is the study of how people think and there are many examples of the thought processes in his works. A handkerchief as a proof of Desdemona's infidelity. Iago answers to this:

Trifles light as air/Are to the jealous confirmations strong/As proofs of holy writ' (III.iii.326-328).

Shakespeare is profoundly introspective and so he gains insight into human mind. He accurately observes human jealousy, emotion, passion and these are the materials that he used in portraying his characters. He has been very much aware of happiness, agony and remorse that he could have exhibited their effects in proper situations created by him in his works with the help of his imagination.

Thus, Shakespeare touches upon the darker side and brighter side of human life in his tragedies and comedies especially in *Hamlet* and *Othello*. These tragedies are soul stirring and joyous and at times he masterfully blended the elements of both the genres into an organic whole. Every aspect of life has been enlightened and made clearer by his master stroke and, in the battle of evil and good in his works, the evil has been justifiably punished and the good has been rewarded and thus he ever upholds the poetic justice. The moral relating to the principles of right and wrong and acting on human character has brightened Shakespeare's works but it is such a thing that is to be garnered by all.

Harold Bloom's *Shakespeare: The Invention of the Human* captures the fact that the Bard is one of our first and greatest psychologists. We can call him as the radiant psychologist who peeped into the inner workings of the human mind and was interested to know how it works there. All sorts of human action, expression, passion have been exposed in his works. Shakespeare had a bird's eye view of mankind and went into the root of the mind to explore the complexities and unfathomable depth.

Hamlet and *Othello* belong to the group of the masterpieces ever written by Shakespeare because he brings out the inmost flickering of the human mind into the plays. Sigmund Freud's friend and biographer Ernest Jones mentioned 'Shakespeare was the first modern' in an essay which he began in 1910, revised in 1923 and expanded in the 1940's, because Shakespeare understood the issues of human psychology so well. Jones further added that 'the essential difference between prehistoric and civilized man' was that 'the difficulties with which the former had to contend came from without' whereas 'those with which the latter have to contend really came from within'. Eventually, Shakespeare reaches the height when he deals with issues that come from within (72-113).

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