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*Masood Hassan*

A Fresh Look at Understanding Consumer Purchase Intentions towards Packaged Milk through the Lens of Theory of Planned Behavior

*Hannan Afzal, Dr. Farida Faisal and Dr. Ahmed Imran Hunjra*
THE ROLE OF VIRTUAL COMMUNITIES IN BUILDING BRAND TRUST

Muhammad Tabish\(^1\), Dr.Amanat Ali Jalbani\(^2\) and Dr. Adnan Bashir\(^3\)

Abstract

The aim of this study is to investigate the role of virtual communities in building brand trust through community trust by participation and social networking of the members of a virtual community. All the constructs were adapted from previously established studies that's why all the measures were validated. The conceptual model and measurement model representing the hypothesized relationship between virtual community, community participation, community social network, community trust, and brand trust. Total of 856 responses was collected from automobile virtual community members and based on that data confirmatory analysis and structural modelling have been done accordingly. Virtual community participation and virtual community social networking have a positive influence on community trust, whereas that community trust transforms into brand trust later on. Participation and social networking in a virtual community play a vital role in order to build community trust that transfers into brand trust. Because if a member trust in a virtual community will ultimately trust a brand, that is suggested by that community so marketers can get an advantage through observing the behaviour of their target groups and making more effective strategies by getting closer to them.

Keywords: Virtual Community, Community Participation, Community Social Network, Community Trust, Brand Trust.

JEL Classification: M310

Introduction

Due to the rising access to information, the internet has become the first choice for people to communicate and share their ideas (Kim, Lee, & Lee, 2019). This increase in usage of the internet has also effected on customer’s attitude toward brands and their purchase process. Certainly, the internet influences customer decisions and preferences (Casaló, Flavián, & Guinalíu, 2007). In beginning organizations inform customers about their product or service later on customers also got able to

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provide feedback to them. But in recent years, the internet allows customers to interact with other customers on different online platforms, these online platforms could be different social network sites like Twitter, Facebook, LinkedIn, etc. these platforms could be in the form of blogs and vlogs as well (Chih, Hsu, & Liou, 2017).

The rising popularity of social networking sites has created a new social platform for members to connect and share their enthusiasm about their favorite brand with their friends, personal contacts, and other acquaintances (Christensen et al., 2017). Both commercial companies and professional consulting firms have invested considerable resources in developing various marketing strategies related to user engagement in online brand communities on social networking sites. There is a strong professional focus on operational issues of engagement (Zheng, Cheung, Lee, & Liang, 2015).

The concept of virtual community has emerged due to the era of internet and technology. This has helped the consumers at large as they get the opportunity to communicate with each other about their interests regarding the brand. Virtual communities give a platform to participate and get information about the brand in the decision journey (Kamboj & Rahman, 2017). A virtual community is one of the online platforms that allow a customer to share his experiences, common interests and practices with other customers (Shafique, Ahmad, Kiani, & Ibrar, 2015). Virtual communities give a platform for C2C (consumer to consumer) communication, which directly or indirectly influence customer’s purchase behaviours and their emotional experiences. Through studying and analyzing the customer’s influenced purchasing behaviours, firms can have a better perspective on business expansions, growth, and profitability. It builds an emotional connection between consumers as well as towards the products/services and experiences, which makes the virtual community network stronger (Chou & Sawang, 2015).

Consumer to consumer communication has rapidly increased by the means of Virtual communities. This is due to the exposure of these online communities. These are not only mediums of communication but also getting information about the brand (Wilkin, Campbell, Moore, & Simpson, 2018). Therefore, not only the consumers but firms are also indulged in these brand communities. Community social networking through these sites has enhanced the E-WOM (electronic word of mouth). Community member’s WOM plays a vital role in influencing other members. Firms are using these sites to promote their brands to the customers. This can be done in a few seconds with the help of these sites (Chih, Hsu, & Liou, 2017). Pakwheels forums and SWOT Facebook pages are the most consuming online communities are Pakistan. Virtual communities can connect to the millions of people so easily.
Literature Review

Virtual Community

Online community comes into existence due to the exposure of social networking sites which help companies in interacting with their customers through the internet. On Social websites such as Twitter, Facebook, and LinkedIn consumers and Firms share information around the globe regarding product upgrading and company reports. Through virtual communities, members get a sense of belonging and membership towards the community members. Consumers have a social influence because they get recommendations and online reviews through the communities (Chih, Hsu, & Liou, 2017).

According to Fournier and Lee (2009), there are three types of virtual communities:

i. Pool
ii. Web
iii. Hub

Pool

Pool virtual communities based on shared activities, or shared values, or shared goals.

Web

Web virtual communities based on strong one to one relationship and having the same interest and goals.

Hub

Virtual communities based on Hub association having a strong central figure but the weak connection among members.

Virtual communities give a platform for C2C (consumer to consumer) communication, which directly or indirectly influence customer’s purchase behaviours and their emotional experiences. Through studying and analyzing the customer’s influenced purchasing behaviours, firms can have a better perspective on business expansions, growth, and profitability. It builds an emotional connection between consumers as well as towards the products/services and experiences, which makes the virtual community network stronger (Chou & Sawang, 2015).
Community Participation

These communities become a platform for expanding electronic word of mouth which creates an impact on sales. Apart from building relationships on these virtual communities one could get information about trendy items or new product ideas (Wilkin et al., 2018). Furthermore, these communities have some shared interest people who shared rules, rituals, laws, and for the feeling of belongingness they do technological-aided communication) rather than face to face interaction (Kamboj & Rahman, 2017). Along with the understanding of the creation of values, understanding of the most suitable effort is essential for the success of any virtual community and due to these necessary efforts of a sponsor, trust could be foster among the members of a community which encourages the members to build up the trusted bond with the sponsor for sharing information. Therefore, the participation of a customer in a virtual community depends on the effective content which is managed by the sponsors (Rivera & Cox, 2016).

Community Social Networking

These communities become a platform for expanding electronic word of mouth which creates an impact on sales. Apart from building relationships on these virtual communities one could get information about trendy items or new product ideas (Vătămănescu, Andrei, & Pînzaru, 2018). Furthermore, these communities have some shared interest people who shared rules, rituals, laws, and for the feeling of belongingness they do technological-aided communication) rather than face to face interaction (Zhang et al., 2017). Furthermore, along with the understanding of the creation of values, understanding of the most suitable effort is essential for the success of any virtual community and due to these necessary efforts of a sponsor, trust could be foster among the members of a community which encourages the members to build up the trusted bond with the sponsor for sharing information. Therefore, the participation of a customer in a virtual community depends on the effective content which is managed by the sponsors (Kananukul, Jung, & Watchravesringkan, 2015).

Community Trust

A few communities are created over the web where people say they have friends but it’s all vague and in such a case it’s hard to believe in those so-called real friends. For example: would you trust a review of another person who may be your Facebook friend but not exactly a real friend, it is mostly situational (Ruan & Durresi, 2016). Building strong trust in a brand through information shared through online forums require strong communication. For strong communication to be there amongst the members of the communities, active participation by the members is essential. The absence of active participation leads to not so effective communication (Becerra & Badrinarayanan, 2013). As a consequence of this, the development of trust relating to a brand is slowed or hindered. Lack of effective communication serves as an obstacle in building brand trust which leads to the creation of community trust (Perepelkin & Di Zhang, 2011). Knowledge sharing mediates virtual
team effectiveness, the more the sharing of information would be there through virtual community members, the deeper the level of trust is to be built for the brand and vice-versa (Hur, Ahn, & Kim, 2011). Community trust in association with brand trust revolves also around the effectiveness of knowledge sharing that happens by community members over virtual community platforms.

**Brand Trust**

The brand trust aims to achieve competitive advantage and higher generation of performance. It is a combination of familiarity, security, privacy, word-of-mouth, advertising, and brand image, however, all of this has not been proved to work in the online sector (Cheng, Fu, Sun, Bilgihan, & Okumus, 2019). There are four components of trust, namely the perception of competence, predictability, benevolence, and integrity. Competence is the ability of the brand to satisfy the needs of the customers by the generation of higher satisfaction. Predictability is the initial trust that the customers have in the brand without any ambiguity (Du & Mao, 2018). Benevolence is referred to as the maximum promotion of shareholder interests. Integrity is the representation of fairness and honesty towards the business and customers (Hegner & Jevons, 2016). All these are the components of establishing brand trust.

Brand trust plays a more important role in influencing the customers more particularly when a higher level of risk is involved in the purchase and buying decision. This usually occurs for more expensive products and services. Brand trust is basically the degree of confidence of the customer in the ability of the brand to satisfy their needs and influences their decisions (Sharma, Alavi, & Ahuja, 2017). Brand trust results in the establishment of brand loyalty. The degree of change and evolution that is to occur in any brand or brand line is a factor of its degree of trustworthiness among the customers, which indicates whether or not the customers welcome the changes and evolution (Reast, 2005).

**Hypothesis Development**

**Virtual Community and Community Participation**

Participation in the community creates a sense of responsibility among the members. They are also inclined towards playing their individuals roles with sharing information. In this manner, they add value to the community and community also add value to them by giving them rewards (Zhang, Wang, Chen, & Guo, 2019). It also enhances motivation among members to participate and give positive information regarding the brand, which leads towards brand loyalty and trust. Members get closer to each other as they have common interests (Bottini, 2018). The members sometimes influenced by their beliefs and transform the communities vision and goals into them (Zhou, 2011). This can have a sometimes negative and sometimes positive effect on the participation of them and others also.
Furthermore, community participation empowers the members of the community as they have the right to openly interact with each other and discuss a particular brand. This gives them the motivation to participate and add value to the community (Laux, Luse, & Mennecke, 2016). Communities are not only to promote the brands only but it also helps the members to create social awareness in the country e.g. sexual harassment, child labor, etc. It needs the participation of the members (Hu, Zhang, & Luo, 2016). The more the participation, the more the awareness about any social topic occur. This benefits the masses at large.

Therefore, on the bases of the above argument on the relationship between Virtual Community and Community Participation we can propose the following hypothesis:

\textit{H1}: Virtual Community positively influences Community Participation.

\textit{Virtual Community and Community Social Networking}

Community social networking enables a member to develop directly as well as indirect relationships. Directly when member’s interaction with each other and indirectly by interacting with other member’s social circle (Huang, Zhao, & Hu, 2019). Firms not only share information through these sites but also solve their customer’s problems. They can provide after sale services through communities e.g how to use a product, how to operate the device or how to solve any issue regarding the product (Toral, Martínez-Torres, & Barrero, 2010). These community social networking sites lead towards creativity and innovation as members come up with new ideas and thoughts (Teng, 2015). These ideas help marketers to invest those ideas into transforming their products and services.

Abubakar, Ilkan, and Sahin (2016) highlight another point that social identification is also one of the important elements in a virtual community which describes that how an individual’s self-concept is derived from the membership of a social group. Social identity also facilitates and creates a sense of belongingness and commitment towards the virtual community and social community network. Chang, Hsieh, and Fu (2016) further explain that social identification and social capital creates a positive relationship between the virtual community and the social community network. Social capital does not guarantee the long-lasting participation it only explains how individuals exchange and access the resources to create the relationship via virtual community which helps organizations and customers to build a strong social network.

Therefore, on the bases of the above argument on the relationship between Community Participation and Community Social Network, we can propose the following hypothesis:

\textit{H2}: Virtual Community positively influences Community Social Network.
Community Participation and Community Trust

Participation associated with interaction that becomes very helpful and brings positivity in the brand community. Brand community participation relates to the tight tie between brand to customer, customer to the brand, and even between customer to customer (Sirola, Kaakinen, Savolainen, & Oksanen, 2019). Community participation involves perceived familiarity of any brand and perceived brand personality too. There can be seen a positive relationship between community participation and community trust. Interaction effects virtual communities, customer can easily and freely give his opinion by participating in virtual communities (Chen, Xia, & Wang, 2018). Acquaintance among participant also does matter in virtual brand communities because it develops trust among the participant. In virtual communities usually, there is a customer to customer interaction that is very common and effective and builds trust in the community (Kang, Shin, & Gong, 2016).

Active participation in virtual brand communities may favor higher levels of consumer loyalty to the brand around which the community is developed since a key aspect of membership and participation in these communities is the ongoing purchase and use of the brand products. Participation in a virtual brand community has a significant effect on customer trust and loyalty (Habibi, Laroche, & Richard, 2014). Customers tie emotional ties with the brand. That’s why these sort of communities is beneficial for the customer and as well as for organization because organizations can easily trace the needs and want of their customers (Casaló, Flavián, & Guinalíu, 2007). So firms should promote and facilitate these sort of communities.

Therefore, on the bases of the above argument on the relationship between Community Participation and Community Trust, we can propose the following hypothesis:

H3: Community Participation positively influences Community Trust.

Community Social Networking and Community trust

Social networking in online communities can be defined as a person to person or customer to customer interaction and share their views about any product or brand that both persons are using or interested in. These sort of interaction and networking can be the cause of loyalty and trust (Asim, Malik, Raza, & Shahid, 2019). Due to the increase in usage of internet customer has become more empowered to make social networks online. Customer not only interact through this social network but they solve their product or brand related problems too (Wu, Fan, & Zhao, 2018). These sort of activities and networking would be the cause of building trust on those communities that could be later on transform into the brand trust. Familiarity among the community members also plays an important role in social networking and community trust (Kang, Shin, & Gong, 2016).

Trust is considering a strong factor in marketing either it could be on brand or the community which you belong. In relational marketing consumer engagement through social networking could
be very beneficial for building community trust that later on transforms into brand trust and leading to purchase intention (Alonso-Dos-Santos, Rejón Guardia, Pérez Campos, Calabuig-Moreno, & Ko, 2018). The content that customer creates on different online plate form is very valuable for the organizations for knowing the needs and wants of their customer and acting as regard of them in order to satisfy them (Ruan & Durresi, 2016). Basically, this content creates on online platforms by the networking of members of these online plate forms, most of the members trust the content created on these online plate forms and this will increase the trustworthiness of that plate form or online community itself (Kananukul, Jung, & Watchravesringkan, 2015). Therefore, on the bases of the above argument on the relationship between Community Social Networking and Community Trust, we can propose the following hypothesis:

**H4:** Community Social Network positively influences Community Trust.

### Community Trust and Brand Trust

Nowadays consumers are more inclined towards online communication during their buying process. Virtual communities have become a strong medium for the exchange of reviews about brands of consumer’s interest, which leads towards the community trust and ultimately it transforms into brand trust (Sirola et al., 2019). Being a member of the virtual community consumers have a sense of moral responsibility towards it. They do not have the only mutual interest towards a particular brand but they also play community roles such as storyteller, brand ambassador, and Partner, etc. This makes their relationship stronger with the community as well as with the brand (Zhang, Bilgihan, Kandampully, & Lu, 2018). Loyalty plays an important role in building and maintaining community and brand trust. The consumers share their experiences and give reviews accordingly about a product or brand. The more information consumers get about a brand the more interest is developed towards it. Ultimately when the consumer’s expectations are met, he becomes more loyal to the community and brand (Casaló, Flavián, & Guinalíu, 2007).

Virtual communities not only help customers but also help marketers. Marketers can better understand their customers through related virtual communities and position their brand in a better way. This builds a strong long-term relationship between the consumers and brand, which helps in creating loyalty and trust of their brand (Frasquet, Mollá Descals, & Ruiz-Molina, 2017). In this way, they can better serve and satisfy their customers by offering products according to their needs. Ultimately, this activity leads them to community and brand trust.

Everyone in the community has the right to share their opinions. The negative participation of dissatisfied customers can have a negative impact on brand trust and loyalty (Hur et al., 2011). In this case, brand trust can be adversely affected but other members can play a role of advocates to change their attitudes towards the brand. Consumers involvement in the brand plays an important role in creating brand trust. Involvement in a certain brand motivates the consumer to search for information about that brand. If the consumer has personal relevance or emotional attachment to the
brand, then the involvement in the community would be effective (Shang, Chen, & Liao, 2006). This creates a positive image of the brand in his mind.

Therefore, on the bases of the above argument on the relationship between Community Trust and Brand Trust, we can propose the following hypothesis:

\[ H5: \text{Community Trust positively influences Brand Trust.} \]

On the bases of the above hypotheses following conceptual model can be proposed:

\[ \text{Figure 1: Proposed conceptual framework} \]

**Methodology**

**Measures and Instrument Development**

All the constructs used in the draft questionnaire were validated measures as they were adapted from previously established studies. The questionnaire consists of five constructs i.e. virtual community, community participation, community social network, community choice, and brand choice including demographic information. Table 1 shows the list of all measurement items to each construct. All constructs were measure through five-point Likert scale, where 1 stands for “strongly disagree” to 5 “strongly agree”.

**The Sample and Data Collection**

According to “Pakistan Bureau of Statistics and 6th Population and Housing Census,”
(2018) the total population of Pakistan in 2017 is 207 million of which 35.1 million are internet users that is 18% of the total population of Pakistan. Active social media users are 31 million that is 16% of the total population of Pakistan (Pakistan Advertisers Society, 2017).

Sekaran (2010) suggest 30 respondents for every single construct. As this study consist of five constructs (30*5=150). But to increase the generalisability of the study researcher took a larger sample size (n=850). Data were collected from different online communities and online brand communities as per the scope of this study.

Data Analysis and Results

The Respondent Profile

All most half of the respondents were female (52.6 percent, n=438), and the remaining half were male (47.4 percent, n=394). The range of the age of most respondents was between 18 to 30 (87.9 percent, n=745). Half of the respondents were graduate (30.3 percent, n=256), or masters (17 percent, n=138). Most of the respondents have family income above 100K (47.7 percent, n=937), while some of them have a family income less than 50K (16.5 percent, n=137).

The Measurement Model and the Confirmatory Factor Analysis

Confirmatory factor analysis used to check the consistency of the measures of a construct and to validate the measurement model. The measurement model contains 5 constructs that consist of 16 items. Due to weak factor loading 8 items were dropped. Factor loading of all items of measurement model was greater than 0.7 and the t-value range of 34.71 to 103.73 with the significant p-value<0.01. The overall measurement model was fit and results are satisfactory. Table 1 shows the details of the measurement model.

<table>
<thead>
<tr>
<th>Construct and Scale Items</th>
<th>Standardized Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Virtual Community</strong></td>
<td>(Laroche, Habibi et al., 2012)</td>
</tr>
<tr>
<td>The members share a common bond with other members of the community.</td>
<td>0.85</td>
</tr>
<tr>
<td>The members are strongly affiliated with other members.</td>
<td>0.90</td>
</tr>
<tr>
<td><strong>Comm. Participation</strong></td>
<td>(Casaló, Flavián &amp; Guinalíu, 2007)</td>
</tr>
<tr>
<td>In general, I’m very motivated to participate actively in the virtual community</td>
<td>0.84</td>
</tr>
<tr>
<td>In general, I participate in order to stimulate our virtual community</td>
<td>0.85</td>
</tr>
<tr>
<td>I usually provide useful information to other community members</td>
<td>0.73</td>
</tr>
</tbody>
</table>

(Table Continued...)
In general, I post messages and responses in the community with great excitement.  

**Comm. Social Network** (Laroche et al., 2012)
- The community is concerned with my needs. 0.75
- The community collects my opinions about the services/product. 0.80
- The community recognizes special occasions and sends me greetings. 0.77
- I share my opinions on the community. 0.79

**Community Trust** (Hur, Ahn, & Kim, 2011)
- I trust this online community. 0.88
- I rely on this online community. 0.85
- This is an honest online community. 0.88

**Brand Trust** (Laroche et al., 2012)
- My brand gives me everything that I expect out of the product. 0.86
- I rely on my brand. 0.84
- My brand never disappoints me. 0.85

As shown in Table 2 the average value extracted is higher than the cut off value i.e. (0.50) of each construct in the model (Anderson & Gerbing, 1988; Fornell & Larcker, 1981). While the composite reliability is also higher than the threshold i.e. (0.70) of each construct (Hair et al., 1998). It confirms the convergent validity of all constructs. Discriminant validity was measured by comparing the square root of average variance extract (AVE) with a square of correlations. Square of correlations among a couple of constructs was lower than the average variance extracted (AVE) (Anderson & Gerbing, 1988; Fornell & Larcker, 1981).

Table 2  
*Descriptive Statistics and Associated Measures*

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean(SD)</th>
<th>AVE</th>
<th>CR</th>
<th>VC</th>
<th>CP</th>
<th>CSN</th>
<th>CT</th>
<th>BT</th>
</tr>
</thead>
<tbody>
<tr>
<td>VC</td>
<td>3.4(0.88)</td>
<td>0.76</td>
<td>0.87</td>
<td>0.87</td>
<td>0.55</td>
<td>0.45</td>
<td>0.44</td>
<td>0.35</td>
</tr>
<tr>
<td>CP</td>
<td>3.23(0.89)</td>
<td>0.66</td>
<td>0.89</td>
<td>0.30</td>
<td>0.81</td>
<td>0.63</td>
<td>0.51</td>
<td>0.39</td>
</tr>
<tr>
<td>CSN</td>
<td>3.36(0.87)</td>
<td>0.61</td>
<td>0.86</td>
<td>0.20</td>
<td>0.40</td>
<td>0.78</td>
<td>0.51</td>
<td>0.45</td>
</tr>
<tr>
<td>CT</td>
<td>3.34(0.92)</td>
<td>0.75</td>
<td>0.90</td>
<td>0.19</td>
<td>0.26</td>
<td>0.26</td>
<td>0.87</td>
<td>0.49</td>
</tr>
<tr>
<td>BT</td>
<td>3.51(0.85)</td>
<td>0.72</td>
<td>0.88</td>
<td>0.12</td>
<td>0.15</td>
<td>0.20</td>
<td>0.24</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Notes: VC = Virtual Community; CP = Community Participation; CSN = Community Social Network; CT = Community Trust; BT = Brand Trust; \( \text{a}\) Square root of AVE is indicated along the diagonal (italic); \( \text{b}\) correlations are above the diagonal; \( \text{c}\) Square of correlations are below the diagonal.
Figure 2 Shows the standardized path coefficient (outside the parentheses) and t-value (inside the parentheses). All hypotheses were accepted with the p-value less than 0.01 and t-value range of 7.75 to 74.73.

Variance Explained

Virtual community explained 32 percent variance in community participation and 21 percent variance in community social network. While community participation and community social network together accounted for 32 percent variance in community trust. Community trust explained 24 percent variance in brand trust.

Figure 2: Structural model and path coefficient
Conclusion and Managerial Implications

This study provides a validated empirical model that explains the role of virtual communities in building brand trust through community participation and community social networking. Results show that virtual community participation and community social networking have a positive impact on community trust that later on transforms into brand trust. First, virtual communities have a significant positive impact on community participation and community social networking. Through the concept of online virtual communities, firms are taking advantage as the members share their experiences and tell stories about their experiences and also motivate other members to be part of the communities (Kamboj & Rahman, 2017).

Second, community participation and community social networking have a positive impact on community trust. When an online community member starts to participate in community and mingle up with other members of the community ultimately, he starts a trust in that community. Virtual brand communities can affect their members’ behavior since individuals can use these communities to inform and influence fellow consumers about products, brands or organizations. Virtual brand communities may help to identify the needs and desires of particular individuals or groups of people (Tsai & Hung, 2018). Third, brand trust positively influenced by a community trust. By continuous participation and social networking in any virtual community, a member starts believing in that community and ultimately that community trust transforms into the brand trust. Through virtual communities, marketers also get closer to their targeted segments. The members develop an agenda to support marketer’s strategies and exchange information of the brand on the community. Marketers get to know about consumers’ needs and interests, with minimum efforts and it is also cost-efficient (Hur, Ahn, & Kim, 2011).

Limitations and Future Research

As any study has limitations, this study also has some limitations. First, the data was collected through a convenience sampling technique. Although data were collected from virtual community members through these virtual communities and through survey technique but it could be geographically biased. As offline surveys only conducted in one city. Second, Brand trust has been gauge through only community trust, there could be more factors that can be revealed in future research. Third, this stud only applies to the automobile industry, more sectors could be a target in future research as every industry has different behavior. Fourth, Mediating and moderating effect of other factors have been ignored in this study, so some mediating or moderating effects can be checked in future researches.
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THE ROLE OF RISK AND MACROECONOMIC ENVIRONMENT ON STOCK RETURNS: EVIDENCE FROM BANKING SECTOR OF PAKISTAN

Tazeen Arsalan and Misbah Iqbal

Abstract

Performance of efficient stock market is dependent upon company’s risk as well as macroeconomic factors. The research inspects the association of stock returns with risk and macroeconomic factors for the period of 2005-2015. All private commercial banks operating in Pakistan during this period were taken in the study. The study used key macroeconomic factors namely, inflation, exchange rate, money supply, interest rates and foreign direct investment. The research adopts quantitative methodology and employed pooled OLS, random and fixed effect model specifications. For a given sample, our findings indicate that stock returns are significantly influenced by risk and all macroeconomic factors except exchange rate. Additionally, we also found risk, money supply and foreign direct investment had a direct relationship with stock returns while inflation, GDP and exchange rate showed negative association with banking sector returns.

Keywords: Stock Returns, GDP, Inflation, Exchange Rate, Risk.

JEL Classification: G210

Introduction

Financial instruments with competitive price are an important aspect of financial markets (Amadeo, 2016). Money and capital markets are two broad categories of financial markets. Capital market has an important role in the economy. It not only provides a platform which connects savers and investors but also plays an essential role towards economic growth, savings and investments. This is accomplished by making security prices efficient and logical and helping investors in reaping profits (Börsenwissen, 2013). This creates importance for capitaland other financial instruments markets.

One of the major economic indicators of a country is stock market performance. It plays a
dual role of creating investment opportunities for investors and simultaneously providing solution to corporations for raising capital. The first stock exchange in Pakistan was established in 1947 in Karachi. The second stock exchange was named as LSE (Lahore stock exchange) which was established in 1970 while third stock exchange was established in 1992 in Islamabad. To make stock market more efficient and less speculative all the three stock exchanges were demutualized in 1992.

In 2017, the regulatory authority established a three floor stock exchange namely, Pakistan stock exchange (PSX) which has more than 554 listed companies. Pakistan’s capital market succeeded in achieving high performance despite facing massive challenges. The phenomenal performance of Pakistan stock exchange is due to multiple economic and political factors (Poornima, 2016). It was acknowledged as Asia’s best performing stock exchange and world’s fifth best performing stock exchange.

Investor base in Pakistan is very limited as compared with other developing countries. Even the extraordinary performance was Pakistan stock exchange was not able to increase the investor base in Pakistan. The possible reason could be the investor’s reluctance originating from less awareness about the risk and return on stock exchange. Based on the efficient market hypothesis (EMH), the stock prices are logical as investors only make investments based on facts. It also stipulates that number of optimistic investors are same as number of pessimistic investors. Multiple empirical researches prove that stock prices as dependent on economic indicators including micro as well as macro factors (Pilinkus, 2009). The relationship between macro-economic factors and stock exchange is associated with the nature of the market. The macro economic factors which directly influences stock market performance includes money supply, stock prices of other countries, interest rates, enterprise performance, exchange rates, GDP, current account etc. (Kurihara, 2006). Asian stock markets mostly are inefficient and therefore many studies pointed out that macroeconomic indicators do not have a significant impact on stock performance.

According to the capital asset pricing model (CAPM), it claims that there is a direct relationship between risk and return. This signifies that an investor is more concerned for high returns in a risky security. Investment is only made by investors if higher risk results in higher returns. Past studies also argued that a directly relationship between risk and return can be established in the context of efficient markets (Pal, 2011).

Commercial banks can only endure adverse economic conditions only if they are highly efficient and productive (Amadeo, 2016). In the last few years Pakistan’s banking industry witnessed substantial growth. It was one of the largest contributors to GDP. The industry is classified by central bank under public, private, foreign, specialized and Islamic banks in State Bank of Pakistan, 2016. The maximum number of banks falls under private bank’s category with seventeen private banks among thirty nine total numbers of banks in Pakistan. These private banks contribute more in terms of taxes as
well as revenues than other categories of banking sector. A flourishing banking sector is significant for Pakistan as advancement in the banking sector directly results in economic development. A flourishing bank sector is able to lend money which can result in successful businesses leading to reduction in balance of payment.

A developed and efficient stock market provides various opportunities for investors as well as corporations. It biggest advantage is that it provides investment avenues for small investors and equity based opportunities for corporations to raise capital. These advantages has positive economic impact (Hussain, 2016). Conventional finance established relationship of risk and return but researchers still argue regarding the relationship of systematic risk and return. This research tries to study the impact of systematic risk arising from macro-economic factors on return.

**Literature Review**

Numbers of researchers explored the relationship among the different factors, affecting the expected returns using the Asset Pricing Model (APM). In 1960’s, following the principles of Fama (1973), different models were developed for the estimation of stock returns by (Geetha, 2011). The study of Sharpe explored the relationship of market returns, unsystematic risk (beta) and stock returns. Some additional studies were also investigated by different researchers on CAPM model (Fama, 1973).

Pal (2011) studied five different sectors including pharmaceutical, infrastructure, Information technology, banks and automobile industry for the assessment of risk and return factors. Two years data of 2013 and 2014 were collected from 3 listed companies from CNX100 index. Return calculation made through ROA, while risk was calculated by beta. Statistical tools applied for the study were, correlation, standard deviation and sharp ratio. The conclusion extracted that inconsistent performance showed by all sectors whereas, no relationship found between the variables of returns and systematic risk.

Wickremasinghe (2011) studied five selected sectors of Indian economy and used a sample data from 2010 to 2014 on risk and return. The sample data comprised of automobile, banking, pharma, FMCG and information technology (IT). From each of the sectors, on the basis of judgmental sampling five different companies were again selected. Standard deviation and variance were calculated along with Risk assessment. The result explored that long term investment generated more returns for investors instead of short term investment. It is also found that sectors of (IT), FMCG and pharmaceutical gave more returns than automobile and banking sector.

Anwar (2011) presented a comparative analysis between risk and return for banking and non-banking equity. For performance measurement, 8 Banking Companies, listed on Bankex was selected as study sample over a period of July 2012 to December 2012. Descriptive and t-test statistical tools were applied for the analysis of the results. The results explored no significant changes of returns in
banking and non-banking equity firms.

Another study from Mahedi (2012), found a long and short run association between macro-economic such as interest rates, consumer price index (CPI), money supply, industrial productions, exchange rates and stock returns in United Kingdom and Germany. The study used a sample data from 1999 to 2011. The study employed various statistical tools namely, co-integration, impulse response functions, error correction model and variance decomposition method. The results concluded that there exist a causal relationship between macro-economic factors and stock prices. Results obtained from co-integration tests suggest that the German and United Kingdom stock returns are co-integrated with the macro economic factors in the long run.

Pal (2011) assessed the relationship between stock returns and macroeconomic variables in India over a sample period of 1991 to 2008. The study explored the positive relationship between exchange rate and stock returns. However, inflation, interest rates and money supply showed negative association with the stock returns.

Wickremasinghe (2011) investigated the relationship between macroeconomic variables and stock prices. Five different companies were selected, which were listed on Columbian Stock Exchange. The variables of macroeconomic chosen for the study were interest rate, exchange rate, balance of payment, GDP and inflation. The researcher applied the correlation and regression test for the statistical analysis. The results depicted the estimation of regression model and established positive relationship among the variables of stock prices, GDP, exchange rate and interest rates. The results also concluded negative relationship found between stock price and inflation and insignificant with balance of payment.

Geeta (2011) explored the connections of unexpected inflation rate, expected inflation rate, exchange rate, GDP and stock market for three countries of United States, China and Malaysia. The research tested the long run relationship through co-integration test and short-run relationship by using the VECM. The study explored that macro-economic variables and stock returns showed the long run co-integration, while in the short run insignificant relationship existed between macro-economic variables and stock returns.

Mahedi (2012) explored the relationship of stock returns, micro and macro-economic variables in Bangladesh on monthly data taken from the time frame of 2002 to 2009. He tested multivariate regression model on the variables of foreign remittances, price to earnings ratio, inflation, growth in market capitalization and stock returns. The study explored the positive relationship of P Ratio and growth market on stock returns while negative influence of foreign remittance and inflation stock returns.

Kyereboah-Coleman(2008) examined the influence of industrial production and interest rate
on stock prices in Vietnam. Seven years data from January 2001 to April 2008 collected for ordinary least square regression analysis. The study confirmed that tested variables have a positive influence of interest rates and industrial production on stock returns. The study also concluded that significance of industrial production is more on stock returns than the interest rates.

Kurihara(2006) investigated the relationships of stock returns and macro-economic variables. The research was based on quarterly data taken from Ghana Stock Exchange for the time period 1991 to 2005. The research tested the error correction model techniques and co-integration. The study resolved that inflation, exchange rate and deposit rate have a negative influence on returns of stock. The study also concluded that investment shifts were due to the increase of exchange rate and increase in deposit rate, while increase of inflation rate firstly decreases the saving which subsequently decreases the investments in stocks market.

![Theoretical Framework - Banking Industry](image)

**Figure 1:** Theoretical Framework - Banking Industry

**Hypotheses**

Following hypothesis are tested for the current study:

- **H1:** Impact between Risk and Stock Returns has exist positive relationships.
- **H2:** Impact between Exchange Rate (ER) and Stock Returns has exist positive relationships.
- **H3:** Impact between Inflation and Stock Returns has exist positive relationships.
- **H4:** Foreign Direct Investment (FDI) and Stock Returns has exist positive relationships.
- **H5:** Money Supply (MS) and Stock Returns has exist positive relationships.
- **H6:** GDP(GDP) and Stock Returns has exist positive relationships.
Methodology

The current research is quantitative in nature. The research is based on secondary data collected from all 12 banks of the Pakistani banking sector, operating since 2002 for the period of eleven years from 2005-2015. Statistical analytical tool of Regression analysis was applied for Model fitness followed by the Descriptive Analysis of all variables used for the study.

Regression Model:

\[ Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \beta_5 X_{5t} + \beta_6 X_{6t} + \epsilon_t \]

Regression Equation:

Stock Returns = f (Risk, inflation, money supply, foreign exchange rate, foreign direct investment)

To find the relationship of risk and return, regression analysis tested by pooled, fixed and random basis. For the assessment of reliability of the results between pooled and fixed effect regression, F-test was used. To assess biasness and reliability of pooled and random effect regression, the Breush Pagan (LM Test) was also applied. All the data analysis was done through Stata software. World Bank was the data source for the collection of yearly Macroeconomic data, whereas risk data denoted by beta was gathered from Bloomberg.

Returns of the stock were calculated through CAPM model using the following equation:

\[ \text{Expected Return} = R_f + \beta (R_m - R_f) \]

Where; Rf is risk free rate
\[ \beta = \text{beta} \]
Rm=Market rate
Rf= Risk free rate

Definitions of Variables:

Risk

Risk is denoted by Beta, which is a volatility of the financial assets in comparison of the market as a whole. Beta is used in the CAPM model, which computes the expected return of an asset and expected market returns.
Inflation

It is also denoted by CPI, is the average change of price of a specific pool of goods. The assignment of weightage to the pool of goods made on the basis of their importance.

GDP

GDP is the value of total goods and services produced in a country in a specific time period.

Exchange Rate (ER)

It is the comparative value of one currency with respect to the other currency.

Foreign Direct Investment (FDI)

Foreign Direct Investment is the investment in any respective country from another country for controlling the ownership of the company in the invested country.

Money Supply (MS)

It is the amount of total money in circulation or present in the country’s economy.

Stock Return (ST)

It is the returns on the financial assets through increase in the price in comparison of the market value (capital Gain) and returns in the form dividend received on investments.

Results

Descriptive records consist of statistics on complete eleven years statistics from 2005 – 2015 regarding return of stock, exchange rate, risk (beta) inflation, money supply, FDI and GDP. The vivid information encompass mean, minimum, maximum, standard deviation of all the banks covered in the research. The sample includes twelve private business banks because the period over eleven years make between amount some hundred yet 30 couple observations over each macroeconomic aspect as properly so risk or profitability. The descriptive concerning the variables used between the research are presented below:
### Table 1

**Descriptives**

<table>
<thead>
<tr>
<th></th>
<th>Return</th>
<th>Risk</th>
<th>Exchange Rate</th>
<th>Inflation</th>
<th>Foreign Direct Investment</th>
<th>Money Supply</th>
<th>Gross Domestic Product</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Overall</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mean</td>
<td>0.218</td>
<td>0.973</td>
<td>0.055</td>
<td>0.101</td>
<td>0.115</td>
<td>0.084</td>
<td>0.041</td>
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<tr>
<td>Maximum</td>
<td>0.787</td>
<td>1.388</td>
<td>0.161</td>
<td>0.203</td>
<td>0.969</td>
<td>1.594</td>
<td>0.077</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.752</td>
<td>0.000</td>
<td>-0.005</td>
<td>0.025</td>
<td>-0.570</td>
<td>-0.711</td>
<td>-0.711</td>
</tr>
<tr>
<td>Std. Dev</td>
<td>0.347</td>
<td>0.256</td>
<td>0.575</td>
<td>0.045</td>
<td>0.529</td>
<td>0.565</td>
<td>0.565</td>
</tr>
<tr>
<td>Observations</td>
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<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
<td>132</td>
</tr>
<tr>
<td><strong>Within</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maximum</td>
<td>0.761</td>
<td>1.451</td>
<td>0.161</td>
<td>0.203</td>
<td>0.969</td>
<td>1.594</td>
<td>0.077</td>
</tr>
<tr>
<td>Minimum</td>
<td>-0.785</td>
<td>0.016</td>
<td>-0.005</td>
<td>0.025</td>
<td>-0.570</td>
<td>0.711</td>
<td>0.016</td>
</tr>
<tr>
<td>Std. Dev</td>
<td>0.346</td>
<td>0.217</td>
<td>0.057</td>
<td>0.045</td>
<td>0.529</td>
<td>0.565</td>
<td>0.018</td>
</tr>
<tr>
<td>Observations</td>
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<td>11</td>
<td>11</td>
<td>11</td>
<td>11</td>
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</tbody>
</table>

### Table 2

**Regression Results**

<table>
<thead>
<tr>
<th></th>
<th>Pooled Regression</th>
<th>Fixed Effect</th>
<th>Random Effect</th>
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<tbody>
<tr>
<td></td>
<td>Adj R square</td>
<td>R square</td>
<td>R square</td>
</tr>
<tr>
<td></td>
<td>F test</td>
<td>Within</td>
<td>Overall</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.73</td>
<td>0.74</td>
<td>0.74</td>
</tr>
<tr>
<td></td>
<td>60.76</td>
<td>55.61</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coef.</th>
<th>Std. Err.</th>
<th>t</th>
<th>P&gt;t</th>
<th>Coef.</th>
<th>Std. Err.</th>
<th>t</th>
<th>P&gt;t</th>
<th>Coef.</th>
<th>Std. Err.</th>
<th>z</th>
<th>P&gt;z</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk</td>
<td>0.231</td>
<td>0.696</td>
<td>3.31</td>
<td>0.001</td>
<td>0.261</td>
<td>0.092</td>
<td>2.85</td>
<td>0.005</td>
<td>0.231</td>
<td>0.070</td>
<td>3.31</td>
<td>0.001</td>
</tr>
<tr>
<td>Inflation</td>
<td>-3.757</td>
<td>0.765</td>
<td>-4.91</td>
<td>0.000</td>
<td>-3.690</td>
<td>0.807</td>
<td>-4.57</td>
<td>0.000</td>
<td>-3.031</td>
<td>0.457</td>
<td>-4.91</td>
<td>0.000</td>
</tr>
<tr>
<td>Exchange Rate</td>
<td>-0.301</td>
<td>0.457</td>
<td>-0.66</td>
<td>0.511</td>
<td>-0.321</td>
<td>0.477</td>
<td>-0.67</td>
<td>0.502</td>
<td>-3.757</td>
<td>0.765</td>
<td>-0.66</td>
<td>0.501</td>
</tr>
<tr>
<td>Foreign Direct Investment</td>
<td>0.474</td>
<td>0.056</td>
<td>8.42</td>
<td>0.000</td>
<td>0.473</td>
<td>0.059</td>
<td>8.05</td>
<td>0.002</td>
<td>0.474</td>
<td>0.056</td>
<td>8.42</td>
<td>0.000</td>
</tr>
<tr>
<td>Money Supply</td>
<td>0.557</td>
<td>0.037</td>
<td>14.86</td>
<td>0.000</td>
<td>0.556</td>
<td>0.039</td>
<td>14.24</td>
<td>0.000</td>
<td>0.557</td>
<td>0.037</td>
<td>14.86</td>
<td>0.000</td>
</tr>
<tr>
<td>GDP</td>
<td>-9.137</td>
<td>2.122</td>
<td>-4.31</td>
<td>0.000</td>
<td>-8.844</td>
<td>2.278</td>
<td>-3.88</td>
<td>0.000</td>
<td>-9.137</td>
<td>2.122</td>
<td>-4.31</td>
<td>0.000</td>
</tr>
<tr>
<td>_cons</td>
<td>0.668</td>
<td>0.173</td>
<td>3.87</td>
<td>0.000</td>
<td>0.621</td>
<td>0.200</td>
<td>3.10</td>
<td>0.002</td>
<td>0.668</td>
<td>0.173</td>
<td>3.87</td>
<td>0.000</td>
</tr>
</tbody>
</table>
It observed in the given table above as the estimated worth about R square is about 73% into pooled regression and is 74% yet 74% among significant impact then around impact respectively. The value over F also shows the satisfactory results used in the models.

Regarding the value regarding single variables, all variables in whole the models are huge except exchange rate. There are the positive relationships in between the variable with stocks returns barring the inflation then GDP.

Since F check likelihood between constant effects is insignificant, it is inferred up to expectation pooled regression effects are better than constant impact regression results. Insignificant probability regarding chi square within Breush Pagan check concludes up to expectation pooled regression consequences are more dependable than random effect regression results.

Discussion

The Capital Asset Pricing Model studies the relationship between risk and return and validates a positive relationship between the two. Results of this study are consistent with the findings of (Fama, 1973).

The study also depicts negative impact of inflation on stock returns. This is consistent with the outcomes of the studies by (Kyereboah-Coleman, 2008). In times of increasing inflation, new as well as existing businesses reduce their investments and expansion projects. Costs are controlled to mitigate the effect of high prices, leading to lower bank borrowings, hence reduction in profits and returns of the banking sector. Pakistan has witnessed high times of inflation several times, resulting from increased interest rates and taxes. During periods of high interest rates, companies prefer to raise funds by issuing right shares. These funds can then be used to pay back loans and avoid high interest rates. Reduction in interest income due to low borrowing activity eventually leads to lower profits earned by banks, hence lower dividend payouts.

This study found a negative relationship between stock returns and exchange rate and supported by Hussainey (2009). However, this negative relationship contradicts the findings from Siddiqui (2013) work, who reported an insignificant relationship between exchange rate and stock returns. Thus, our results imply that as the exchange rate increases, the investors are likely to invest in currency due to high expected returns. This asserts a sharp decline in stock prices and hence, lowers returns. Past literature also suggests that the exchange rate and stock returns may be insignificant in different markets.

This study further found that a positive influence of foreign direct investment on stock returns. The result is supported by research of Sinha (2013). The possible implication of this result could be that the increase in foreign direct investment will lead to an increase the confidence level of
investors, hence more investment and return will be expected in the stock market.

Similarly, this study found a positive relationship between money supply and stock returns and showed agreement with prior research of Ali (2011). Past literature also suggests that money supply may also increase the investment patterns and economic activity (Poornima, 2016). To this note, our result indicates that the demand for borrowing and profits is based on the investment due to the increase in the money supply.

GDP on the other side showed a negative impact on stock returns. It is a noteworthy point that Pakistan stock exchanges reflect a weak form of efficient market. In the absence of the bond market, the role of banks converted into monopolistic nature and become a central pint for debt borrowings. Due to this, the banking sector of Pakistan performed well during weal economic conditions. Sharpe (1964) highlighted that stock returns and GDP may have a positive relationship when the economy comes under the recovery phase. However, economic recession or slow growth declines investment patterns and leads to lower interest rates in the market. Thus, the demand for stocks increases due to lower interest rates.

**Conclusion**

This study aims to examine the relationship between stock returns and macroeconomic environment in Pakistan. For this purpose, we used stock prices and dividends to measure stock returns. Our results indicate that the macroeconomic environment had a significant impact on stock returns except for the exchange rate that showed an insignificant influence on stock returns. This study further found that inflation and GDP had a negative impact on stock returns while foreign direct investment, money supply, risk and exchange rate had a positive impact on stock returns.

The findings suggest that banks in Pakistan create a monopoly in the market due to limited financial opportunities for the investors. This increase and transfer the cost to the investors and perform well under tough economic conditions.

**Limitations and Future Researches**

This study used private banks of Pakistan with a limited time period of 10 years. It is therefore suggested to future studies to consider longer time series and include sectoral wise analysis of financial institutions. Moreover, future studies may also consider short term and long term dynamics of stock returns and macroeconomic factors.
References


dictionary/inflation


Appendix

List of Private Sector Banks Included the Research

1. Askari Bank
2. Allied Bank
3. Alfalah Bank
4. Al Habib Bank
5. Faysal Bank
6. Habib Bank
7. Habib Metropolitan Bank
8. MCB
9. Soneri Bank
10. UBL
11. Samba Bank
12. Silk Bank
PERMANENT-INCOME HYPOTHESIS:
A MICRO LEVEL ANALYSIS OF PAKISTAN

Syed Ammad¹, Qazi Masood Ahmed² and Aamir Hussain Siddiqui³

Abstract

The present study is an empirical investigation of household consumption function under the permanent-income hypothesis for Pakistan based on Pakistan household-integrated-economic-survey (HIES) 2015-16 which was especially designed under the household-integrated-income and consumption survey HICS). The present study examined two main assertions of the permanent-income theory i.e. the strict version and loose version. The strict version defines that the marginal-propensity to consume out of permanent-income is 1 and 0 for transitory-income, while the loose version states that the marginal propensity of consumption is greater for permanent-income than the transitory income. In order to investigate these assertions the study followed the methodology of Mayer (1966) and Vakil (1973). The results of the study altogether reject the strict version of the Friedman theory; however, the data support the loose version of permanent-income hypothesis for Pakistan.

Keywords: Household Consumption, Permanent-Income Hypothesis, MPC, Pakistan.

JEL Classification: D120, E120, C220

Introduction

The household consumption and saving are two important macroeconomics indicators, which are deemed to be a vital part of macroeconomic policy and growth. Being such important variables they are very popular in empirical research, even from the early ages of macroeconomics in Keynesian era where Keynes (1936) defined the absolute-income hypothesis and since then different theories has been established, however among these theories one of the most remarkable theory is the permanent-income hypothesis developed by Friedman (1957). This hypothesis has been extensively through several studies based on aggregate macro level data or the household level micro-data these household level studies can be classified into two segments where in one type of studies based on household income and expenditures data over 2 to 5 years, at least, as discussed by Serlenga (2001),

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Attanasio and Tullio (2001), DeJuan and Seator (2007), and Ashok and Krishna(2011). While, if the repeated household consumption and income profile available only for a single year, then this method cannot be applied. In this case when the cross-sectional observations are available then household are divided into homogenous groups; based on their socio-economic characteristics such as age, income, education and occupation. However, the most of the studies divided the households on the basis of occupation as Eisner (1958), Mayer (1966), Ramanathan (1968, 1971), Vakil (1973) and Gerrard (1980). In order to find the unobservable permanent-income it is assumed that the mean transitory income approaches zero so the mean income of group can be taken as permanent-income of each group unit.

The present study examined two main assertions of the permanent-income theory i.e. the strict version and loose version. The strict version defines that the marginal-propensity to consume out of permanent-income is 1 and 0 for transitory-income, while the loose version states that the marginal propensity of consumption is greater for permanent-income than the transitory income. In order to investigate these assertions the study followed the methodology of Mayer(1966) and Vakil (1973). This study employed Pakistan household-integrated-economic-survey (HIES) 2015-16 specially designed under the household-integrated-income and consumption survey (HICS), while the households are divided into forty occupational groups.

The rest of the study is organized as follows: section II discusses the past literature, section III consist of Analytical Framework and modeling, section IV defines Empirical Specifications and Data Issues, section V based on explanation of the data sources and estimation technique, section VI constitute on the empirical results and finally the conclusion is discussed in section VII.

**Literature Review**

The micro-econometrical analysis of household data under the permanent-income hypothesis is very common, several studies exist in this regards. In a recent analysis of Irish household Kristen (2014) validated the permanent income hypothesis (PIH) by using Irish cross sectional household data sets of 1994-95, 1999-2000 and 2004-05. Each data set is further divided into three categories i.e. owner of the house, mortgage and tenants. The disposable income with some other variables including age, household size, education and job status were used as instrument for measuring the permanent income. The results show that majority of the households’ consumption depends on their permanent income.

DeJuan and Seator (2007) conducted a rigorous empirical estimation of permanent income hypothesis using Consumer Expenditure Survey (CEX) data from 1980 to 1991. This special form of data is collected on quarterly basis where same household are interviewed during the year, however for next year new household are selected. This special feature of the data made it possible to generate permanent income through this cross section survey. The study followed the Friedman and divided the entire sample into several groups of identical households on the basis of education, occupation,
region, age, and consumption and housing expenditures. The study employed instrumental variable approach where the results support the permanent income hypothesis in all the cases, except a few.

Sabelhaus and Jeffrey (2000) examined the applicability of permanent income hypothesis on cross sectional data by using US consumer expenditure survey (CEX) data for 1992, which was compare with the data of US Panel Study of Income Dynamics (PSID) from 1982 to 1991. The study concluded that the cross sectional data unable to show the actual skewness in consumption-income ratios even after applying several assumptions. Similarly, Serlenaga (2001) examined the permanent income hypothesis by using three approaches namely through the Euler equation approach, aggregate consumption approach and through the characteristics tests. The study employed British household balanced panel survey data from 1991 to 1999 containing 2978 household. The estimated results based on fixed effect and GMM technique shows that in all the cases the coefficient of income is insignificant in the growth model, indicating the acceptance of PIH.

Attanasio and Tullio (2001) examined the theory of inter-temporal choice where the cross-sectional variance of the marginal utility of consumption depends on its own lag plus constant and stochastic component, by using the pool data of The British Family Expenditure Survey from 1974 to 1993, U.S. Consumer Expenditure Survey from 1980 to 1995 and the Italian Survey of Household Income and Wealth from 1987 to 1995. Each data set is divided into 10 cohort groups based on the household head age, where cohort 1 consist of the people who were from 71 to 75 years old and cohort 10, the last cohort, was belong to the people who were from 26 to 30 years old.

Gerrard (1980) examined the validity of PIH for Canada by using family expenditure survey of Canada 1969. The study followed the approach of Eisner (1958), Mayer (1966) and Modigliani and Ando (1960) where the entire data set is divided in sub groups on the basis of different variables which are assumed to be correlated with permanent income, but not with the transitory income. The division of the groups based on income, occupation, age, provinces, region, family size and family life cycle. To estimate the permanent consumption, the study generated a series of mean consumption based on each group’s mean consumption and the permanent income series is obtained through the mean income of each groups and then these series were estimated through OLS and two different hypothesis of permanent income i.e. the estimated elasticity coefficient is equal to 1 and the variance of transitory income is equal to zero, based on cross sectional data were tested through t-test. The estimated results show that in 5 out of 8 cases the variance of transitory income is equal to zero, strong evident of PIH, while the hypothesis related to income elasticity coefficient shows a mix result, where 4 out of 8 are equal to 1.

Musgrove (1979) estimated the Friedman’s permanent (PIH) hypothesis using the household budget data for seven major cities of Colombia, Ecuador and Peru; during 1967 to 1969. The estimation based on OLS where disposable household income and non-durable consumption, separately were regress on different household factors to estimate the predicted values of both. The estimated results
show that education is the most powerful explanatory of the permanent income while the results also support the PIH in all the cases.

Ramanathan (1971) estimated the PIH through a minor modification in his previous work Ramanathan (1968), the study employed the same methodology, except the addition of, one more explanatory in saving regression, number of earners as an explanatory variable of saving with the wealth. The empirical analysis based on the Indian household survey during 1959. The estimated results show that the household classification on the basis of education is most suitable in estimation of permanent income. The comparative results of modified permanent income, which is called pseudo-permanent, and group mean income as a proxy of permanent income, show that pseudo-permanent income has high explanatory power in terms of R-square; indicating a better approximation of permanent income. The results of the study also found high explanatory power of the regression when wealth and number of wage earners were included.

Ashok and Krishna (2011) investigated the permanent income theory by using US Farm-Household data, conducted by Agricultural Resource Management Study (ARMS) in 2004. The study tests the Friedman tenet that people consume the entire permanent income while the saving entirely depends on the transitory income. The estimated results show that occupation, wage earners, age, rain fall, education and regional difference are the major predictor of permanent income. The results of wealth functions show that estimated income, the proxy of permanent income, is better predictor of wealth then the actual income.

Beznoska and Richard (2012) estimated the assumptions of Friedman permanent-income that the permanent income shocks have a unitary impact on consumption while the transitory shocks have nearly zero impact on consumption. The study employed the pseudo panel data of German household from 2002 to 2007, however the estimated results in general do not support the PIH theory however there is significant different in behavior of household, in terms of income shocks, who have liquidity constraint against those who do not have any liquidity constraint.

Vakil (1973) estimated two hypothesis of permanent i.e. the APC permanent income does not depend on permanent income and MPC of permanent income is greater than the MPC of measured income or in terms of elasticities the consumption elasticity of permanent income is larger than the consumption elasticity of measure income. To check these hypotheses, the strict version and loose version of PIH, the study employed four different data sets related to Indian households including Dehli Survey for 1959, Urban Income-Saving survey of 1960, the third survey was All-India Rural-Household Survey of 1962 and last one was the All India Consumer Survey of 1964. All the data sets were classified into different groups on the basis of age, home ownership, occupation and education and the mean income of the group is considered as the permanent income. The estimation followed two models one a linear form to estimate the MPCs based on income groups and occupational groups while the second log-log model is used to estimate the elasticities. To test the hypothesis related to
APC the significance of the coefficient of intercept of the occupational group is checked while to test the second hypothesis Mayer’s (1966) Prediction coefficient is used which is the ratio of the difference of MPC occupational group to APC divided by the difference of MPC of income group to APC. The estimated coefficient value indicates that if the resultant is 0 then the PIH entirely correct, if it is 1 then entire reject and if it lies in between 0 to 1 then we cannot reject the second hypothesis a loose version PIH. The overwhelming majority accepts the loose version; accept the second hypothesis, of PIH while the strict version is rejected.

The review of the existing research stock highlights that in case of Pakistan this sort of researches are scanty, however there are few studies which investigated consumption hypotheses in case of Pakistan by using time series data as Ali et al. (1997) examined the determinant of saving under Life-cycle hypothesis in case of Pakistan. Khalid (1994) estimated the relevance of rationale expectation PIH for Pakistan. The study based on the Hall’s (1978) and Flavin (1981) methodology where annual data of private consumption, disposable income as labor income, unemployment rate and money balance were used from 1960 to 1992. The estimated results of this model also rejected the rational income-PIH, as the coefficient of current unexpected and expected income was statistically significant.

Khan and Nishat (2011) estimated the PIH based on Hall (1978) random walk in case of Pakistan. The study followed the Shea (1995) methodology for which growth of consumption is regress on growth of income in the first model. The study employed aggregate data from 1971 to 2010 in real terms while the estimated was based on OLS and IV regression, where 6 different models were estimated by changing the lags variable, as an instrument. The estimated results of models rejected the PIH, so to find the plausible reason of myopia or liquidity constraints the study estimated a third model, with the help of OLS and 2SLS methodology. The results of third model also rejected myopia however it indicated that there was liquidity constraint problem.

Analytical Framework and Modeling

A Simple Theoretical Model

The present study examined two main assertions of the permanent-income theory i.e. the strict version and loose version. The strict version defines that the marginal-propensity to consume out of permanent-income is 1 and 0 for transitory-income, while the loose version states that the marginal propensity of consumption is greater for permanent-income than the transitory income. In order to investigate these assertions the study followed the methodology of Mayer (1966) and Vakil (1973). However, the crucial issue is the measurement of the unobservable permanent-income which is generated under the assumption that the mean transitory income approaches zero so the mean income of a group can be taken as permanent-income of each group unit.
Empirical Specifications and Data Issues

Following the assumptions, a simple consumption function is formulated where the permanent-income is measured through the mean income of each group.

\[ C = \alpha_{1p} + \alpha_{2p} Y_p + \epsilon \]  \hspace{1cm} (1)

and

\[ C = \alpha_{1y} + \alpha_{2y} Y_y + \epsilon \]  \hspace{1cm} (2)

Where,

- \( C \) is the household mean consumption of each group
- \( \alpha_{1p} \) is the intercept of the equation, which is the autonomous-consumption, more importantly it defines the factors, other than the permanent-income, which also effect the consumption. Moreover, under the strict version of the theory this parameter should be zero.
- While \( \alpha_{2p} \) is the MPC out of permanent-income, \( Y_p \) is the permanent-income and \( Y_y \) is the observed income. This linear model is further transformed into log-log model to estimate the elasticities, as

\[ \ln C = \beta_{1p} + \beta_{2p} \ln Y_p + \epsilon \]  \hspace{1cm} (3)

and

\[ \ln C = \beta_{1y} + \beta_{2y} \ln Y_y + \epsilon \]  \hspace{1cm} (4)

Where \( \ln \) is the natural logarithmic, while the remaining variables have the same definition.

The above equations 1 to 4 define four different models which are estimated in order to validate the permanent-income hypothesis for Pakistan. Once the parameters of the linear models are estimated, two different hypotheses are tested, one for strict version and other for loose version. The strict version assumed that \( \alpha_{1p} = 0 \), which indicates that consumption only depends on permanent-income, a formal two-tail t-test is applied to validate this hypothesis.

The second hypothesis, based on loose version of the theory, is examined through the Mayer’s (1966) prediction-coefficient. The Mayer’s coefficient is examined the extend of loose version, which
is calculated as

\[
m = \frac{MPC_p - APC}{MPC_y - APC}
\]

Where \( MPC_p \) is the MPC out of permanent-income, \( MPC_y \) is the MPC out of observed income of same occupational groups and \( APC \) is the average propensity to consume of all the households. The value of the coefficient ‘\( m \)’ varies on the basis of validity of the hypothesis as, if the permanent-income hypothesis verified then \( MPC_p \) is equal to \( APC \) and the Mayer’s coefficient become 0. Another extreme version is that, if the hypothesis is entirely rejected then \( MPC_p \) and \( MPC_y \) become equal and the coefficient would be 1. However there is an intermediate range of this coefficient which lies from 0 to 1; the value of coefficient shows at what extend the permanent-income hypothesis is valid.

These two assertions of permanent-income will also be tested on the estimated coefficients of log-log models or on elasticities. In this case the strict version says that \( \beta_{1p} = 0 \) in order to test this hypothesis a formal two-tail t-test is applied to validate the strict version of the permanent-income theory. The second hypothesis i.e. the loose version of the theory is examined by taking the ratio of permanent-income elasticity with observed income elasticity i.e. \( \beta_{2p} / \beta_{2y} \) if this ratio is greater than the unity; implies that we cannot reject the loose version of the theory.

**Data Sources and Estimation Techniques**

Present study based on the cross-sectional data of Pakistan household-integrated-economic-survey (HIES) 2015-16 which was especially design under the household-integrated-income and consumption survey (HICS). This data-set covers 24,238 household selected from entire country, however after necessary adjustment and cleaning by excluding unemployed, zero current income, farmers and business people, the estimation performed on 11904 households. Finally, an ordinary-least square is applied to estimate the MPCs and elasticities.

**Empirical Results and Discussion**

The estimated results are mentioned in table-1 which shows that in all four models both the permanent-income and observed income is highly significant and positive. The overall significance F-test and R-square is mentioned in the appendix-A table-1 which shows rather high R-square with significant f-statistics. The other diagnostic test results are also mentioned in appendix-Atable-1 &2 the results of white test for heteroscedasticity shows that there is no heteroscedasticity in all the models, similarly for functional form Ramsay RESET-test is applied which results show that the functional form correct for all the models.
Table 1
Estimated Marginal Propensities and Elasticities

<table>
<thead>
<tr>
<th>Estimated Models</th>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic[Prob]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>Permanent-Income (α₂p)</td>
<td>0.730</td>
<td>0.015</td>
<td>48.170[0.000]</td>
</tr>
<tr>
<td></td>
<td>(α₁p)</td>
<td>77944.060</td>
<td>5987.579</td>
<td>13.017[0.000]</td>
</tr>
<tr>
<td>Model 2</td>
<td>Observed Income (α₂y)</td>
<td>0.346</td>
<td>0.135</td>
<td>2.567[0.0143]</td>
</tr>
<tr>
<td></td>
<td>(α₁y)</td>
<td>255527.400</td>
<td>57159.660</td>
<td>4.470[0.0001]</td>
</tr>
<tr>
<td>Model 3</td>
<td>Log Permanent-Income (β₂p)</td>
<td>0.804</td>
<td>0.019</td>
<td>41.663[0.000]</td>
</tr>
<tr>
<td></td>
<td>(β₁p)</td>
<td>2.473</td>
<td>0.248</td>
<td>9.988[0.000]</td>
</tr>
<tr>
<td>Model 4</td>
<td>Log Observed Income (β₂y)</td>
<td>0.313</td>
<td>0.071</td>
<td>4.439[0.0001]</td>
</tr>
<tr>
<td></td>
<td>(β₁p)</td>
<td>8.845</td>
<td>0.888</td>
<td>9.955[0.000]</td>
</tr>
</tbody>
</table>

The results of the strict version hypothesis are mentioned in table 2, which shows that the strict version of permanent-income hypothesis is rejected in both of the functional forms. The results show that α₂p and β₂p are not equal to unity while the results of α₁p and β₁p are equal to zero also rejected. Hence the overwhelming majority of the results rejected the strict version of permanent income hypothesis in case of Pakistan.

Table 2
Results of Hypothesis Testing of Strict Version

<table>
<thead>
<tr>
<th>Estimated Model</th>
<th>Variable</th>
<th>Coefficient</th>
<th>Null Hypothesis</th>
<th>Test Statistic (t-statistic values)</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>Permanent-Income (α₂p)</td>
<td>0.730</td>
<td>α₂p =1</td>
<td>-18.13</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>(α₁p)</td>
<td>77944.060</td>
<td>α₁p =0</td>
<td>10.93</td>
<td>Rejected</td>
</tr>
<tr>
<td>Model 3</td>
<td>Log Permanent-Income (β₂p)</td>
<td>0.804</td>
<td>β₂p =1</td>
<td>-10.19</td>
<td>Rejected</td>
</tr>
<tr>
<td></td>
<td>(β₁p)</td>
<td>2.473</td>
<td>β₁p =0</td>
<td>9.99</td>
<td>Rejected</td>
</tr>
</tbody>
</table>

Table 3 and table 4 are based on the loose version of the hypothesis where in table 3, Mayer’s coefficient is estimated by using the equation (5). The estimated coefficient supports the loose version of the permanent-income hypothesis for Pakistan.
Table 3  
*Estimation of Mayer’s Coefficient*

<table>
<thead>
<tr>
<th>MPC out of permanent-income (MPCp)</th>
<th>MPC out of observed income (MPCy)</th>
<th>APC</th>
<th>Mayer's Coefficient (m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.730</td>
<td>0.346</td>
<td>0.896</td>
<td>0.3</td>
</tr>
</tbody>
</table>

The results of log-log model are also used to verify the loose version, which are mentioned in table 4. The ratio of the permanent and observed income elasticities also endorses the validity of loose version.

Table 4  
*Estimation of Loose version of Permanent-income Hypothesis: Elasticities Ratio*

<table>
<thead>
<tr>
<th>Elasticity out of permanent-income (MPCp)</th>
<th>Elasticity out of observed income (MPCy)</th>
<th>Elasticity Ratio $\beta_{2p}/\beta_{2y}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.804</td>
<td>0.313</td>
<td>2.57</td>
</tr>
</tbody>
</table>

**Conclusion**

This part of the study examined the relevance of permanent-income hypothesis in Pakistan by using the household micro level data. The present study examined two main assertions of the permanent-income theory i.e. the strict version and loose version. The strict version defines that the marginal-propensity to consume out of permanent-income is 1 and 0 for transitory-income, while the loose version states that the marginal propensity of consumption is greater for permanent-income than the transitory income. In order to investigate these assertions the study followed the methodology of Mayer (1966) and Vakil (1973). The study based on the cross-sectional data of Pakistan household-integrated-economic-survey (HIES) 2015-16 which was especially design under the household-integrated-income and consumption survey (HICS).

The results of the study altogether reject the strict version of the Friedman theory; however, the data support the loose version of permanent-income hypothesis. These results are similar to the other studies as Vakil (1973) found the same results for India. The estimated results reinforce that at household level any change in permanent income has significantly larger effect on consumption than the observed income. Hence for any policy making the larger MPC out of permanent-income suggests that the policy makers need to increase the permanent income of households, instead of temporary income, in order to increase their standard of living and consumption.
References


Appendix

Table 1
Diagnistic Test of Each Model

<table>
<thead>
<tr>
<th>Test</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.984</td>
<td>0.354</td>
<td>0.979</td>
<td>0.342</td>
</tr>
<tr>
<td>F-statistic</td>
<td>2398.766</td>
<td>20.840</td>
<td>1735.815</td>
<td>19.710</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Functional Form- Ramsey RESET Test</td>
<td>0.280</td>
<td>0.296</td>
<td>0.351</td>
<td>0.217</td>
</tr>
</tbody>
</table>

Table 2
White Heteroskedasticity Test

<table>
<thead>
<tr>
<th>Models</th>
<th>Prob. F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>0.163</td>
</tr>
<tr>
<td>Model 2</td>
<td>0.147</td>
</tr>
<tr>
<td>Model 3</td>
<td>0.3225</td>
</tr>
<tr>
<td>Model 4</td>
<td>0.9038</td>
</tr>
</tbody>
</table>
STUDY OF WORKPLACE OSTRACISM, EMPLOYEE ENGAGEMENT AND INTERACTING EFFECT OF PSYCHOLOGICAL CAPITAL (PSCAP): A CONSERVATION OF RESOURCES THEORY PERSPECTIVE

Muhammad Ashraf¹, Riaz Ahmed Mangi² and Minhoon Khan Laghari³

Abstract

The intention of this study is to investigate the influence of Workplace ostracism on Employee Engagement, among the people working in the health care sector. Using Conservation of Resource Theory (COR), the research seeks to understand the moderating role of Psychological Capital. The data for the study has been gathered from leading private hospitals of Karachi, Pakistan. The sample size for the study was 345 full-time health care employees. After screening and the analysis of data, it was revealed that Workplace Ostracism negatively and significantly influences Employee Engagement. The intervening influence of Psychological Capital was estimated by PROCESS macro (Hayes, 2013). The psychological capital exhibited significant moderation between workplace ostracism and employee engagement. The study discusses the theoretical and practical implication.

Keywords: Ostracism, Stress, COR, Employee Engagement, Practical Implication.

JEL Classification: C300, C920, D910

Introduction

The behavior of the people in the working environment, particularly of the knowledge workers is very much important in discharging the duties. The organizations are doing their utmost to inculcate the positive work attitude among people working for them. However, developing an ideal condition is next to impossible, when the work involves excessive sensitivity such as health care sector.
diversity of behaviors among the people working in a group nurtures numerous negative behaviors; workplace ostracism is one such factor. Ostracism refers to the behavior, in which an individual starts to perceive that s/he is being excluded, ignored, or being received cold attitude from his/her team members. Hence his/her contribution towards the task is not being recognized. The moment, when such attitude is translated into the work behavior the engagement toward the work is disengaged. People working in the health care sector are not exceptional. Moreover, the effective and efficient survival of organizations in a dynamic market arena heavily depends on congenial social interaction among the people working for them. The amount of devotion and dedication contributed from the part of employees making the organizations achieve a competitive edge constitutes the employee engagement (Bakker, 2009). According to Achor (2011), the individuals became successful in achieving excellence both for themselves and for organizations, when they are happy. Hence the more we are hopeful, the more we are efficacious, the more we are resilient and the more we are optimistic, the more likely are the chances to muscle the challenges in the organization. When efficacious, resilient and optimistic behavior is combined, the concept of psychological capital emerges. Psychological Capital is very much important both for individuals and groups in the working environment. The Conservation of Resources Theory (COR) Hobfoll (1989), narrates that several types of resources (Managerial, Job and Personal Resources) are the inspirational resources that promote the engagement to tasks being performed and reduce the feelings of being socially and psychologically excluded while work interaction. Besides numerous factors, workplace ostracism is the most important element having a significant negative effect on employee engagement (Kaya, Ataman, & Aydin, 2017).

Workplace ostracism has also been studied as positively related to counterwork behavior among hospitality employees (Zhao, Peng, & Sheard, 2013). Workplace ostracism is a phenomenon being experience silently by the people that they are being ignored or excluded. Workplace ostracism has been studied as counterproductive both for individuals and organizations. It causes to drain of the social resources, hence can be treated as a source of stress (Williams, 2001). The ostracized individuals in a work setting can feel the stress, which in turn can lead to psychological disorders (Williams, 1997). One of the most important negative outcomes of social exclusion is reduced Employee engagement which makes the organization suffer adversely (Kaya, Ataman, & Aydin, 2017). The research concluded by Luthans and Youssef (2007) organization should keep on suggesting, focusing prominently on Positive Organizational Behavior (POB) in the workplace. Such positive psychological methods have been developed with the intention to evaluate “what is right with people” instead of conventional approaches of “what is wrong with people” (Luthans & Youssef, 2004). This way of approaching has emerged the concept of psychological capital (Avey et al., 2010).

According to Luthans and Youseef (2004), psychological capital is classified into four distinct classes, namely hope, optimism, efficacy, and resilience. Hope refers to persistent with the goals and flexibility in approach to redefining the paths to goals whenever necessary. Optimism: refers in the light of attribution theory developed by Heider (1958) is an approach that enables a person to make internal or dispositional attribution for positive events (both situational and external). Efficacy: refers
to the quality and extent of self-confidence exhibiting by the people in their capability to achieve predetermined objectives in a particular situation. **Resilience:** refers to the adaptation of a positive approach to meet the challenges of distress and adversities.

Ostracism has been studied as an outcome of interpersonal interaction which ushers the negative work behavior (Williams, 1997, 2001). Hence, it becomes very important to analyze the influence of workplace Ostracism on employee engagement. Besides that, it is also important to evaluate the significance of psychological capital to moderate the affectsof ostracism. The study while investigating the role of psychological capital in future endeavors, with the intervening influence of job crafting documented positive relationship (Cenciotti, Alessandri, & Borgogni, 2017), however the psychological capital as moderating variable in Pakistani context is yet to receive the attention of the researchers. Particularly using the conservation of resource theory (COR) (Hobfol, 1989). Thus this research is an empirical endeavor to test the moderating role of psychological capital.

The focus of this study is health care sector, reason being the positive behavior of health givers, while discharging their duties is very much essential (Sendawula et al., 2018). The earlier studies have focused on the workplace ostracism among nurses, but ignored the other medics (Fatima et al., 2017; Imran et al., 2019) The positive attitude of employees working in the health care sector is very much important in discharging their duties (Abdullah et al., 2009). More of the engaged employees higher the chances of quality services. This study, therefore, targetted to investigate the nature of the relationship of workplace ostracism and employee engagement of people engaged in various private owned hospitals of Karachi, Pakistan.

**Theoretical Substantiation**

**Employee Engagement**

Employee engagement has been referred to as a passionate attachment that a person (in work setting) feels about his/her organization which in turn affects him/her to put forth the superior discretionary effort to his/her assigned task (Gibbonson, 2006). An individual is said to be engaged in work, when s/he feel himself or herself involved, dedicated, authorized and passionate and exhibit such feelings in work-related behavior (Richardson, 2010). In a work setting the human resources department is always mandated to inculcate the sense of engagement among the people constituting the work settings, such enthusiastic behavior is then translated into higher organizational interest (Berens, 2013). Employee engagement has been evidenced in literature as engagement (Crawford et al., 2010), Job Engagement (Kong, 2009), Organizational engagement (Saks, 2006), Personal Engagement (Kahn, 1990) and Work Engagement (Saks, 2006). Work engagement refers to the extent of attachment with work, whereas employee engagement may also refer to the passionate attachment of an employee with an organization (Rout, 2017).
Employee engagement as a research construct has been extensively investigated and established an association with several job-related outcomes in the working environment. For example, according to Salanova et al. (2005) that employee engagement is positively and strongly related to the climate of service, worker contribution, and consumer attachment. Employee engagement was studied as affirmatively aligned to the creativity of an employee (Bakker & Demerouti, 2008). Employee engagement has been also being found to be negatively related to job quitting tendencies among employees (Caesens et al., 2016).

The studies provide ample pieces of evidence, lauding the significant and positive influence of engagement on productivity, the performance of both employee and organization, and it has negative effects on turnover intention (Truss, Alfes, Delbridge, Shantz, & Soane, 2014). The Hewitt (2014) describes that an engaged worker persistently exhibits three conducts: namely (1) Say- always talk about the firm positively with colleagues, probable workers, and clients; (2) Stay- cherish a desire to be the part of the firm even in availability of placement for the work somewhere else; (3) Strive- contribute extra effort, time and dedication to work in the success of the organization. Employee engagement has been extensively studied along with its positive impact on various job-related outcomes. Such as job performance, organizational commitment (Cesário & Chambel, 2017), it has been studied as a major predictor of organizational performance (Otieno, Waiga, & Njeru, 2015). Business executives around the world are of the firm belief that employee engagement enhances the retention attitude among employees, satisfaction with the job and higher-order commitment towards organizational productivity (Wiley, Kowske, & Herman, 2010).

In an attempt to conceptualize, Employee engagement has been characterized by two distinct perspectives namely psychological perspective (Rout, 2017), and organizational perspective (Georgiades, 2015). In organizational behavior research, the concept of employee engagement is not strange; it has been under empirical investigation since its inception (Khan, 1990). The originator of the concept of employee engagement has classified it into three interrelated elements namely physical engagement, cognitive engagement and emotional engagement (Khan, 1990). Employee engagement may also be conceptualized as an affirmative frame of mind, taking into the work environment which is signified by “meaningfulness, safety, and availability” Kahn (1990); has been studied as an academic pioneer of employee engagement. Employee engagement is radically different than the work engagement. Employee engagement is an exhibition of behavior (Physical, Cognitive and Emotional). When an employee passionately involves exerting his/her physical capabilities in job excellence; it has been referred as his/her physical engagement. Whereas cognitive engagement refers to the essence of knowing the organizational strategy and develop the skill accordingly so that optimal contribution can be made in work. Emotional engagement, on the other hand, refers to the feelings of an employee pertaining to the passionate attachment with an organization and the members. Employee engagement is a synchronized execution and exhibition of an individual’s chosen self in work-related behavior which improves the relationship with job and others, individual existence (physical, cognitive and emotional) and energetic, complete role performances. Whereas work engagement can be described
as opposites because the exhaustion is considered as mediocre enthusiasm and cynicism as considered as stumpy recognition, whereas the vigor is considered as greater enthusiasm, commitment and high identification (Schaufeli, Salanova, González-Romá, & Bakker, 2002).

Work engagement along with its dimensions has been studied extensively, by investigating its nature of association with various job-related outcomes. Such as a positive and significant association between work engagement and job performance has been documented (Yongxing, Hongfe, Baoguo, & Lei, 2017). The Employee engagement also investigated in association with leadership (Gözükara & Şimşek, 2015), Employee engagement counterbalances the work-related stress among health professionals of Intensive Care Unit (ICU) (Mol, Nijkamp, Bakker, Schaufeli, & Kompanje, 2017). A significant link between employee engagement and job performance among IT professionals was found in India (Sekhar, Patwardhan, & Vyas, 2017). This confirms that the more the engaged person higher the job performance will be. Studies concluded an affirmative relationship between engagements and inter role distance among nurses (Seada, 2017).

Since the people in the health care sector are always vulnerable to various work-related challenges, therefore the chances of anxiety during executions of various job tasks are very much high. Substantial evidence is available regarding epidemic diseases havoc (Raven, Wurie, & Witter, 2018; Manyisa & Aswegen, 2017). Employee engagement in this regard can buffer the stigma experienced by people working in the health care sector particularly dedication (Raven, Wurie, & Witter, 2018). People enriched with personal and professional skills required to carry out job-related tasks are happened to highly engage (Schaufeli, 2017). This has endorsed the COR theory of Hobfoll (1989). The COR theory states that people maintain their existing resources and pursue new resources (Hobfoll, 1989). From this point of view, resources can be defined as objects or things that one values, more specific objects, states and conditions (Halbesleben, Sam, Paustian-Underdahl, & Westman, 2014). These resources which are valued by individuals started to drain, and perceive that there are chances of losing more resources, they are haunted by stress. Hence the subsequent resources investment is required to fight back (Hobfoll, 1989). People, therefore, keep strives on to maintain their existing resources, with the intention to cope up with emotional and physical fatigue. Contrary to that they will drain out their energies, in terms of the low level of Physical, Cognitive, and Emotional engagements. One of the most challenging dilemmas to cause the resource drain and low level of Employee engagement is ostracism in work settings (Kaya, Ataman, & Aydin, 2017).

Workplace Ostracism

The pieces of evidence of ostracism can be traced back from ancient Greek when they used to ostracize a person from communities once s/he is convicted (Williams, 1997). The term ostracism is used in various senses in the literature for example exclusion, isolating, ignoring, deprivation and sending exile, etc (Williams, 2001). Ostracism has been defined as the conscious and intentional deprivation of an individual by groups of persons, others’ conscious separation from a person
(Sommer et al., 2001). Yang (2012) is of the opinion that ostracism has devastating influences on communal and cognitive roles of the peoples, and intimates the feelings of belonging, which is of basic need. Lustenberger and Jagacinski (2010) the sense of being exclusion, makes the people suffer prolong unhappiness and mental stress, thus makes them compromise the assigned tasks. Ostracism can be observed as an extensive phenomenon, even in diversified demographics like age and gender (Williams, 1997). According to Fox and Stallworth (2005), the cultural and social context is very much important precursor of forming the ostracism. It is an individualistic perception, emerges when a person experiences a professional, and social exclusion in the work setting (Leung et al., 2011). People working together may deliberately ignore their colleagues while going to lunch together, they may turn deaf ear to their coworker’s input in meetings, or they may intentionally turn down the compliments from them (Balliet & Ferris, 2013).

Workplace ostracism hinders the sense of belongingness among workers and compromises the contribution towards the job (O’Reilly & Robinson, 2009). It is mostly accepted that ostracism can make people suffer physically and mentally, deteriorate the level of satisfaction with the job and reduce the commitment level among them (Ferris et al., 2008; Wu et al., 2012). Leung et al. (2011) studied workplace ostracism and employee engagement, concluded that workplace ostracism is negatively related to employee engagement. Workplace ostracism has been studied as a mitigating factor to subvert the employee creatively and passionate attachment with the work, which indicates employee disengagement (Kwan, Zhang, Liu, & Lee, 2018). An ostracized employee in a work environment physically, cogitatively and emotionally disengagement (Söderberg & Fry, 2016). The reason may be workplace ostracism causes resource drain and left the victims to suffer. Lacking sufficient resources to respond to job demands results in disengaging. Hence the following hypothesis is formulated:

$$H_1:$$ Workplace ostracism negatively and significantly influences employee engagement.

**Psychological Capital**

The primitive concept of Positive Organizational Behavior can be traced from the empirical findings of Luthans (2002) and Wright (2003) as a means to usher the positive psychology among the people in the work setting (Seligman & Csikszentmihalyi, 2000). Psychological Capital may be conceptualized as the knowledge and execution of affirmatively produced human resources strengths and cognitive capabilities that can be evaluated, nurtured and efficiently controlled for performance grooming (Luthans, 2002). The literary pieces of evidence on positive psychological capital, it is revealed four classes of Psychological Capital namely *efficacy, hope, resilience and optimism* (Stajkovic, 2006; Luthans et al., 2007).

In the work setting organizations normally ignore to grasp the positivity among the people working for them (Joya & Edan, 2016). Positive psychological capital is one such positive domain, by applying which negative behavior can be changed into positive. Martin Seligman (1998) is of
this opinion, that management should not waste energies to identify “what is wrong with the people” rather appreciate in ushering the positivity (Seligman, 1998). Psychological capital has been studied to influence multifarious organizational outcomes (Stam, Laschinger, Regan, & Wong, 2013). The outcome of each dimension of psychological capital has been diversified. For example, people with higher self-efficacy may exhibit to have a belief in their capabilities to accumulate the inspiration, personal resources and plan to action necessary (Luthans et al., 2007). Eventually, positive outcome results such as satisfaction with job and engaged in the work (Hwang, Lee, & Shin, 2016; Durrah & Khan, 2016). Hopeful workers normally exhibit a state of pleasure while attaining predetermined organizational goals. The hopeful individuals are initiatives in their nature and dare to take a risk even in the presence of multiple threats and challenges of possible failures. Hence the sense of “Hope” to achieve the goal, promote the level of contentment with the job; and employee engagement (Avey et al., 2011; Majid, 2018). The positive expectations are normally an outcome of hope, which in turn usher the sense of responsibility while in job and mitigate the negative work behavior like workplace ostracism (Zheng et al., 2016), satisfaction with the job (Mishra et al., 2016), higher-order Employee engagement (Sihag, 2014).

$H_2$: There is a positive significant influence of psychological capital and employee engagement

The Moderating Role of Psychological Capital

Psychological capital has been researched as an interacting variable between ostracism and tendencies to quit the job (Zheng et al., 2016). Optimistic individuals single out the productive abilities in their being, which eventually promotes self-esteem and morale among them (Lyubomirsky et al., 2006). Optimistic individuals normally used to be in habit of showing tendencies of positive behavior even in the presence of workplace challenges, and contribute favorably in organizational productivity (Mishra & Mishra, 2016). The Resilient people possess the abilities to get rid of the muddy ditch of difficulties and try to find out new avenues of knowledge, skill, and capabilities. They manage to develop deeper alliances with fellow workers (Luthans et al., 2007). Such special qualities of individuals make them improve their positive behavior and overcome the challenges of ostracism, eventually, they become more engaged.

$H_3$: Psychological Capital moderates the relationship of Workplace ostracism and employee engagement.
Methods

Figure 1: Theoretical Framework

Participants

The sample for this research was drawn from 10 private tertiary care hospitals of Karachi. The criterion for targeting hospitals was 100-bed accommodation facility, identified through their respective URLs. The data was collected from May 2018 to July 2018. Respondents were informed that the research was aimed to collect data on medical practitioners’ perception of the exclusion or isolation in the working environment. They have ensured the confidentiality and informed that response was voluntary. The questionnaires were recollected once they were filled. Since the population frame was made available therefore simple random sampling technique was applied to target the respondents for this study. The sample size for this study was 384 full-time health givers determined through Roscoe’s (1965) approach. Sixty-five percent of respondents were female doctors, with mean age group 40 years.

Measures

Workplace Ostracism

Five-point Likert scale measuring the workplace ostracism developed by Ferris et al. (2008) was used for the study. Sample items included: “Others excluded me at work”, “fellows leave the
place once I enter”, and “The greetings from my part have been un-responded in work setting”. For measuring internal consistency among the items of the construct, Chronbach’s alpha reliability test was conducted. Hence the reliability of the scale was .75.

Employee Engagement

In order to measure Employee engagement among the people working health care sector of Karachi, the predesigned scale (Kahn, 1990) was adopted for this study. The scale was modified to adapt to the conditions of research. After modification, the expert opinion was sought regarding the modified scale. The scale carries three forms of employee engagement namely physical, cognitive and emotional. The Chronbach’s alpha reliability test return the reliability of the scale was .80.

Psychological Capital

To measure the psychological capital, the PCQ of Luthans,Youssef et al. (2007) have been adopted for this study. The sample items for the study include “I feel confident helping to set targets/goals in my work area” (efficacy); “If I should find myself in a jam at work, I could think of many ways to get out of it” (hope pathways); “When I have a setback at work, I have trouble recovering from it, moving on” (Resilience); and “I always look on the bright side of things regarding my job” (optimism). The reliability statistics of the scale was 0.77.

Results

Confirmatory Factor Analysis (CFA) was conducted to ensure the factor loadings of the measure. The fitness of the model was confirmed through the Chi-Squire test, CFI (Bentler, 1990), TLI (Tucker & Lewis, 1973), and RMSEA (Browne & Cudeck, 1993). The conventional threshold for the said fit indices is .90 of Comparative Fit Index (CFI) and Tucker Lewis Index (TLI) and below .08 values for Root Mean Square Error of Approximation (RMSEA) is acceptable (Ting, 2011). In our case the fit indices were, (Chi-Square=89.33, p < .01; RMSEA =.07; CFI=.95; TLI =.92). The Chi-Squire was required to be insignificant, as the test is sample sensitive it will always return a significant result when the sample size is greater than 200 (Hair et al., 2010). A Confirmatory Factor Analysis (CFA) of the constructs was performed to assess the reliability, validity both convergent and discriminant. Through the analysis, it was revealed that composite reliability (CR) of the constructs was between .70 to .80, higher than the generally accepted threshold value .60, which confirms the internal consistency reliability of the significance of factor loadings of all the constructs, confirmed the convergent validity of the model. The Average Variance Extracted (AVE) results of the constructs depicted between .60 to .70, which is fairly higher than the predetermined AVE threshold value .50 (Calvo-Mora et al., 2006), hence the convergent validity for the study was ensured. Besides that, the computed values of intercorrelations among the constructs were fairly less than the Squired Root of AVE, hence the discriminant validity is authenticated (Hair et al., 2010).
Descriptive Statistics

Table 1 given below shows the means, standard deviation and correlation analysis of variables of interest in the study. Table shows, workplace ostracism has negative association with employee engagement ($r=-0.33$, $p < 0.05$), negative correlation with psychological capital ($r=-0.27$, $p < 0.05$), whereas the psychological capital positively correlated with Employee engagement ($r=-0.627$, $p < 0.05$).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>Std.</th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ostracism</td>
<td>3.67</td>
<td>.884</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Engagement</td>
<td>3.97</td>
<td>.740</td>
<td>-.333**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>3. PsCap</td>
<td>3.99</td>
<td>.714</td>
<td>-.273*</td>
<td>.627**</td>
<td>1</td>
</tr>
</tbody>
</table>

Figure 2

Table 1

Correlation Analysis

Hypothesis Testing

The path analysis using Amos was executed to test the hypotheses of the study. SEM enables
the investigation of all the variables in the given model (Byrne, 2016). The fig 2 indicates the outcome of structural equation modeling. As shown in the figure workplace ostracism significantly and negatively predicts the change in Employee Engagement ($\beta = -0.68$, $p < 0.01$). Workplace ostracism × Psychological Capital also significantly and negative change in employee engagement ($\beta = -0.85$, $p < 0.01$). Whereas, psychological capital positively predicts the change in employee engagement ($\beta = 0.72$, $p < 0.01$). Thus all the hypotheses of the study are supported. Interactive path analysis was conducted through Amos (Asif et al., 2018). As shown in figure 1 the indirect effect of workplace ostracism through psychological capital on Employee engagement significantly and negatively different ($\Delta \beta = -0.06$, $p < 0.01$). The interaction effect is plotted and depicted in fig 2 using Aiken and West’s (1991) approach.

The findings in the given below table show the significant influence of psychological capital as an interacting variable. The interactive effect of psychological capital and workplace ostracism lie between LLCIs and ILCIs and corresponding probabilities are less than 0.05 (Hayes, 2013). Thus psychological capital is moderating the relationship between psychological capital.

### Table 2

**Moderation Analysis**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variables</th>
<th>B</th>
<th>SE</th>
<th>T</th>
<th>P</th>
<th>LLCI</th>
<th>ULCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Ostracism</td>
<td>-0.723</td>
<td>0.083</td>
<td>-8.713</td>
<td>0.000</td>
<td>0.2316</td>
<td>0.3572</td>
</tr>
<tr>
<td>H2</td>
<td>Psychological capital</td>
<td>0.722</td>
<td>0.084</td>
<td>8.595</td>
<td>0.000</td>
<td>0.6454</td>
<td>0.7393</td>
</tr>
<tr>
<td>H3</td>
<td>Psychological Capital</td>
<td>-0.149</td>
<td>0.015</td>
<td>-10.25</td>
<td>0.000</td>
<td>-0.2317</td>
<td>-0.1650</td>
</tr>
</tbody>
</table>

### Table 3

**Hypotheses Assessment Summary**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Weights</th>
<th>Sig: Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Workplace ostracism negatively and significantly influences employee engagement</td>
<td>$\beta = -0.68$</td>
<td>$p &lt; 0.01$</td>
<td>Hypothesis Retained</td>
</tr>
<tr>
<td>H2: There is a positive significant influence of psychological capital and employee engagement</td>
<td>$\beta = 0.72$</td>
<td>$p &lt; 0.01$</td>
<td>Hypothesis Retained</td>
</tr>
<tr>
<td>H3: Psychological Capital moderates the relationship of Workplace ostracism and employee engagement.</td>
<td>$\beta = -0.85$</td>
<td>$p &lt; 0.01$</td>
<td>Hypothesis Retained</td>
</tr>
</tbody>
</table>
Discussion

The numerous studies pertaining to workplace ostracism have been concluded in the context of manufacturing concerns (Liu & Xia, 2016), among bankers (Javed, Shah, & Bashir, 2018), work to family spillover effect (Lee & Hui, 2011). A few studies focusing on the health care sector have been documented (Gkorezis, Panagiotou, & Theodorou, 2016). This research also highlights the significance of psychological capital which moderates the relationship between workplace ostracism and employee engagement. It was intended that the negativity of social and professional exclusion and employee engagement can be visualized by using the conservation of resources (COR) theory (Hobfoll, 1989). The findings of this study concluded that enriched with psychological capital can be more engaged in the work setting. The results of the research are the value added to the existing academic and professional literature about ostracism, engagement, and psychological capital. The findings of the Fatima et al. (2019) studying the workplace ostracism and its impact on the employee’s behavior, is the latest study on workplace ostracism. However, this study has focused the healthcare sector.

Future Research

The study can be extended by incorporating the public sector health care, and comparison between private and public sector dilemma. In the health care sector, it was observed, that in Pakistan the majority of employees were supporting staff like nurses, ward boys, etc. Therefore, the study focusing on the nurses’ attitude can bring unique outcomes and value-added information for health policymakers. By incorporating more psychological empowerment as a mediating variable between workplace ostracism and employee engagement, the unique policy input to health policies can be accumulated.

References


Boston, MA.


ROLE OF KNOWLEDGE MANAGEMENT IN STRATEGICALLY SUITABLE DECISION MAKING IN TELECOMMUNICATION SECTOR

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Abstract
The world is dynamic in nature and so are the needs and demands of the people. Failure and success of any organization depend upon their decisions. Now the question is how an organization makes its decisions? What are the essential elements of decision making? The aim of this research is to find out the role of Knowledge Management in making Strategically Suitable Decisions. It also addresses the outcomes of Knowledge Management and their impact on the quality of organizational decisions. The research is based on a quantitative analysis of the questionnaire, collected from the Telecommunication industry. The study finds out that Knowledge Management is one of the fundamental sources of Competitive Advantage, Information Security and Customer Relationship; which are the focus of any organizational decisions. Although the research is conducted in the Telecommunication industry, it is equally applicable to any type of organization producing products and services.

Keywords: Knowledge Management (KM), Competitive Advantage (CA), Customer Relationship (CR), Security of Information (SI), Strategically Suitable Decision Making (SSDM).

JEL Classification: Z000

Introduction
The needs and demands of the world are changing, political scenario is inconsistent, climate and seasons are changing, this not only change the minds of the people outside the organizations but bounds the inside employees to make such steps which are suitable for the customers and for their organizations (Wild & Griggs, 2008). Telecommunication organization is one of the dynamic field of technology and innovation. Its services and products not only need to be developed regularly but also need to be managed properly (Sayed & Shahid, 2015).

Managing information is one of the most important issues in organization and strategically

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fit decision making is another. Due to this significance a new word “Knowledge management” came into being. A logical method and tools to manage knowledge within the organization for its effective use are called Knowledge Management (Girard, John Girard, JoAnn, 2015). The subject is not only getting familiarity in academics but also in social sciences, management, business organizations, engineering and economics (Martin, 2008).

What compels organizations for managing knowledge and information? The answer to this question is very difficult to find out. Knowledge is the primary component of all operations in any organization. Knowledge plays the core strategic role in any organizational strategy and in making all types of decisions (Rowley, 2007). Knowledge covers all inside and outside environment of an organization, so it’s meaning changes from one sector to the other.

In this research, we will find out the main outputs of KM and the elements, specifically Security of Information, Competitive Advantages, and Customer Relationship, which can be obtained through proper KM and can play a key role in Strategically Suitable Decision Making. The study also proposes the interconnection and relationships of KM and SSDM in a structural model, for making it easy to manage knowledge and information properly, for deriving the strategic important outcomes which contribute to SSDM. The research is trying to add some valuable result to the importance and need of KM in today’s emerging working environment regarding the security, competition, decision and customer relationship.

**Literature Review**

*Knowledge Management*

KM has made very significant and astonishing modifications and developments in the fields in telecommunications and Information technology (Caldwell, 2001). The core aim of KM is innovation, collaboration and decision making (Havens & Knapp, 1999). Other objectives of KM are to appropriately assemble and design an environment in which employees are provided the opportunity to share, implement, develop and protect knowledge which leads to new innovation (Davenport, 2013). According to another research, KM awakes the senses of an organization to feel the essential opportunities for new products and services (Barnett, Michael. 1997a).

There are also a lot of organizations operating in a much-diversified environment and the fragmentation of knowledge is of more importance for different departments and region within the boundary of organization (Zack, 1999). If there is no KM, then communication of knowledge is not worthwhile (Hargadon, 2000).

This literature shows that there are the very extensive role and benefits of Knowledge management in the dynamic nature of market needs and modern development. Without proper
knowledge management, it is impossible for the organization to achieve its objectives in the age of continuous developments and competition. So if the organizations want to face these challenges optimistically, it must manage the knowledge in a suitable and remarkable way.

**Security of Information**

SI is one of the prime needs of organizations in modern days. Speed in communication, transmission and electronic devices have alarmed for SI around the globe (Andress, 2014). Electronic devices like mobile phone, computers, USB, memory cards are majorly used in modern day businesses (Kakareka, 2013). Information of an organization is exchanged, transmitted and shared through them which can cause severe damage to personal and organizational information (Dodge, 2007).

As the medium through which information of an organization are made accessible, these information needs to be prevented from corruption, theft and alteration and the process of doing so is known as SI (Vural, 2007). It is a complicated process, affected by workers, their education, and technology. Therefore, these factors need to be managed carefully.

SI is not only an organizational issue. Its failure can cause severe damage at industry/market level as well. Therefore, national and international policy and regulations have been developed for it. Every employee and organization is bound to obey the laws and standards regarding information and its security (Wood, 2005).

Importance of SI depends upon the nature of organization and information. Due to this natural fact, almost every organization has different security policy and regulations for SI. The strictness and rigidity of SI policy also differ from organization to organization and have a strong relationship with organizational goals and objectives. Through SI policy firms secure its information by adopting rules, control tools, protection walls etc. (Kalman, 2003).

In order to make information secure, organizations have to evaluate security risks continuously and make every possible and necessary step for its control (Peltier, 2005). In spite of its sole importance usually, organizations invest less amount than the required for its information security (Deloitte, 2006). Information of an organization can be made secured by the proper KM process (Sayed & Shahid, 2015). The following hypotheses are assumed to be true.

\[ H_1: \text{Knowledge Management has positive relationship with SI} \]
\[ H_2: \text{SI in an organization has positive correlation with its CA} \]
\[ H_3: \text{SI has positive impact on SSDM} \]

**Competitive Advantage**

Modern markets are getting complexity day by day due to the rapid growth in the numbers
of products and services. It solely depends upon the organization’s knowledge to fulfill the market demand and compete with the competitors. This shows the dependence of competitive advantage over KM (Zviran, 1999). Knowledge itself does not make any sense; it needs to manage in more attractive and efficient style than competitors which will ensure its competitive edge and position in the market (Panettieri, 1995)

Knowledge can be broadly divided into two main categories, i.e Tacit Knowledge and Explicit Knowledge. None of the above can be advantageous for the organization until their application to a specific task, product or process. Therefore, knowledge must be used to enhance employee’s competencies and skills (Dhillon, 2000). Some of the most important competencies are the skills necessary for operating a technological device or machinery and organizational capabilities. These capabilities are the base of organizational CA (Grant, 1996a). Core capabilities are defined as, the capabilities which are superior to those of competitors and are unique (Pfeffer, 1998). CA which is one of the most important element of strategy making can be obtained through KM (Sayed & Shahid, 2015).

The research argued that CA can be achieved only through the effective management of knowledge and information. Knowledge in a firm, if creates, modified and use effectively gives the firm a better and strong position than its competitors. The following hypothesis is derived from the above literature.

\[ H_4: \] KM has positive impact over CA.

\[ H_5: \] CA has positive correlation with SSDM.

**Customer Relationship**

The process through which information related to technology and market are converted to decisions in such a strategic manner, which fulfills the customer needs according to the customer behavior and satisfaction is known as Knowledge Management (Nordhaug, 1994). KM ensures best customer relationship by providing customer-focused information. It also gives knowledge about CR lifecycle which further leads to new product innovations and developments. Through effective KM customer can be served on time and effectively. KM also integrates knowledge about the customers and market within various organizational departments and helps where customer related information be created and used (Leonard-Barton, 1992).

Organizations are doing businesses for making a profit. A customer is the only source of generating money for them. This importance reduced staff general functions of KM and raised the methods of using KM for CR strategies. In addition, most of the firms are operating and providing their products and services globally or in more than one country. This increases the prerequisite to maintain and build profitable CR which is only possible if knowledge and information about these
globally dispersed customers and markets are organized appropriately (Leonard-Barton, 2003).

It is suggested in this research that best and satisfied CR is achieved through suitable KM. KM will not only share information about customers and their market among employees and management of the organization but innovate services and products according to customer satisfaction, needs, wants and demands. The summery of the literature survey is summarized in the hypothesis below. $H_6$: KM has positive influence over CR.

So, it is clear that customer satisfaction is required for the surviving of the organization. And it is possible only if an organization knows well about the demands and needs of its customers, and makes good use of its information compare to its competitors (Tavana & Ali, 2013). It will provide the organization a chance to make a strong and everlasting relationship with its customers. It is only possible if all the information provided by the customers and market are properly managed. CR is also necessary for information related to the market, which is also a valuable source of comparative advantage (Prasongsukarn, 2006). The following statement was assumed.

$H_7$: CR has positive influence over its CA.

$H_8$: CR has positive influence over its SSDM.

**Strategically Suitable Decision Making**

A strategy of a firm is a high-level planning for achieving its objectives in a highly uncertain environment. In other words, “a chain of decisions” is a strategy (Handen, 2000). It is important to understand the internal and external issues and challenges of a company and derive a solution to the problems for the accomplishment of its goals. This process is called strategic management (Nicolett & Andren, 2000). Objectives, policies, and planning for achieving the objectives are all the part of strategic management. It is crystal clear that there is a lot of work done by researchers and thinkers regarding alternative strategy, but unfortunately, too little effort has been done over the factors and elements which have direct or indirect influence over the making of strategically suitable decisions (Porter, 1996).

Decision making plays a vital role in the running of an organization. Making effective decision requires enough knowledge (Kvint, 2009). Also, most of the organizations are under remarkable pressure of the modern age and its inventions, needs, and demands. There is very little time for decisions to be made these days (Mulcaster, 2009). No one understood clearly the collection of knowledge, its managing and sharing to make decision effectively in the context of sustainability (Ernst & Young, 1999).

There is a competition everywhere in the market. No one knows what will come tomorrow, so organizations use to take decision strategically. Making the decision strategically is dependent upon the prediction of the upcoming areas of competition and knowing all about the upcoming demands.
More over the performance of decision making may get impacted due to better knowledge may not be available for the right person at the right time at a right place (Parlby & Taylor, 2000). In addition, without proper knowledge and capabilities of an organization and decision maker, an organization cannot make suitable decisions (Sayed & Shahid, 2015).

A range of organizations also highlights the emerging worry to make secure the environment for the upcoming generations through loyalty to concepts of sustainable development (Semple, 2000). Enough knowledge is needed for sustainable development which provides the base for decision and efficient ways for the management of knowledge, to help in the creation and distribution in order to support issues regarding sustainability (Malone, 2002). Human resource professionals need to know and guide the human capital on the way of development of competencies and abilities. Also HR professional needed to be having a strategic approach which is reactive to an unpredictable and dynamic environment (Sage, 1998).

It is suggested that an expert knows better about the business or organization and so he can take corrective actions in the favor of business (Laszlo, 2002). Research also shows that it is necessary for Human Resource to adapt itself according to the changing knowledge era (MacDonald, 2003).

In short, effective decision making adds a valuable contribution to the value and services of an organization. So, it is suggested that if an organization want to compete, it must manage the information in such a way to make the right decision at the right time for the right direction of the organization. Without effective management of knowledge, it is very hard for an organization to participate in the modern world and make fruitful decisions.

**Proposed Structural Model**

The needs and demands of worlds is changing; political scenario is changing; this not only changes the minds of the people outside the organizations but bounds the inside employees to make such steps which not only suits for the outside world but also for their organizations. In other words, any organization needs to have such strategy which can face the challenges it faces. The formulation of such strategy is only possible if the 88 organization and its management create, analyze and use knowledge and information in a strategic manner. This research is adding valuable consequences to the importance and need of Knowledge Management in today’s emerging working environment. In this research we find out the main outputs of knowledge management (KM) which are the pre-requisites of Strategically Decision Making (SSDM).

This research aims to present the impact and importance of Knowledge Management on Security of Information, Competitive Advantages, and Customer Relationship which are the essential factors of SSDM. We also proposed the interconnection and relationships of KM and SSDM in a structural model, for making it easy to manage knowledge and information properly, for deriving
the strategic important out comes which further enhances and clarifies way for SSDM. In short, the research will clear the need and importance of KM and will present the main outcomes which come from proper KM. Each of the KM outcomes is studied deeply and a structural model was made and presented for each. Furthermore; the research will link these outputs with SSDM, which is shedding light over our main objective of “KM as a tool for SSDM in telecommunication organizations.” A structured model was designed after deep literature survey and will be tested for its accuracy in coming chapter. It is claimed that the research will be equally applicable to social sciences, engineering and economics; whether producing services, products or both. As in literature review, various relationships were assumed for this research. The authors proposed the model (See Appendix, Figure 1), showing the relationships among various variables, assumed to be true. These hypotheses are to be checked for their rejection or validation.

**Research Methodology**

The study is based on hypothesis testing. There are five main variables in the research. Based on these relationships, hypotheses were derived and questionnaires were developed and the survey was conducted. The author collected 315 questionnaires from the telecommunication sector organization (PTCL, Ufone, Zong, Mobilink, Telenor, & Warid) in all of the provinces of Pakistan. Stratified random sampling method was used. Out of 315 questionnaires, the author selected 300 questionnaires which were found good and suitable for the research.

**Results and Analysis**

**Reliability Test**

It is necessary to test the data for its reliability. Initially, we check a small amount of data which were purely collected for the purpose and after finding the suitability we collected all the required data and then again find out the reliability. The Cronbach’s Alpha which represents the reliability value is 0.747 which is an acceptable value.

**Regression Analysis**

Regression analysis is used to estimate relationships between variables of interest. Here the focus is on two variables i.e. the dependent variable and independent variable. It helps to see the expected change in the dependent variable when the independent variable is changed. R-square, known as determination coefficients is used for the purpose to predict dependent variable from the variation in the independent variable. It ranges from 0 to 1, closer to 1 means that the relationship is strong while closer to 0 represents a weak relationship between the variables. The value 0 means that there is no relationship between the variables. Tested Model after results and analysis is present in Appendix (See Figure 2).
Hypothesis 1

H1: Knowledge Management has positive relationship with Customer Relationship  
H1o: Knowledge Management has no relationship with Customer Relationship

In the above hypothesis, the author has proposed that there is a positive relationship between KM and CR. The relation was checked for its validation or rejection. For the above relationship R = 0.549, R-Square = 0.30, F-value = 85 at the significant level 0.000. It means that there is a positive relationship between KM and CR and the null hypothesis is rejected. There is a 30 % confidence level of CR prediction as KM varies.

Table 1
ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.089</td>
<td>1</td>
<td>3.089</td>
<td>85.285</td>
<td>.000a</td>
<td>.301</td>
</tr>
<tr>
<td>Residual</td>
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<td>298</td>
<td>.036</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
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<td>299</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), KM  
b. Dependent Variable: CA

Hypothesis 2

H2: Knowledge Management has a positive relationship with Security of Information:  
H2o: KM has no relationship with SI

For the relationship between KM and SI, R = 0.39, R-square = 0.15, F-test value = 36 with the significance level 0.000. It means that SI can be predicted from KM with the certainty value 15 %. Hence the null hypothesis is rejected and our assumption is true.

Table 2
ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>R-Square</th>
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<td>Total</td>
<td>7.398</td>
<td>299</td>
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</tr>
</tbody>
</table>

a. Predictors: (Constant), KM  
b. Dependent Variable: SI
Hypothesis 3

H3: Knowledge Management has a positive impact over Competitive Advantage
H3o: KM has no impact over CA

There is a positive and significant relationship between KM and CA as the author has proposed. The relationship is validated by regression analysis with R-value 0.383, R-square value 0.147 and F-test value 34 at the significant level of 0.000. This shows that KM is a significant predictor of SI with 14% certainty as in below table.

Table 3

ANO ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>R-Square</th>
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<td></td>
<td>Total</td>
<td>299</td>
<td>8.528</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), KM
b. Dependent Variable: CA

Hypothesis 4

H4: Customer Relationship has a positive influence on Competitive Advantage
H4o: CR has no influence on CA

We have assumed that there is a positive influence of CR over CA in our research but after regression analysis, it is found out that there is no relationship between the variable as the significant level (p < 0.05) does not exist. We have significance level 0.07 which is greater than 0.05. Therefore, our assumption is wrong and the null hypothesis is accepted.

Table 4

ANO ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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<tr>
<td></td>
<td>Total</td>
<td>299</td>
<td>10.262</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), CR
b. Dependent Variable: CA
Hypothesis 5

H5: Security of Information has a positive impact on Competitive Advantage
H5 o: SI has no impact on CA

Security of Information’s impact on CA was checked through regression analysis. The values for regression coefficients R is 0.591 and R-square is 0.345. It means that CA can be predicted with the certainty of 35% if SI is known. In other words, if SI varies CA will also vary with the rate of 35%. F-test value for the relationship was also found out and is equal to 47 with the significance level 0.000. Hence the null hypothesis is rejected and our designed hypothesis for the relationship of SI and CA is true.

Table 5 ANO ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>R-Square</th>
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<tr>
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<td>Residual</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>10.262</td>
<td>299</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), SI
b. Dependent Variable: CA

Hypothesis 6

H6: Customer Relationship has a positive influence on Strategically Suitable Decision Making
H6 o: CR has no influence on SSDM

There is a significant and positive relationship between CR and SSDM. The regression coefficients values are R is equal to 0.77, the R-square value is 0.59 and F-value is 63 with the significance level 0.000. The values clearly show that the null hypothesis is rejected and our proposed hypothesis is true and validated. Also, the R-square value is greater so there is a high certainty for the prediction of SSDM by CR.

Table 6 ANO ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>R-Square</th>
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</thead>
<tbody>
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<td>.590</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td>11.880</td>
<td>299</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), CR
b. Dependent Variable: SSDM
Hypothesis 7

H7: CA has positive impact on Strategically Suitable Decision Making
H7<sub>0</sub>: CA has no impact on SSDM

The relationship between CA and SSDM is significant and positive. R-value for the relation is 0.681, R-square value is 0.46 and F-statistics value is 46.55 with significant level 0.000. The value shows that CA can be used to predict SSDM. The value also demonstrates that the null hypothesis is rejected and our assumption that CA has a positive influence on DM is true. SSDM can be predicted with the certainty value of 45%.

Table 7
ANO ANOVA<sup>b</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>R-Square</th>
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</thead>
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<td>46.553</td>
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<td>.463</td>
</tr>
<tr>
<td>Total</td>
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<td>299</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), CA  
<sup>b</sup> Dependent Variable: DM

Hypothesis 8

H8: Security of Information has a positive relationship with Strategically Suitable Decision Making
H8<sub>0</sub>: SI has no relationship with SSDM

The following tables show that the correlation coefficient value R = 0.78 and R-square = 0.608. The F-test value is equal to 85.8 with the significant level of 0.006. It means that the relationship is positive and significant. Therefore, by improving SI in the organization, a good decision can be made. The certainty value the prediction is 60%. As there is a positive and significant relationship between the variables so the null hypothesis is rejected and our assumed hypothesis is true and is validated.

Table 8
ANO ANOVA<sup>b</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
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</thead>
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<td>0.608</td>
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<tr>
<td>Total</td>
<td>11.880</td>
<td>299</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Predictors: (Constant), SI  
<sup>b</sup> Dependent Variable: SSDM
Conclusion

Knowledge management is a key to making a strategically suitable decision. Without proper knowledge management, it is not only difficult but impossible for an organization to achieve its strategically fit goals and objectives. In order to be the first in the run of the market competition, it is highly recommended that they should manage their information as better as possible. Besides other advantages of better knowledge management, it gives competitive advantages, provides a profitable relationship with customers, and secures the secret information of organizations, which in turn are considered helpful in our proposed model.

Recommendations

1. It is strongly recommended here that management should follow the proposed model in order to make strategically fit decisions in the favor of their organizations and will find it more helpful than the older ones.
2. Knowledge should be managed in such an approach to give the firm CA.
3. It is also recommended that information and knowledge of an organization can only be secured through proper KM.
4. The research also recommends that KM gives CR and CR which in turns gives infinite valuable information to the organization.
5. The study recommends that CR, CA and SI have great importance in SSDM. These three variables and their outcomes can be achieved through KM

Research Limitations and Future Research

This is an irrevocable fact the people need to consider the results and conclusion of any research within some limitations context. As answering particular questions usually generates further questions that need to be explored but to the scope of this research these questions were not explored and need to be explored in future studies. Readers should also remember that the current research was carried out with the help of clearly determined population and sample; in other settings, the same research may produce different results. To make the results more generalized, further investigation is required in other organizations.
References


Appendix

Figure 1: Proposed Model

Model:

Knowledge Management as a Tool for Making Strategically Suitable Decisions in Telecommunication Sector Organizations

Figure 2: Tested Model

Model:

Knowledge Management as a Tool for Making Strategically Suitable Decisions in Telecommunication Sector Organizations
DOMESTIC CONSUMPTION BEHAVIOR AMONG YOUNG CONSUMERS OF KARACHI

Marium Mateen Khan¹, Dr. Amanat Ali Jalbani² and Dr. Syed Irfan Hyder³

Abstract

Several past research studies have been done on country of origin and consumer ethnocentrism, however, many issues in this domain still remain unsolved (Dmitrovic & Vida, 2010). One of those issues is the empirical exploration of consumer choices in the emerging markets like Pakistan, where consumers even after having high levels of consumer ethnocentrism still prefer to opt for imported/foreign products, especially when the target audience is of young individuals. This research study focuses on the domestic consumption behavior of Pakistani consumers. The research was based on mixed methodology. For study-1, purposive sampling of 453 samples was done and data was collected using questionnaire based on 5 points Likert scale. Data analysis was done using SPSS and AMOS. For study-2, 5 in-depth interviews were conducted. Overall model analysis resulted in dropping of 1 construct. Hypotheses linked with remaining constructs were tested. Out of three remaining hypotheses, one alternate hypothesis was rejected. Testing of cognitive and affective mechanism for young Pakistani consumers was done and it was observed that this set of consumers use cognitive mechanism instead of affective which was opposite of the past research studies done on emerging markets (Hansen, 2005; Vida & Reardon, 2008). Companies should firstly develop local alternatives to provide consumers with options, secondly work on enhancing the relative quality perception for domestically produced products, either through the use of influencers or more importantly through Co-Creation, which increases the relevance of domestic produce by involving the end users themselves.

Keywords: Domestic Consumption, Relative Product Quality, Domestic Product Appraisal, Product Evaluation, Product Judgment, Consumer Ethnocentrism, Consumer Behavior.

JEL Classification: M310, C310

Introduction

In times of economic downturn and failing economies, attitudes of consumer ethnocentrism,
patriotism tend to emerge (Anastasiadou, 2014), especially in markets that comprise of sensitive consumers known for having high levels of ethnocentric tendencies. Pakistan is currently facing an extreme level of economic crisis with its import bill reaching an astounding $5.6 billion in January 2018, which is a record in itself, with increasing deficit gap of $21.5 billion (Rana, 2018; Trading Economics, 2018). Purchase and preference of imported products is one of the reasons for economic downturn and loss of local industry which in turn also creates unemployment (Anastasiadou, 2014; Anastasiadou & Florou, 2012). On insistence of Pakistan Business Council (PBC) and seeing the dire need for promotion of locally produced products, the newly elected government has started a campaign “Buy Local, Support Pakistan” in order to encourage domestic consumption (Express Tribune, 2018). Moreover, Pakistani consumers are observed to have high levels of consumer ethnocentrism (Salman & Naeem, 2015) and patriotism, which should enable them to prefer domestic consumption rather than opting for imported products in order to support the local economy.

Past studies suggest that consumers having high levels of consumer ethnocentrism tend to prefer and purchase domestic products/services even in cases when the quality of domestically produced products/services is lower while price charged for them is higher in comparison to imported products/services (Siamagka & Balabanis, 2015).

Even though a lot of research has been done on consumer ethnocentrism and country of origin of products in link with the consumer’s preference for local or foreign products, however, many issues still require exploration and empirical testing. One of those issues is the affective, cognitive and normative nature of consumer choices especially in emerging markets (Dmitrovic & Vida, 2010) like Pakistan. This research aims at identification of differential effects (conceptual side) of consumer ethnocentrism, patriotism and relative product quality in light of affective, normative and cognitive nature (theoretical side) of consumer choices amongst young consumers towards the consumption of products produced domestically.

**Literature Review**

*Consumer Ethnocentrism (CE)*

Consumer ethnocentrism is a construct widely used in research when international marketing (Sharma, 2015) and consumer animosity (Klein, Ettenson, & Morris, 1998) are under consideration. (Shimp & Sharma, 1987) defined CE as consumer’s belief of morality and appropriateness while opting to purchase foreign products. Indicating that consumers having high levels of CE tend to avoid the purchase of foreign products, moreover they at many times tend to belittle individuals who purchase foreign products instead of giving preference to local product (Sharma, 2015). Despite being a significant variable in the domain of foreign vs domestic product evaluation, CE is rarely tested on affective, cognitive and normative choices of consumers (Dmitrovic & Vida, 2010; Sharma, 2015). When domestic products are not available to consumers then highly ethnocentric consumers...
show favorable attitude towards foreign products, interestingly this favorable attitude is stronger for products originating from countries which have similar culture to that of one’s own home country (local country). Therefore, being a product from culturally similar country plays an important role when dealing with high ethnocentric consumers (Watson & Wright, 2000). Elder consumers who are very patriotic tend to depict high levels of CE. More importantly, ethnocentric consumers are found to be more critical of foreign products and tend to evaluate foreign products negatively while demeaning their quality (Fernández-Ferrín, Bande-Vilela, Klein, & del Río-Araújo, 2015). Kalicharan (2014) also observed that in certain countries consumers preferred locally manufactured products because of their high levels of ethnocentrism which created a need in those consumers to protect their local economy through purchase of domestically produced products.

**Relative Product Quality (RPQ)**

Definition of relative (perceived) product quality is different than that of the term product quality. RPQ is different from the objective quality evaluation of a product and is based more on consumer’s subjective thoughts, perceptions and experiences formed after the use of a product (Zeithaml, 1988). Product quality in literature is taken as a multidimensional construct (Vida & Reardon, 2008), measured through; workmanship, prestige, value for money, functionality, appearance, design, reliability and durability (Dmitrovic & Vida, 2010; Lu Wang & Xiong Chen, 2004; Vida & Reardon, 2008). Products having origins in developed countries are often considered to have higher quality in consumer minds, reason for such a belief is that consumer consider developed countries to have technological advancement which is far better, having competitive edge in comparison to consumers’ country of resident (under-developed or transitioning country). Hence, country-of-origin is an external cue used by consumers as indicator of quality. Moreover, it was observed that if during promotion of a product, attributes other than country-of-origin are highlighted then companies can create an image of better quality in consumer minds, diminishing the link between country-of-origin of the product and consumer’s biasness (Kalicharan, 2014). In mature consumer markets, notion of preference for domestically produced products is highly accepted. Moreover, in these markets domestically produced products are perceived as better or equal in quality to the products from developed and recently developed countries (e.g. South Korea). While products originating from emerging markets or products having unknown origins are listed lowest in quality hierarchy (Lu Wang & Xiong Chen, 2004; Yelkur, Chakrabarty, & Bandyopadhyay, 2006). Contrarily, research findings from some emerging markets suggest that differences of quality perceived by consumers between products originating from transitional and western countries may be one of the most influential factors resulting in purchase of foreign products (Dinnie, 2004; Reardon, Miller, Vida, & Kim, 2005).

**Patriotism (PAT)**

Loyalty and attachment to one’s country/nation without showing hostility towards other
countries and nations is called patriotism (Balabanis, Diamantopoulos, Mueller, & Melewar, 2001). Patriotism is defined conceptually as concern and love one has for their country. Moreover, it is an attachment an individual has with local symbols of the country (Vida & Reardon, 2008). Patriotism is the commitment and readiness to sacrifice for one’s country/nation (Druckman, 1994). Fernández-Ferrín et al. (2015) observed that consumers who were very patriotic tend to show higher levels of consumer animosity, CE and great concern for local economy due to which they prefer purchase and consumption of domestically produced products. Kalicharan (2014) observed in certain countries even though consumers perceived the quality of local products to be inferior but still purchased locally produced products because of their high level of patriotism.

![Figure 1: Conceptual Framework](image)

Consumer preferences while opting for products is credited to CE. Moreover, CE helps in explaining consumer’s biasness towards domestically produced products, however, CE is found to be dependent upon the country-of-origin of a product and product category (Balabanis & Diamantopoulos, 2004). Rybina, Reardon, and Humphrey (2010) observed that high levels of CE increased the levels of purchase of domestic products in Kazakhstan, while reducing purchase of imported products.

Josiassen, Assaf, and Karpen (2011) found, levels of CE in different demographics differs, e.g. older consumers show higher levels of CE, while younger consumers show lower levels. Alternatively, an interesting point to note was that older consumers did not let their CE stand in their way of making product judgment. Older consumers depended more heavily upon their past experience with the product rather than their ethnocentric feeling towards the foreign nation and foreign products. This finding is supported by the crystalized abilities theory, which states that consumers solve a problem based upon their experience and learning (Sorce, 1995). Contrastingly, younger consumers did not rely upon their experience but used available information about the product to make product judgments and purchase decision. Moreover, females tend to be more ethnocentric in comparison...
to males. While, income levels have no significance effect on ethnocentric tendencies of consumers (Josiassen et al., 2011). Contrarily, He and Wang (2015) found that CE has a negative association with reference to imported products however, this is not same for the purchase of domestic products. 

\[ H_1: \text{Consumer ethnocentrism is positively related to domestic consumption} \]

Vida and Reardon (2008) categorized CE as a normative and affective construct and observed that such constructs have strong influence on consumer’s domestic consumption in comparison to rational construct (e.g. relative product quality). Consumers having high levels of CE prefer domestic products over imported ones. Highly ethnocentric consumers tend to evaluate domestically produced product as a product having high quality. Dmitrovic and Vida (2010) found that highly ethnocentric consumers positively evaluated the quality of the domestically produced products and show domestic bias.

\[ H_2: \text{Consumer ethnocentrism is positively related to relative product quality (RPQ)} \]

Vida and Reardon (2008) categorized patriotism as a normative and affective construct and observed that such constructs have stronger influence on consumer’s domestic consumption in comparison to rational construct (e.g. relative product quality). Consumers who are very patriotic tend to prefer domestic products rather than the imported ones. Contrarily, Klein et al. (2006) found that in transitioning and developing countries consumers tend to perceive local products as the ones having low or poor quality and may opt for a trade-off between product quality and feelings of patriotism. Similarly, Batra, Ramaswamy, Alden, Steenkamp, and Ramachander (2000), found that consumers who perceive it is moral and appropriate to purchase imported products when local products are of lower quality and/or local alternatives are not available, tend to opt for foreign products.

\[ H_3: \text{Patriotism is positively related to domestic consumption} \]

Rybina et al. (2010) found that patriotism has a positive association with CE, which leads toward higher levels of domestic consumption. Balabanis et al. (2001) found that patriotism has great influence over CE and influences the response of consumers towards local product purchase. Moreover, the effects of patriotism on CE and consumer’s domestic purchase behavior vary from country to country. Culture plays a vital role in effectiveness of constructs like patriotism and consumer ethnocentrism. For Turkish consumers patriotism played an important role in shaping CE.

\[ H_4: \text{Patriotism is positively related to Consumer ethnocentrism} \]

Vida and Reardon (2008) categorized RPQ as a cognitive construct and observed that cognitive constructs (rational constructs) are weaker variables for making judgment about quality of a product and domestic consumption. Batra et al. (2000) observed that consumers who evaluate foreign products higher in terms of quality tend to avoid purchase of local products and vice versa, therefore, positive product evaluation towards local products may yield preference of local products and there is a positive association between product evaluation and consumer purchase behavior.

\[ H_5: \text{Relative product quality (RPQ) is positively related to domestic consumption} \]
Theoretical Grounding

Affective Nature of Patriotism

Affective, normative and cognitive mechanisms linked with consumer purchase choice has been used in this research (Dmitrovic & Vida, 2010) in a holistic manner (Pharr, 2005). It is proposed that consumer’s choice of DC is directly influenced by CE, where DC is a conative dimension which is driven by CE, a normative dimension, while RPQ is a cognitive dimension (Dmitrovic & Vida, 2010; Vida & Reardon, 2008).

In past studies patriotism’s influence on DC has been tested through CE (Vida & Reardon, 2008), this study tested the direct influence of patriotism as well on DC highlighting the affective nature of patriotism.

Normative Nature of Consumer Ethnocentrism

According to operationalization it is observed that CE has affective (emotions) dimension elements in it (e.g. sense of identification and feelings of attachment towards a group) as well as cognitive (think/thought) dimension which triggers thoughts and concern in ethnocentric consumers about a potential threat of foreign products and their invasion of local economy. However, the impact of normative dimension seems to be more influential and prevalent since it guides consumer’s actions and consumer choice in light of economic welfare for one’s country (Pecotich & Rosenthal, 2001).

Methodology

Population and Sampling

Karachi being a metropolitan city of Pakistan provides a mix of consumers from different backgrounds. It is believed that 90% of the people residing in Karachi are migrants from various backgrounds, hence a mix of consumer mindsets, backgrounds, lifestyles can become part of the sample. The current population of Karachi is approximately 15.4 million (World Population Review, 2016). Karachi also has the highest literacy rate (Karachi Metropolitan Corporation, 2018). Purposive sampling technique was used for this research, respondents selected were between 18-25 years of age, since the topic and scope of this research is concerned with the identification of purchase behavior of young (millennials) consumers. Young consumers are targeted because currently Pakistan has the largest youth population in the world having a potential to impact the buying trends in emerging and international markets (UNDP, 2018).

The sample size for this research was 453. A total of 500 questionnaires were floated via email and social networking websites. Out of which 453 useable questionnaires were received. The
sample size of 453 was appropriate for the data analysis through Structural Equation Modeling (SEM) as per the criteria given by (Kline, 2015; Wolf, Harrington, Clark, & Miller, 2013).

Since patriotism construct was dropped, a qualitative research based on semi-structured interviews was conducted to identify what the consumers actually perceive about the link between patriotism and domestic consumption. 5 young consumers (18-25 years) were selected for this part of research.

The research model comprises of four variables namely, domestic consumption having 4 items, consumer ethnocentrism having 5 items and relative product quality having 4 items taken from Vida and Reardon (2008), while patriotism had 6 items taken from Kosterman and Feshbach, (1989). The items for each variable were based on 5-point likert scale, having 1 as strongly disagree and 5 as strongly agree. For semi-structured interview questions, a guideline was taking from the quantitative questionnaire mentioned earlier.

**Data Analysis and Results**

Table 1

<table>
<thead>
<tr>
<th>Normality, Reliability and Convergent Validity</th>
<th>Mean</th>
<th>S.D.</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>( \alpha )</th>
<th>AVE</th>
<th>CR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative Product Quality (RPQ)</td>
<td>2.76</td>
<td>0.70</td>
<td>-0.13</td>
<td>-0.13</td>
<td>0.691</td>
<td>0.50</td>
<td>0.80</td>
</tr>
<tr>
<td>Domestic Consumption (DC)</td>
<td>2.93</td>
<td>0.89</td>
<td>0.03</td>
<td>-0.69</td>
<td>0.825</td>
<td>0.55</td>
<td>0.82</td>
</tr>
<tr>
<td>Consumer Ethnocentrism (CE)</td>
<td>3.47</td>
<td>0.86</td>
<td>-0.28</td>
<td>-0.85</td>
<td>0.789</td>
<td>0.51</td>
<td>0.80</td>
</tr>
<tr>
<td>Patriotism (PAT)</td>
<td>4.61</td>
<td>0.56</td>
<td>-1.46</td>
<td>1.14</td>
<td>0.912</td>
<td>0.62</td>
<td>0.91</td>
</tr>
</tbody>
</table>

Note: RPQ, DC, CE and PAT are the codes used by the researchers from this point onwards, S.D.=Standard Deviation, AVE=Average Variance Explained, CR=Composite Reliability

Table 1 shows data normality. All the values of skewness and kurtosis being within the range of \( \pm 2.0 \) confirms that the data is normal (Gravetter & Wallnau, 2014). The questionnaire used was adopted from past published research studies, therefore there was a need to re-establish the reliability of the questionnaire. Table 1 shows the Cronbach values for the current research study.

Since all the values of AVE are greater than 0.5 and all the CR values are greater than 0.70, therefore it can be stated that convergent validity exists (Carlson & Herdman, 2012).

Cronbach’s alpha value greater than 0.6 falls under the acceptable range while value greater than 0.7 is considered good (Gliem & Gliem, 2003; Leech, Barrett, & Morgan, 2005). Table 1 shows that all the Cronbach’s values are within the acceptable range.
Table 2  
**Sample Adequacy, Correlation Matrix and Discriminant Validity**

<table>
<thead>
<tr>
<th>KMO</th>
<th>Bartlett’s Sphericity</th>
<th>Variance</th>
<th>RPQ</th>
<th>DC</th>
<th>CE</th>
<th>PAT</th>
<th>RPQ</th>
<th>DC</th>
<th>CE</th>
<th>PAT</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPQ</td>
<td>0.698</td>
<td>326.01</td>
<td>52.42%</td>
<td>1</td>
<td></td>
<td></td>
<td>0.724</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC</td>
<td>0.729</td>
<td>736.79</td>
<td>65.83%</td>
<td>0.365</td>
<td>1</td>
<td></td>
<td>0.133</td>
<td>0.811</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CE</td>
<td>0.765</td>
<td>642.89</td>
<td>65.83%</td>
<td>0.282</td>
<td>0.249</td>
<td>1</td>
<td>0.080</td>
<td>0.062</td>
<td>0.738</td>
<td></td>
</tr>
<tr>
<td>PAT</td>
<td>0.834</td>
<td>2290.9</td>
<td>69.68%</td>
<td>-0.156</td>
<td>0.113</td>
<td>0.186</td>
<td>1</td>
<td>0.024</td>
<td>0.013</td>
<td>0.035</td>
</tr>
</tbody>
</table>

Since all the KMO values are above 0.5 this means that the sample size was sufficient for this research (Hair Jr, Black, Babin, & Anderson, 2013). Table 2, further shows correlation matrix, which was used to identify the strength of relationship between the respective variables. All the relationships shown in the correlation matrix are positive except the relationship between PAT and RPQ, indicating that young consumers do not link patriotism with relative product quality, further being patriotic makes the consumers to evaluate the product’s quality more sternly. Similarly, it is also observed that in the young consumer segment PAT has a weak correlation with DC and CE. Which implies that young consumers do not link patriotism with the purchase of domestic products nor do they link patriotism with consumer ethnocentrism? In case of CE the analysis shows a moderate relationship with all the variables, namely; RPQ, DC and PAT. This implies that the level of consumer ethnocentrism has a moderate influence on consumer’s relative judgment of product quality (RPQ) and on domestic consumption (DC) and vice versa. In case of RPQ a moderate relationship exists with DC and CE. Implying that consumers use RPQ as a cue to opt for domestic products.

Summarized results of discriminant validity are shown in Table 2. Since the values in the diagonal (square of variance explained) are greater than all the values below the diagonal (square of each pair of correlation), therefore it is an indication that the data analyzed fulfills discriminant validity requirements (Hair Jr et al., 2013; Thomas, Silverman, & Nelson, 2015).

Table 3  
**Individual Model Fit Results after Individual Regression**

<table>
<thead>
<tr>
<th>Criteria</th>
<th>χ2</th>
<th>χ2/df</th>
<th>HOELTER</th>
<th>NFI</th>
<th>CFI</th>
<th>GFI</th>
<th>AGFI</th>
<th>IFI</th>
<th>TLI</th>
<th>RMSEA</th>
<th>PCLOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPQ</td>
<td>0.062</td>
<td>0.031</td>
<td>43459</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>0.986</td>
<td>0.998</td>
<td>0.000</td>
<td>0.990</td>
</tr>
<tr>
<td>DC</td>
<td>5.525</td>
<td>11.98</td>
<td>315</td>
<td>0.993</td>
<td>0.994</td>
<td>0.994</td>
<td>0.940</td>
<td>0.994</td>
<td>0.963</td>
<td>0.100</td>
<td>0.099</td>
</tr>
<tr>
<td>CE</td>
<td>2.034</td>
<td>2.034</td>
<td>854</td>
<td>0.995</td>
<td>0.998</td>
<td>0.998</td>
<td>0.978</td>
<td>0.998</td>
<td>0.986</td>
<td>0.048</td>
<td>0.365</td>
</tr>
<tr>
<td>PAT</td>
<td>0.446</td>
<td>0.446</td>
<td>3897</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>0.994</td>
<td>1.000</td>
<td>0.931</td>
<td>0.000</td>
<td>0.696</td>
</tr>
<tr>
<td>Low</td>
<td>&gt;200</td>
<td>&gt;0.05</td>
<td>&gt;0.90</td>
<td>&gt;0.95</td>
<td>&gt;0.9</td>
<td>&gt;0.9</td>
<td>&gt;0.9</td>
<td>&gt;0.95</td>
<td>&gt;0.95</td>
<td>&lt;0.05</td>
<td>&gt;0.05</td>
</tr>
</tbody>
</table>

Link of factors with their respective items and their alignment with the theory was done using CFA (Hair Jr et al., 2013), the results are summarized in Table 3.
After individual SEM was carried out no construct was dropped. RMSEA, PCLOSE and HOELTER of three constructs were falling within the acceptable range, however RMSEA and PCLOSE value for DC did not fall within the desired range but other indices were found to be fit for the said construct.

Figure 2: Latent Model

Table 4

<p>| Overall Model Fit Results after Overall Regression |
|---|---|---|---|---|---|---|---|---|---|---|</p>
<table>
<thead>
<tr>
<th>$\chi^2$</th>
<th>$\chi^2$/df</th>
<th>HOELTER</th>
<th>NFI</th>
<th>CFI</th>
<th>GFI</th>
<th>AGFI</th>
<th>IFI</th>
<th>TLI</th>
<th>RMSEA</th>
<th>PCLOSE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>7.971</td>
<td>1.328</td>
<td>715 (.05)</td>
<td>0.986</td>
<td>0.996</td>
<td>0.994</td>
<td>0.980</td>
<td>0.997</td>
<td>0.991</td>
<td>0.027</td>
</tr>
<tr>
<td>Criteria</td>
<td>Low</td>
<td>Low</td>
<td>&gt; 200 (.05)</td>
<td>&gt; 0.90</td>
<td>&gt; 0.95</td>
<td>&gt; 0.9</td>
<td>&gt; 0.50</td>
<td>&gt; 0.95</td>
<td>&gt; 0.95</td>
<td>&lt; 0.05</td>
</tr>
</tbody>
</table>

Table 5

<p>| Overall Regression Results |
|---|---|---|---|---|---|---|---|</p>
<table>
<thead>
<tr>
<th>LV</th>
<th>Relationship</th>
<th>D.V</th>
<th>SRW</th>
<th>SE</th>
<th>CR</th>
<th>P (&lt;0.05)</th>
<th>FTRreject/Reject</th>
</tr>
</thead>
<tbody>
<tr>
<td>RPQ</td>
<td>DC</td>
<td>0.662</td>
<td>.294</td>
<td>3.255</td>
<td>0.001</td>
<td>Reject</td>
<td></td>
</tr>
<tr>
<td>CE</td>
<td>DC</td>
<td>-0.254</td>
<td>.229</td>
<td>-1.392</td>
<td>0.164</td>
<td>FTRreject</td>
<td></td>
</tr>
<tr>
<td>CE</td>
<td>RPQ</td>
<td>0.710</td>
<td>.108</td>
<td>5.735</td>
<td>0.000</td>
<td>Reject</td>
<td></td>
</tr>
</tbody>
</table>
The model became a good fit after dropping PAT construct. The summarized results of overall SEM model are presented in Table 4.

Table 5 shows the summarized results of overall SEM standardized regression weights. The results show that RPQ has a significant positive effect on DC and the alternate hypothesis is accepted. Similarly, the analysis showed that CE has a positive significant effect/influence on RPQ. While, CE has no significant effect/influence on DC. Since the construct PAT was dropped from the model, its hypotheses were not substantiated. A detailed discussion on the above analysis results are presented in discussion section.

After the analysis, PAT construct was dropped from the model, hence the two hypotheses linked to PAT construct were also dropped from being tested. The final model remained with three constructs, and three hypotheses. Out of those three hypotheses only two hypotheses were substantiated. $H_1$: Consumer ethnocentrism is positively related to domestic consumption (Rejected) ($SRW = -0.254$, $CR = -1.392$, $p = 0.164 > 0.05$). For the rejected hypothesis the critical ratio is also less than 1.96 ($CR = -1.392$). $H_2$: Consumer ethnocentrism is positively related to relative product quality (RPQ) (Fail to Reject) ($SRW = 0.710$, $CR = 5.735$, $p = 0.000 < 0.05$) and $H_5$: Relative product quality (RPQ) is positively related to domestic consumption (Fail to Reject) ($SRW = 0.662$, $CR = 3.255$, $p = 0.001 < 0.05$).

**Discussion**

*Quantitative Analysis Discussion*

$H_1$: The analysis revealed that consumer ethnocentrism in case of young consumers does not influence the domestic purchase and consumption behavior. Which is opposite of what Haque, Rahman, and Haque (2011) found in their study on young Malaysian consumers. Similar findings were observed by Vadhanavisula (2014). On the other hand (Song, 2012) found that young Chinese consumers preferred to purchase foreign products over domestic products. Moreover, in many research studies done on Chinese consumers it was found that Chinese consumers preferred to purchase locally produced products if they perceived the locally produced products to be at par with the foreign products in terms of quality or were a cheaper alternative to their foreign counter parts (Mueller, Wang, Liu, & Cui, 2016). These findings are in line with the research findings of this study. The results of research study at hand revealed that consumer ethnocentrism does not influence consumers’ domestic consumption. This finding is inconsistent with some of the past research studies (e.g., Balabanis & Diamantopoulos, 2004, 2011; Steenkamp & Jong, 2010) while consistent with other research studies (e.g. Mueller et al., 2016; Song, 2012).

$H_2$: The analysis revealed that consumer ethnocentrism does in fact influence positive evaluation of domestically produced products. Consumers scoring high on ethnocentrism tend
to evaluate domestic products more favorably (John & Brady, 2011; Klein et al., 1998; Watson & Wright, 2000). Highlighting the role of consumer ethnocentrism in raising the perceived quality of the local products and consumer’s desire to try out locally manufactured products companies most often use the tagline of “made in”, “local made” and “local ingredients used” to attract ethnocentric consumers (Siamagka & Balabanis, 2015). Similar tactic of local ingredients used is being used by a local burger joint in Pakistan known as The Burger Shack (TBS/tbs), TBS uses the tagline “Our Beef is 100% Fresh & Pakistani” on its paper bags and packaging material, targeting the ethnocentric side of the local consumers. Such cues often provide consumers with an idea of quality and gives them a sense of pride the manufacturers feel in highlighting the quality of their products and ingredients used.

$H_3$: More importantly the most significant factor in purchase and consumption of locally (domestically) produced products was found to be the consumer’s relative perceived quality of the locally produced products. If consumers perceive that the quality of domestically produced products is high or as per the quality of their foreign products then it is more likely for them to purchase and consumer those products. Similar findings were observed by Mueller et al. (2016) in case of young Chinese consumers. On the other hand Vida and Reardon (2008) observed that even though RPQ was a significant determinant of domestic purchase and domestic consumption however, in comparison to patriotism and ethnocentrism it was relatively weaker, implying that consumers tend to favor subjective utility over objective one.

The applicability of using CE in emerging markets is often challenged since these countries (including Pakistan) tend to have limited number of domestically produced product options (Vida & Reardon, 2008). Some researchers have also argued that in such economies the consumers are tend to make tradeoffs normative (affective) mechanism such as rational considerations (e.g. quality) and nationalism (Klein, Ettenson, & Krishnan, 2006; Lu Wang & Xiong Chen, 2004). Alternatively some researchers have also raised questions about CE’s applicability in developed countries e.g. Netherlands is a developed country however, in some product categories the country does not even have locally made products and hence the use of CE would fall under a question mark of ambiguity (Vida & Reardon, 2008).

**Qualitative Analysis Discussion**

The patriotism construct was dropped from the overall SEM model during the analysis which means that when discussed about patriotism’s positive link with domestic consumption, no such link is found in case of young Pakistani consumers. Consumers falling in the age group of 18-25 years identified themselves as high on patriotism. However, they did not consider patriotism to be the reason for purchase and consumption of domestically produced products. Hence, the entire construct was dropped during the analysis as it did not fit in the model applicable to the under consideration target audience. This finding is inconsistent with the past literature in which researcher studies (Alekam, Nik
Mat, & Djermani, 2017; Dmitrovic & Vida, 2010; Vida & Reardon, 2008) found that patriotism was a factor that influenced actual purchase of consumers. Qualitative responses were also taken from a group of consumers falling in the same age group to get in-depth knowledge about the link between patriotism and domestically produced products. Similar pattern was found in the qualitative responses. The consumers did not link patriotism as the reason to purchase domestically produced products and their use (consumption). Moreover, through qualitative research was found that consumers often mix ethnocentrism, patriotism and nationalism with each other; however, all three are distinguished constructs, having different operational definitions and context of usage (Archard, 2013; Blank & Schmidt, 2003; Mummendey, Klink, & Brown, 2001).

The overall conclusion of the findings from the interviews was that young consumers do not see the purchase of foreign products as an unpatriotic gesture. Moreover, they believe that purchase of local products by an individual does not prove that the person is patriotic. They further link the purchase of local products with the lack of availability of locally produced products that they need or desire and hence they have to opt for foreign products. Young consumers also believe that if an individual as financial means to purchase foreign products then they should. They also link the purchase of foreign products with the enhancement of ones living standard and claim that wanting to improve one’s standard through the purchase of foreign products does not mean the person is unpatriotic. From the responses received it was concluded that consumers have a perception of low quality towards the locally produced products and are hesitant to try them, hinting towards the dogmatic personality of the consumers. However, they seemed interested in the purchase of local products if they are endorsed by someone they get inspired (influencer) by. Significantly, young consumers do not see any link between the purchase of local products and patriotism.

**Conclusion and Recommendations**

Since the entire construct of patriotism was dropped from the model, it can be concluded that when the government is trying to use buy Pakistani campaign to influence consumers to purchase locally manufactured products then using the feelings of patriotism might not be effective. Similarly the feelings of consumer ethnocentrism even though high in Pakistani consumers (Salman & Naeem, 2015) same as patriotism, does not influence the young consumers to prefer, purchase and use locally produced products. Therefore, domestic companies and domestic producers need to identify other means of tapping into Pakistani consumers, an example of it can be observed from what tbs (See Appendix B) is doing through the usage of ethnocentrism, patriotism with the consumer’s relative quality perception about the local beef as a high quality product. The use of relative quality cues is an important factor to create interest of consumers to try, purchase and prefer domestically produced products. Even when government is trying to tap into the emotional side of Pakistani consumers the impact of that campaign may not be long lasting since the results of this research state that young Pakistani consumers use cognitive mechanism (knowledge processing of product information) rather than the affective (normative) mechanism which is opposite of the findings of (Vida & Reardon,
While Hansen (2005) observed that consumers use both the affective and cognitive mechanism simultaneously while making decisions, however, this was not the case for young Pakistani consumers when faced with a decision to opt for domestically produced products. Since young Pakistani consumers are found to be using cognitive mechanism therefore, the local manufacturers need to develop a better communication message inculcating more information about the product (features, origin, ingredients, specialty etc.) and create an enhanced relative quality perception in the consumer minds. Firstly Pakistan needs to start producing local alternative of products to flood the market with alternatives which currently are very scarcely found. Secondly, the local companies can use the help of influencers in creating an enhanced relative quality perception. Lastly, the companies can use the concept of Co-Creation with the consumers in order to develop products having the most relevance for the consumers, creating a sense of ownership in the consumers and generating heightened relative quality perception and preference for co-created products. One of the greatest examples of Co-Creation successes includes Lego (Iglesias, 2018).

**Theoretical Contribution**

This research has tried to advance the theoretical domain of consumer ethnocentrism research and articulate the difference of consumer preference in young consumers from emerging markets employing affective, normative and cognitive dimensions of consumer buying behavior towards domestic consumption (He & Wang, 2015; Vida & Reardon, 2008).

The dropping of patriotism variable from the model may point that young consumers tend to show cognitive processing and opt for products that they consider will better solve their problems in terms of quality and long term benefit. This finding was opposite of the results Vida and Reardon (2008) observed, where the strength of patriotism variable was far more significant in comparison to CE and RPQ both. Further the dropping of patriotism variable along with the insignificant vale of CE à DC relationship shows that young Pakistani consumers tend to use cognitive mechanism more instead of affective mechanism which is a significant trait in some emerging markets like Malaysia (Haque et al., 2011), Indonesia (Sari, Mizerski, & Liu, 2017), Turkey (Sandıkçı & Ekici, 2009) etc.

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CRISIS MANAGEMENT PERSPECTIVE OF APOLOGY STRATEGIES IN URDU: A DISCURSIVE APPROACH TO MANAGE CRISIS AT WORKPLACE

Dr. Aamir Majeed¹ and Dr. Fauzia Janjua²

Abstract

Apology strategy helps to manage crises at workplace caused by an offence by filling the gap after dressing damaged social relations. It has two-fold effects upon apologizers because it not only protects their positive face wants but also damages it simultaneously. The present study aimed to clarify how apology strategies in Urdu help in crises management and how is it affected by contextual factors. This study investigated that how workplace affects the use of dangerous and less dangerous apology strategies, systematic and unsystematic apology strategies and the frequency of multiple apology strategies, intensifiers and address terms. An open-ended questionnaire was used to collect data from fifty participants. A crafted model of data analysis was used to analyze the collected data. The findings indicate that workplace affects the use of apology strategies. Its implications help the apologizers to bridge the gap among interlocutors.

Keywords: Apology Strategies, Contextual Factors, Work Place, Intensifiers, Address Terms.

JEL Classification: M590

Introduction

Fraser (1981) defines apology speech act as an act of taking liability for an infringement and expressing regret for the offense that has been committed. It is a social norm that acts as a bandage to cover damage to another social norm. Afghari (2007) asserts that apology strategies help to normalize and regularize social relationships among interlocutors who cannot live independently because humans are always bound to live in a society and depend upon others. They have expectations from other fellow beings. Adding on to this, the situation becomes more interesting when interlocutors have some special economic, social or official benefits and threats as a consequence. Olshtain and Cohen (1983) considered apology speech act as a social event because they believed that an apology is

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observed when social and ethical norms are defiled even if not fully but up to some extent. This event is an attempt by an offender to reshape damaged social norms. Bergman and Kasper (1993) explain that the purpose of an apology is to rebalance mutual relational agreement after an act of offense that may be intentional or unintentional. Holmes (1995) stated apology as a speech act that is anticipated to remedy the offense for which an apologizer considers him/herself responsible and with the help of apology speech acts tries to rebuild associations with his/her interlocutor or tries to reassure the affinity towards the other part. The thing that is common in all the above given definitions of apology speech act is that their purpose is always focused towards payment of the price of an offense in order to renormalize mutual social relations (Chang, 2018). The other thing that can be entailed from the discussion of apology is that it’s social in nature which means it is performed in a society and also to serve social purpose of social appropriation due to some miss happening (Jassim & Nimichisalem, 2016). In other words, an apology speech act is context dependent and varies according to the norms of each society and nature of mutual relationships between interlocutors.

Blum-Kulka and Kasper (1993) differentiate speech acts between conventional and unconventional forms and they mark apologizing and thanking as more conventional way than that of other speech acts. They categorized apology speech acts on different external factors such as the place of offense, and the object of offense and the relationship among the interlocutor. A speaker expresses his/her apology keeping in mind these factors and chooses different forms of apology to rebalance social relations. An apology may be in the form of explicit expression of an apology whereas sometime it may be in the form of confession of fault and acceptance of responsibility for an offense. Sometime a speaker gives explanation and states reasons of the committed mishap and at times he/she offers to pay for the loss. Moreover, sometime by expressing an apology a speaker determines to be careful in future. In all the above mentioned types of apology, an explicit expression of apology may accompany each category. Whatever is the form of apology, its purpose is to protect the speakers against severe reaction of a hearer. Goffman (1971) and Holmes (1995) elaborate that apology strategies are like a physician’s prescription that helps to remedy the damage to speaker’s positive face want, which is a speaker’s desire to be approved of even after the offence. Holmes (1995) argues that apology strategies have positive effects both on a speaker and a hearer because these speech acts help a hearer to minimize the damage done by an offence to his/her face positive want and also guard a speaker against reaction from a hearer.

Holmes (1990) states, an apology may adopt any of these types: Illocutionary Force Indicating Device (IFID), Acknowledgment of Responsibility (RESP) (accepting the blame, expressing self-deficiency, recognizing hearer as entitled to an apology, expressing lack of intent and admission of fact), An Explanation or Account of the Situation (EXPL), offer of Repair (REPR) and A Promise of Forbearance (FORB).

It is though true that all of the apology strategies affect the offender’s positive face want in one way or the other. But the degree of their influence is different as some are more dangerous for speaker’s
positive face wants than the others. IFIDs (Illocutionary Force Indicating Devices and Explanation) moves are less dangerous while the other three moves (Responsibility, Repair and Forbearance) are taken as more dangerous for speaker’s positive face want. Blum-Kulka and Olshtain (1984) also consider IFIDs as the formulaic structure of apologies and the other four are non-formulaic forms of apology strategies. There are different ways to measure these apology strategies. These measures are directly related with the speaker or the addressee or both of a speech act. The social distance, sex, power, social status, age and situation of a speech act also play their respective roles in expressing apologies and have an effect on the strength and meaning of the apology. Blum-Kulka and Kasper (1993) are of the view that apology speech acts are resulted as a consequence from a situation when a person commits any mistake or nonsense which breaks or imbalances the social norms and may damage the social relationship. In order to normalize social relations with the affected, the offender expresses to others who may have different kinds of relationship with the speakers and the relationships may vary from most formal to most informal. They may also have diverse social temperaments and power dynamics. Therefore apologies may/may not differ according to the contextual factors from highly apologetic, formulaic or dangerous to least apologetic, un-formulaic or less dangerous depending upon situation, nature of offence and interlocutors (Jassim & Nimechisalem, 2016). Moreover, they may/may not differ with reference to the intensity and type of mistake or mishap. For assessing and evaluating apologies, different parameters have been projected by different linguists in the Western countries (Cedar, 2017). These frameworks and parameters position apology speech acts in different categories. Recently Asians and Middle Eastern scholars have also started to examine the fields of apologies and politeness (Ugla & Abidin, 2016). Recent times have witnessed many studies that aimed to investigate apology speech acts in Eastern languages particularly Arabic and Persian. The primary hypothesis of these studies is to draw pragmatic rules that administer the use of speech acts in dissimilar socio-cultural contexts.

Kargar et al. (2012) claim that Cross-Cultural Speech Act Realization Project (CCSARP) instigated in 1982 by Blum Kulka and Olshtain was an endeavor to analyze apologies with unique aim to foresee their possible pragmatic features and their characteristics across various cultures. That project was designed to explore apologies and requests in several languages including Spanish, English, French, German and Hebrew. In the East, Afghari (2007) and Shariati and Chamani (2010) worked to prove whether Persian apology strategies are formulaic like English or not. Both studies affirmed that Persian apology speech acts are as formulaic in pragmatic structures as in English language. Afghari (2007) also argues that factors like social distance and social dominance considerably affect the frequency of intensifiers in different situations. Shahrokhi and Jan (2012) concluded their study proposing that speakers of western languages, in Persian, male speakers perform their apologies most often in systematic form (IFID) which is the most frequent apology strategy. Moreover, taking on Responsibility, as the second most repeated strategy after IFIDs, as has also been reported in other languages. Majeed and Janjua (2013) analyzed the structures of apology strategies of English, Urdu and Punjabi language in Pakistani community that is multilingual (Brown, 2016). They revealed that prestigious language or language of dominant group affects the structures of apology speech acts in
a multilingual community (Banikalef, Maros, Aladdi, & Al-Natour, 2015). It is also evident from the results of their study that contextual factors affect the occurrence of apology strategies in the three languages. Majeed and Janjua’s (2014) study shows, how gender affects the use of apology strategies in Urdu language. Different genders react differently in different social settings after an act of offense. Majeed and Janjua (2013) devised model of apology strategies in Urdu language with the help of Holmes’ (1990) parameters of apology speech acts. IFIDs are formulaic, direct and explicit expressions of apology and these are implied with the help of performative verbs. In Urdu like in English IFIDs may adopt following three types.

i. Main ma’azrat chahta hon, (An offer of apology)

ii. Mujhe afsos hi (expression of regret)

iii. Mujhe muaf kr do (request for forgiveness)

For the acknowledgment of responsibility of an offence, a speaker may choose any of these strategies.

i. Mere ghalti hi (Explicit self-blame) Urdu

ii. Mujhe pata ni tha (Lack of intent)

iii. Aapka koi qasor ni (Justifying the hearer)

iv. Mujhe samijh ni i (Expression of self-deficiency)

v. Umeed hi ap ne bura ni mana hoga (Concern for the hearer)

The third category is an explanation of the situation of speech event i.e. mujhe afsos hai, mere cell ki battery khatam ho gi, is ley main rabta na kr ska in Urdu. In an offer of repair move, a speaker offers to pay the price of a loss e.g. main nai kitab le kar don ga. In promise of forbearance a speaker shows his/her assertion not to repeat the offence e.g. main ainda ahtiyat kroon ga.

The present study focuses upon the influence of contextual factors such as work place, age and social status upon apology speech acts in Urdu language. It is aimed to trace the differences that occur in the expressions of apology speech acts by the same offender in different social contexts.
Methodology of the Study

Objectives of the Study

The present study aims to achieve the following objectives:

- To highlight the influence of context on apologizers while apologizing in Urdu language
- To compare and contrast the influence on apologizers at work place and domestic context.

Research Questions

The present study revolves around the following research question:

- How the context of an offence (work place or domestic background) affects the offender in the choice of apology strategies in Urdu language?

The Research Participants

Fifty students from the post graduate department of English from a public sector university in Islamabad have been selected as research participants with the help of random sampling technique. The respondents speak Urdu as their national language and are supposed to have equal command over Urdu as they have equal academic qualification. The participants range from 20 years to 28 years of age with an average age of 23 years. University graduates were preferred for the study because they were considered mature enough to make apposite preference of available lexicon for the use to refill the gap occurred after an act of offense. Moreover, they were also believed to possess equal level of emotional and attitudinal reaction in their acts of offence and expression of apologies accordingly. Moreover, they are also supposed to have the same weigntage for relations with their addressees. They are also supposed to be mature enough to realize the importance of work place and domestic settings. The participants are supposed to have balanced features than any other group of participants. The following table can best illustrate the sample of the study:

Table 1
Research Participants

<table>
<thead>
<tr>
<th>Gender</th>
<th>Male (1)</th>
<th>Female (2)</th>
<th>Total sum of 1 &amp; 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Age</td>
<td>23.5 years</td>
<td>22.5 years</td>
<td>23 years</td>
</tr>
<tr>
<td>Qualification</td>
<td>Post graduate</td>
<td>Post graduate</td>
<td>Post graduate</td>
</tr>
<tr>
<td>Sample Number</td>
<td>25</td>
<td>25</td>
<td>50</td>
</tr>
</tbody>
</table>
The Research Tool

An open ended questionnaire was used as an instrument of data collection for the present study. This questionnaire includes briefly described nine situations in which speaker have committed an offence. The participants were put into these situations through simulations and were asked to express their reactions in the form of apology after each act of offense. Here is the English version of one situation from each context in which the offender has to apologize in this study:

Work Place

In first situation the participant has been asked that he/she was getting late for the lecture and hurriedly ran towards his/her classroom. While getting upstairs you colluded with an officer from university administration branch. How would you regulate and normalize the situation?

Domestic Setting

In domestic setting, the participants have been asked how to apologize to their siblings when they failed to abide by their promise to go to park with them because some of their friends suddenly came to meet them.

Social Variables of the Study

The three social contextual factors that may manipulate the expression of apology are age, social setting and social distance. The interlocutors may have age difference or there may be a difference of social setting or interlocutors may/may not have social among interlocutors. The situations explained in the questionnaire have one or the other difference in these contextual variables. How these variables affect the expression of apology speech acts is the main question of the present study. These variables can be explained with the help of the following table. Table 2 shows three situations out of which one is work place where is a formal setting and in the other two there is informal relations among interlocutors. Moreover, in first situation the affected person is older than the offender and there is also a social distance between them. While in the second and third setting there is no social distance between the interlocutors but there is a difference of age in the second situation where the offender is older than the affected while in the third situation both have almost the same age. A key is also given below the table to help understand the variables of the study.
Table 2

Social Variables

<table>
<thead>
<tr>
<th>Setting</th>
<th>Age</th>
<th>Distance</th>
<th>Situation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Place</td>
<td>+ H.Age</td>
<td>+ Dis</td>
<td>Formal</td>
</tr>
<tr>
<td>Home</td>
<td>+ S.Age</td>
<td>- Dis</td>
<td>Informal</td>
</tr>
<tr>
<td>Public Place</td>
<td>= Age</td>
<td>- Dis</td>
<td>Informal</td>
</tr>
</tbody>
</table>

Keys:
+ H.Age = There is age gap and hearer is older
+ S.Age = There is also age gap but here speaker is older
= Age = no difference in the age of interlocutors
- Dis = both interlocutors have equal social status
+ Dis = Interlocutors vary in social status

Analysis of the Data

The collected data was analyzed with the help of Majeed and Janjua’s (2013) devised model that is based on the coding scheme provided by Holmes (1990). Before moving on to the analysis of data a few terms should be inculcated because these help to assist understanding and interpretation of the analyzed data. Address Term is the name or the title of an affected person, Head Act is the first apology speech act and Adjunct is a next or second speech act in case of multiple apology speech acts. Intensifier is the word used to exaggerate the apology strategies. For example: ‘Sir, I am extremely sorry, I forgot to call you’ is an adjunct to head act. In this example, Sir is an address term, I am extremely sorry is a head act, I forgot to call you is adjunct and extremely is an intensifier.

Analysis of Apology Speech Acts Based on Work Place

There are three different contexts in the questionnaire and in each context there are three different situations in which the offenders are expected to apologize. Fifty participants took part in the study. So there are 150 possible speech act moves which cover different types of apology strategies. The following table classifies the 150 apology speech act moves which were uttered at work place by the fifty participants.

Table 3

Analysis of Apology Speech Acts Based on Work Place

<table>
<thead>
<tr>
<th>Total Move</th>
<th>IFID</th>
<th>EXPL</th>
<th>RESP</th>
<th>REPR</th>
<th>FORB</th>
<th>N.R</th>
<th>M.L</th>
<th>Intensifiers</th>
<th>Ad. Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>9=6%</td>
<td>52=34.66%</td>
<td>3=2%</td>
<td>10=6.66%</td>
<td>3=2%</td>
<td>2=1.33%</td>
<td>71=47.33%</td>
<td>19=12.66%</td>
<td>109=72.66%</td>
</tr>
</tbody>
</table>
The above given table shows that in 150 situations the respondents were made to express their apologies after committing an offense in each situation. The next five columns show the five types of apologies given by Holmes (1990) and explained in the introduction that an apologizer may choose after committing an offense. N.R means when an apologizer shows no response before an affected person. The Next column shows multilingual strategies i.e. when an apologizer uses two or more languages to express an apology. Intensifiers are the adjectives that an apologizer includes in apology speech acts to enhance the effects of apology speech acts. The last column shows address terms or titles that an apologizer uses for his/her addressee.

The table shows that at working places the apologizers used IFID move in 9 (6%) situations, explanation move in 52 (34.66%) situations, responsibility move in 3 (2%) situations, repair move in 10 (6.66%) situations and forbearance move in 3 (2%) situations. In two situations the respondents showed no reaction after their offense. In 71 (47.33%) situations the respondents used multilingual strategies. They used 19 (12.66%) intensifiers and 109 (72.66%) address terms in 150 situations.

<table>
<thead>
<tr>
<th>Total Moves</th>
<th>IFID</th>
<th>EXPL</th>
<th>RESP</th>
<th>REPR</th>
<th>FORB</th>
<th>N.R</th>
<th>M.L</th>
<th>Intensifiers</th>
<th>Ad. Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>5=3%</td>
<td>23=15.33%</td>
<td>---</td>
<td>71=47.33%</td>
<td>2=1.33%</td>
<td>2=1.33%</td>
<td>47=31.33%</td>
<td>37=24.66%</td>
<td>44=29.33%</td>
</tr>
</tbody>
</table>

The table shows that at domestic settings the apologizers used IFID move in 5 (3%) situations, explanation move in 23 (15.33%) situations, no responsibility move, repair move in 71 (47.33%) situations and forbearance move in 2 (1.33%) situations. In two situations the respondents showed no reaction after their offense. In 47 (31.33%) situations the respondents used multilingual strategies to express their apologies. They used 37 (24.66%) intensifiers and 44 (29.33%) address terms in 150 situations while expressing apologies after committing offenses in domestic setting.

<table>
<thead>
<tr>
<th>Total Moves</th>
<th>IFID</th>
<th>EXPL</th>
<th>RESP</th>
<th>REPR</th>
<th>FORB</th>
<th>N.R</th>
<th>M.L</th>
<th>Intensifiers</th>
<th>Ad. Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>2=1.33%</td>
<td>76=50.66%</td>
<td>---</td>
<td>8=5.33%</td>
<td>6=4%</td>
<td>6=4%</td>
<td>41=27.33%</td>
<td>11=7.33%</td>
<td>41=27.33%</td>
</tr>
</tbody>
</table>

This table shows that in public place settings while interacting with friends the apologizers used IFID move in 2 (1.33%) situations, explanation move in 76 (50.66%) situations, no responsibility move on public place, repair move in 8 (5.33%) situations and forbearance move in 6 (4%) situations. In 6 (4%) situations the respondents showed no reaction after their offense. In 41 (27.33%) situations the respondents used multilingual strategies. They used 11 (7.33%) intensifiers to enhance the effects of their apologies and 41 (27.33%) address terms in 150 situations in expressing apologies to their friends.

<table>
<thead>
<tr>
<th>Total Moves</th>
<th>IFID</th>
<th>EXPL</th>
<th>RESP</th>
<th>REPR</th>
<th>FORB</th>
<th>N.R</th>
<th>M.L</th>
<th>Intensifiers</th>
<th>Ad. Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>150</td>
<td>2=1.33%</td>
<td>76=50.66%</td>
<td>---</td>
<td>8=5.33%</td>
<td>6=4%</td>
<td>6=4%</td>
<td>41=27.33%</td>
<td>11=7.33%</td>
<td>41=27.33%</td>
</tr>
</tbody>
</table>
Comparative Analysis of Apology Strategies in the Three Given Situations

It has been explained earlier in the introduction that some apology strategies are more dangerous than the others. Illocutionary Force Indicating Devices (IFID) and Explanation strategies are considered comparatively safe while for speaker’s positive face wants whereas the other three apology strategies (Responsibility, Repair and Forbearance) are labeled as dangerous. Moreover, sometime the apologizers use intensifiers and address terms for better results. All these techniques are context affected. Following table shows the influence of the context on the apologizers in the choice of these techniques while apologizing.

<table>
<thead>
<tr>
<th>Type of Apology</th>
<th>Less Dangerous</th>
<th>Dangerous</th>
<th>Multilingual Moves</th>
<th>IFID as Head Act</th>
<th>Others as Head Act</th>
<th>Intensifiers</th>
<th>Ad. Terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work place</td>
<td>61=40.66%</td>
<td>16=10.66%</td>
<td>71=47.33%</td>
<td>63=88.73%</td>
<td>8=11.26%</td>
<td>19=12.66%</td>
<td>109=72.66%</td>
</tr>
<tr>
<td>Home</td>
<td>28=18.66%</td>
<td>75=50%</td>
<td>47=31.33%</td>
<td>40=85.1%</td>
<td>7=14.90%</td>
<td>37=24.66%</td>
<td>44=29.33%</td>
</tr>
<tr>
<td>Public Place</td>
<td>78=52%</td>
<td>20=13.33%</td>
<td>52=34.66%</td>
<td>46=88.46%</td>
<td>6=11.53%</td>
<td>11=7.33%</td>
<td>41=27.33%</td>
</tr>
</tbody>
</table>

The above table shows comparative results of the findings in the three settings where the participants were asked to express their apologies after their acts of offense. The first column includes the three settings, second shows the comparative results of less dangerous apology strategies. Less dangerous apology strategies are those strategies which exert less negative effects upon speakers’ positive face wants. The third column explains comparative results of dangerous apology speech acts that are opposite to less dangerous strategies. The next column presents multilingual apology strategies in which speakers use more than one language. The second last column includes strategies where IFIDs act as head acts. It means this column presents comparative results of the most systematic and formulaic forms of apology strategies. Comparative results show that the Urdu speaking participants use less dangerous apology strategies in public places with friends and working place respectively. It means that they are very conscious of protecting their face wants against threats from friends and work place officials. They use dangerous apology strategies while apologizing with their siblings as compared to friends and officials. It shows that they are quite casual in defending their face wants from their blood relatives. It can be inferred that Urdu speakers feel more secure with blood relatives than other relations and their use of apology strategies is affected by the contextual factor of social distance. The use of dangerous strategies in the three settings i.e. work place, home and public place is 16 times (10.66%), 75 times (50%) and 20 times (13.33%) respectively.

As to the issue of multilingual apology speech acts, the participants used such strategies more frequently at work place. They used multilingual strategies in 71 (47.33%) situations at work place whereas 47 (31.33%) and 52 (34.66%) apology strategies in home and public place setting respectively. It shows that the contextual factor of place of interaction (formal/informal) affects the
use of apology strategies.

The use of systematic and formulaic forms of apology strategies as head acts shows no variation by the participants. The use of IFIDs as head acts in the three settings i.e. work place, home and public place is 63 (88.73%), 40 (85.1%) and 46 (88.46%) respectively. It shows that contextual factors do not affect the choice of formulaic and non-formulaic forms of apology.

The use of intensifiers in apology speech acts is more frequent in home setting as compared to the other two settings. It is 12.66% at working place, 24.66% in home setting and 7.33% in public place setting. It also shows that the participants gave more importance to blood relations than the other relations because they used dangerous apology strategies while apologizing from siblings and also used intensifiers with their apologies.

There is also a difference in the use of address term before apology strategies by the participants in the three settings. The participants used address terms more frequently at the work place than the other two settings. The use of address terms at work place is 109 (72.66%) times out of 150 situations. It is 44 (29.33%) times in home setting and 41 (27.33%) in public place settings. It shows that there is not much difference in the use of address terms in home setting and public place setting according to this study.

**Findings, Conclusions, Limitation and Suggestion**

After analyzing the data, it can be concluded that contextual factors affect the use of Urdu apology strategies. Comparative analysis shows that work place and domestic context affect the use of apology strategies in terms of dangerous and less dangerous apology strategies because there is a difference among such strategies at work place and the other two settings. There is also much difference in the use of intensifiers at the work place and the other two settings. Again the use of address terms shows variation in the three given situations. It is more frequent at work place than the other two settings. However contextual factors don’t seem to affect upon the use systematic and formulaic form of apology strategies in this study because the findings show no distinct variations in the use of such strategies. The findings of the study have many implications for the people of all walks of life. These help them not only to avoid harm to the social relations but also to dress the relations damaged by some accidental mishap. These also help them to keep in mind the importance of contextual factors while bridging the gap caused by an offence. With the help of apology strategies keeping in mind the importance of contextual factors help them safeguard their positive face wants in the face of damage caused by offence.

The choice of homogeneous and well-educated sample was the main limitation of the present study. The data was collected from a public sector university of Islamabad which has high literacy rate. The use of such sample confines the prospects to generalize the findings to the population that
are more dissimilar in terms of locality, education, gender and age. Future studies need to focus on countrywide data, so that generalizability of the findings of this type of study may be improved.

References


THE ROLE OF PATERNALISTIC LEADERSHIP TOWARDS INDIVIDUAL WORK PERFORMANCE IN ASIAN CONTEXT

Saima Nosheen¹, Dr. Samina Nawab² and Dr. Muhammad Mohsin Zahid³

Abstract

The present quantitative study based on positivist philosophy, strives to improve the understanding of the paternalistic leadership (PL) and individual work performance (IWP) from subordinate-centered perspective rather than leadership-centered approach through the unique mediation effect of person-environment fit by using a social identity lens. The data is collected from the 367 medical practitioners through multi-stage sampling in the health sectors of Pakistan by survey method. Structural equation modeling (SEM) is used for the hypotheses testing on Smart PLS 3.0. The measurement and structural models showed significant results with partial mediation of P-E Fit dimensions among which person-organization (P-O) fit show the highest mediation effect. The findings of the study suggest that the senior doctors and nurses who attain the qualities of paternalism could enhance the performance of their juniors by establishing their fit with the job, supervisor and organization. The major limitation of the study is the use of self-reported response based on employee perception only. The future studies should address the issue by calculating actual fit and actual performance of employees from multiple data sources using a longitudinal design. In addition, the mediation effect of PE fit with three dimensions of paternalistic leadership need to be examined.

Keywords: Individual Work Performance (IWP), Paternalistic Leadership (PL), Person-Environment (P-E) Fit, Structural Equation Modeling (SEM).

JEL Classifications: Z000

Introduction

In the times of the fierce competition, one of the critical issues for the organization is the individual’s work performance. Now the organizations strive to cut their internal costs through outsourcing and employee reduction to optimize the performance level of the retained workforce.

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within the organization (Koopmans, 2014). In this situation, leadership is the significant element in the organizational settings, which is concerned with the success of the organization through its influence on the followers' performance (Lin, Ma, Zhang, & Li, 2018).

Literature has identified various leadership styles, where paternalistic leadership has attracted the researcher's attention. Which is primarily concerned with its relational point of view rather than attitude or quality, especially in the eastern cultures (Northouse, 2018). Since few decades, the understanding of leadership theories has gained the momentum of their applicability in different nations and cultures (Aycan, Johnson, & Lansing, 2014; Dorfman, 1996; House, Javidan, Hanges, & Dorfman, 2002; Zhang & Xie, 2017).

Among the specific cultural context, paternalistic leadership has been derived with its focus not only on leader characteristics but also on follower's response including their work attitudes and behavior (Ünler & Kılıç, 2019). Paternalism is an important concept of collectivist and high power distance culture. The protection and care of subordinate make them to realize their leader like surrogate parents having high power distance among them (Pellegrini & Scandura, 2008).

Literature hints a universally effective leader's behavior which is consistent across all the cultures, but some of leadership styles vary in cultural contexts (Hwang et al., 2015). Leadership and organizational culture influence the values and goals of the individuals (Mansur, 2016). The culture-bound discussion about leadership leads towards the concept of paternalistic leadership (PL) is traditionally quite effective. In the eastern traditions, the fatherly authority is developed in the value system having centralized command (Wang, Guan, & Taylor, 2018). Similarly, there is a close adherence of the fatherly authoritative leadership with their subordinates that might lead towards the positive and negative effects such as fear and work pressure. These diverse consequences urge to explore the deeper relationships of paternalistic leadership. In addition, the unique conceptualization of classical paternalistic framework and moderated mediation relationships towards individual outcomes have attracted the researchers’ interest (Wang et al., 2018). This is an acceptable approach of employers of China, India, Turkey, Mexico, Japan and Pakistan (Aycan, 2000; Uhl-Bien, Tierney, Graen, & Wakabayashi, 1990).

As the three major approaches of understanding the behaviors of individuals in cultural perspective is emic, etic, and integrated approaches (Morris, Leung, Ames, & Lickel, 1999). The emic perspective is further divided into outside in and inside out categories that explained the chines leadership (Wang & Cheng, 2010). It is suggested in inside out approach to conduct the in depth study of paternalistic leadership in detail (Thu & Ting Lin, 2019).

In addition, the concept of structural functionalism has subdivided the leadership in organizations and leadership of organizations. The former is concerned with leadership in each level of organization that is affecting at task completion subordinates while latter is concerned with strategic
planning (Dublin, 1971). At different levels, leaders need different environment and resources: At the embryonic stages this concept emerged at strategic level of chines concept out from the development of leadership, the order of paternalistic leadership is changed for example Authoritarianism is relevant to subordinate, Benevolence is caring to them while morality is fairness of personal characteristics (Niu, Wang, & Cheng, 2009).

Leadership is imperative for the performance of the organization from human resource perspective because it is more concerned with the employees than with the procedures (Anwar, 2013). The study of employee performance reveals that when they are treated fairly by the leaders and the organizations, they develop a strong bond to fit with the environment. This person-organization fit enable the employees to redefine their relationship with the organization in terms of social exchange rather than economic exchange (Freire & Azevedo, 2015) which provides the basis to work beyond the call of duty. It seems possible only when the employees match their selves with the organizational values and fit within the environment (Kim, Aryee, Loi, & Kim, 2013). The misfit employees tend to be uncomfortable in their work and the environment, which leads towards negative outcomes for the organizations (Chuang, Shuwei Hsu, Wang, & Judge, 2015).

A study conducted in the health care sector of Turkey, examined the relationship of paternalistic leadership on job performance and intentions to leave and found the positive relationship of two dimensions of paternalistic leadership (Ugurluoglu, Aldogan, Turgut, & Ozatkan, 2018). The mediating role of person-job fit act as a mechanism in the relationship of transformational leadership and work engagement have created a ground for future researchers to study the social interaction between individual and its environment, particularly the person-environment fit (P-E fit) (Bui, Zeng, & Higgs, 2017). In cultural context of Pakistan, a study of paternalistic leadership in the education sector compared themoral and authoritative components being taken as the dimensions but very few studies are seen in health sector (Afsar, 2014).

The study undertaken would deepen our understanding of paternalistic leadership and individual work performance from subordinate centered perspective rather than leadership centered approach as described in leadership literature (Chan, Huang, Snape, & Lam, 2013; Zheng, 2016). This study extends the line of research by analyzing the mediation effect of person-environment fit with its three dimensions between the paternalistic leadership and individual work performance.

Industry Overview

Employee in health care sector work under intense pressure. There is a transition in the global health care because of variations in disease patterns that created a shortage in health care profession which seems below international benchmarks. According to World Health Report 2008, the world health organization given the statistics of 2002, recommends workers to increase at the level of 2.54 (Van Lerberghe, 2008).
The performance of Nurses and doctors play a pivotal role in health care systems. The staff shortage is crucial in the current era. The Nursing leaders and managers are accountable for organizational success. The evidences of literature review focus on limited results in the field of individual work performance (IWP). The current study focuses on what practitioners perceive as motivational factor for them to fit with the environment and whether leadership style is an important factor in creating positive performance? The leadership skills are polished in the mentoring programs held by the organization. Pakistan as a patriarchal society is representing nursing as a women dominating profession, where these figures are striving in achieving recognition and respect.

A comparative study on the government and private Nurses job satisfaction explained the positive impact of transformational leadership on nurses hospitals (Abdelhafiz, Alloubani, & Almatari, 2016). A qualitative approach about the nursing leadership in Pakistan context is studied and revealed certain personal and professional factor, to enhance the certain leadership competencies (Gulzar, Sultana, & Aziz, 2019).

Traditionally, the medical practitioners are supposed to be caring and nurturing in their job status but they could perform well as a leader or manager in order to smoothly run the health care system. In response of all the services they are seen less motivated with deficient moral values in the environment which hinder them to fit in their job, as well as organization. When the leader’s command is valued, the supervisor employee relationship gets strengthened and thrill of motivation is sensed. There is a need to provide leadership exposures inside and outside the organizational boundaries to inculcate the leadership qualities in order to get the required outcomes in this sector.

**Significance**

An individual work performance (IWP) has given significant attention in the field of occupational health, management, education and health sector. The economic pressures and competitiveness demands the institutions to cut their internal cost by enhancing the performance of existing work force (Koopmans, 2014). The sustainable employability for the sake of social security in health care is need for competitive edge in order to survive in challenging environment (World Health Organization Report, 2012). In addition, the growing business interests sparked the interest of leadership scholars to deeply understand the relationship between leadership styles and employee work performance from individual-centered perspective (Bedi, 2019). In Asian context, the collectivist and high power distance demands for paternalistic leadership style responsible for the employee work related and behavioral outcomes. The focus of the current study is to understand the underlying mechanism between paternalistic leadership and person environment fit using social identification approach.
**Problem Statement**

The paradigm shifts of leadership studies from global to cross cultural and then to indigenous concepts urges to understand the culture specific leadership styles. Paternalism is rooted in Chinese culture with Confucianism and Legalism in addition to high power distance being the pillars of collectivist culture (Zheng, 2016). In health sector of Pakistan, leadership role is seen deficient that could stimulate the psychological processes of medical practitioners to enhance their task and contextual performance.

**Research Objective**

The present research examined the underlying mechanism of person-environment fit with its three dimensions (P-J fit, P-S Fit, P-O Fit) in the linkage between paternalistic leadership and individual work performance. In a nutshell the objective of the research is to test the paternalistic model from the followers, perspective with the mediation of PE fit dimensions.

**Research Question**

What is the mediating effect of PE fit (P-J, P-S, P-O fit) in the relationship between paternalistic leadership and individual work performance?

**Literature Review**

**Individual Work Performance (IWP)**

Individual work performance has two dimensions of task performance and contextual performance. These two dimensions are significant for the organizational effectiveness in the social & psychological context (Ugurluoglu et al., 2018). Moreover, it is argued that organizations cannot survive if it sticks to the performance defined by job description only (Katz, 1964).

**Paternalistic Leadership**

Paternalism originates from Latin word “pater” meaning father, and is supposed to restrict the freedom of the subordinates to some extent (Bor-Shiuan Cheng, 2004). The concept of paternalism is where a supervisor possesses three dimensions of authority, benevolence and morality.

1. Authoritarian Leadership (AL) is concerned with the authoritative and strong position of leader which is always demanding unquestioned obedience from the subordinates with the strong control
The concept of authoritarianism is associated with the dictations of the leader about policies, decisions that provide direction to the employees to perform their activities (Farh & Cheng, 2000). This style of dictation of the policies is observed in the countries where higher power distance prevails, although few evidences are found in some western nations (Chen, Zhou, & Klyver, 2018).

2. Benevolence Leadership (BL) is related to the personal well-being and concerns by taking care of the employees,

3. Moral Leadership (ML) refers to superior leadership having virtuous self-discipline and purified from selfishness based on ethical standards and presents a role model (Wang & Cheng, 2010).

**Person-Environment (P-E) Fit**

The concept of fit is rather complex and is operationalized by three dimensions of Person-Job Fit, Person-Supervisor Fit and Person-Organization Fit. These fit hints towards the alignment of the person with the respective job, supervisor and organization in terms of mutual values and systems (Kristof-Brown, Zimmerman, & Johnson, 2005). All three dimensions have varying degree of impact on the individual work outcomes in any given context.

Paternalistic leaders are also concerned with the family life of the employee through their benevolent attitude and devoting their energies in taking care of the subordinates. Paternalistic leader finds the employees problems when their desired performance is not achieved. Altruism, benevolence, kindness, love, generosity are key features of motivating the individual of human oriented societies will high power distance and collectivist culture (House et al., 2002) which might be a reason of searching a father like figure as in collectivist culture employee expects their supervisor to concern their personal problems along with support in job related issues. This relationship is depicted in the model as under.

![Theoretical Framework](image)

**Figure 1:** Theoretical Framework
Paternalistic Leadership, Person Job Fit and Individual Work Performance

Benevolent behavior of paternalistic leadership exhibits individualized care for the followers in both working and non-working domains, so it perform its true actions in both aspects (Tang & Naumann, 2015) morality and authoritarianism. Benevolent leadership positively affects organizational citizenship behaviors through leader–member exchange (LMX. Benevolent leader seeks reasons behind the poor performance and makes corrections by mentoring and coaching. The concept of benevolence is deep rooted in is mutual obligation between the two people, as the father is responsible for protecting their children and children show obedience and gratitude in return(Lin et al., 2018).Similarly, employee becomes loyal towards work and may also perform beyond their actual duty by reciprocating the caring attitude of the leader (Bor-Shiuan Cheng, 2004).

On contrary their supervision is supposed to be ineffective (Kozan, 1993). A study in Brazil reveals that employee working with paternalistic leaders feel family atmosphere with person-job fit. Their confidence toward the work is increased (Zheng, 2016). As they consider the work family conflict as less harmful (Jackson, Meyer, & Wang, 2013).

Based on the P-E Fit theory, when an individual feel fit with the job by satisfying his needs and demands of the job, the task and the contextual performance are attained. It is argued that the person’s job fit is an important contributing factor which leads towards his desired performance. Based on theory of work adjustment, the employee needs must be met with the demands of the job till the optimal level of fit is created on both sides.

Fit is a dynamic process based upon three activities including perseverance/specify the length of time for adjustment behavior), flexibility (symbolizes the correspondence in activist style while working on the environment) and Reactive (Person working on the self). The above three activities could be explained in compliance of social identification approach the literature has also focused on identity dynamics of leader and followers leading towards positive outcomes (Epitropaki, Kark, Mainemelis, & Lord, 2016). The identity perspective revolves around follower centric behavior that is helpful in developing the self-concept which state, that individuals have self-scheme which are activated in particular context (Kerse, 2019).

Furthermore, self-schema is basically formulating the attitude and judgment that is shaping the sense of world through cognitive structures. These small components of self are important to shape the perception, emotions and responses that changes with contextual situation. The conscious self-construal is generated with the questions “who am I and what should I do” that gives the directions toward goal accomplishment with enhancement of skill and tried to fit itself with the task in order to create a person-job fit. Self-identification has divided the self in to three levels, individual level, (directed toward the self-concept) Relational (directed toward role relationship) and collective level (directed toward group level) i.e. Person-job fit.
The self enhancement and uncertain components of social identification when Authoritarian leadership along with benevolence reduces the uncertainty, through their task and skills clarity P-J fit is created.

\[ H_1: \text{P-J Fit mediates the relationship between paternalistic leadership and individual work performance.} \]

**Paternalistic Leadership, Person Supervisor Fit (P-S Fit) and Individual Work Performance**

The supervisor–employee relationship is more paternalistic and hierarchical in high power distance countries in comparison to the low power distance countries of Europe and America (Hofstede, 2003; House et al., 2002). Morality of paternalistic leader is concerned with high ethical standards having superior virtues and serving as a role model that could be source of employee encouragement by putting his beliefs in his justified behavior (Farh & Cheng, 2000). The positive perceptions of the individuals towards their leaders create high quality relationships and engage in helpful behaviors along with their duties described in the job description. This virtuous action-exchange reciprocates in creating a fit between the person and the supervisor. Collective good and integrity beyond their self-interest is a long term investment in arousing the moral behavior that leads toward contextual performance (Tang & Naumann, 2015b).

Paternalism is associated with the authoritative decision making but the caring component involves the employees in decision-making so that the final decision could be satisfactory to all (Ugurluoglu et al., 2018). The morality concept of paternalistic leader also demonstrates collective interest rather than self-interest by showing high integrity (Chan et al., 2013). This behavior enhances the employee confidence in leadership’s judgment and moves beyond the duties in the formal agreement by creating a person-supervisor fit so the paternalistic relationship of guidance, care and protection is attained between the leaders and the follower. This person-supervisor fit then leads toward the positive individual work performance.

\[ H_2: \text{The relationship between Paternalistic leadership and individual work performance is mediated by P-S Fit.} \]

**Paternalistic Leadership, Person-Organization (PO) Fit and Individual Work Performance**

Person-Organization fit is attained when there is match between leadership styles and the organization values which leads towards better results (Yu, 2014; O’Reilly, Chatman & Caldwell, 1991). Paternalistic Leadership is distinct from other leadership constructs as it is important for motivation of employees and providing them psychological connection to the organization and work units (Schaubroeck, Shen, Chong, & Schaubroeck, 2016). This linking and congruence of values are intertwined towards high level of person-organization fit. Mutual understanding and discussion of organizational problems with goal congruence leads towards an enhanced performance. When
the leader’s command is valued, the supervisor employee relationship gets strengthened. A thrill of motivation is sensed.

\( H_3 \): The relationship between Paternalistic Leadership and Individual Work Performance is mediated by PO Fit.

**Research Methodology**

**Data Collection**

This empirical study employs the questionnaire method based on the five points Likert scale instrument ranging from strongly disagree as “1” to strongly agree as “5” except the items of individual work performance which are labeled between “1” for seldom to “5” for always. In Pakistan, the total number of registered medical practitioners include 208000 doctors, 20463 dentists and 103777 nurses (Pakistan Economic Survey, 2017). Sample was selected through a multi-stage sampling. 500 questionnaires were distributed among the medical practitioners of public and private sectors of Islamabad and 367 responses were analyzed. The sample frequencies show the higher number of females’ respondents at 283 than male respondents of 94. This female dominant response reflects the majority of female population in the sample, especially among the nurses.

**Instrumentation**

Generic operationalization of Koopmans (2014) is used for the measurement of individual work performance that includes the task performance (concerned with job) and contextual performance (other than job). Task performance is measured with the quality of work, organizing the work, result orientation, prioritizing and work efficiency etc. Contextual performance is concerned with the discretionary behavior of the employees that is not a part of core job responsibilities and is mostly viewed as a substitute of organizational citizenship behavior. The scale of contextual performance reflects the dimensions of the concept including supporting behavior, being amicable and enthusiastic. The three components comprise PE fit construct (Person-Job Fit, Person-Organization Fit and Person-Supervisor Fit). Person-Job fit is operationalized into two dimensions that are N-S (Need supply) Fit and D-A (Demand Ability) Fit (Kristof-Brown et al., 2005). Person-supervisor fit measures the response of employee towards their supervisor. The perceived P-O fit consists of items including “My organization’s values and culture provide a good fit with the things that I value in my life”.

Cheng and colleagues’ (2004) scale named as global paternalistic leadership scale was used for the measurement of Paternalistic Leadership. The concept was measured by three dimensions that are authoritarian, benevolence and moral characteristics of leadership. The study in the university teachers of Pakistan has validated this scale (Afsar, 2014). The dimension of authority is on the basis of power, control authority and required respect and obedience from the followers. Benevolence
is concerned with preference, concern and encouragement and coaching of supervisor towards the subordinates. Moral character reflects the task responsibility and self-discipline demand of the supervisor. In the Asian context, this characteristic is reflecting a role model in terms of morality.

Data Analysis

The data was analyzed through Partial Least Square Structural Equation Modeling (PLS-SEM) technique in SmartPLS 3. Table 1 shows the reliability and validity of the scales. All the values of Cronbach Alfa(\( \alpha \)) are satisfying the minimum threshold of 0.70. The composite reliability of the model is greater than 0.9 which also surpasses the minimum threshold of 0.6 (Höck & Ringle, 2006). The convergent validity is tested by Average Variance Extracted (AVE) which is above the threshold of 0.5 which is considered as good. Paternalistic Leadership, whereas, has the AVE value of 0.45 which is above the threshold of 0.4, regarded as acceptable (Höck & Ringle, 2006). Table 2 reflects the correlations among the variables. Correlation of the IWP is slightly on the higher side with the other variables. Higher correlation may indicate the validity issues, for that purpose HTMT and Fornell Larcker techniques were additionally used to assess any validity concerns which indicate that there are no validity concerns and structural model can be estimated. Single source perception based data may have method biasness, so to ensure that data is free from common method bias single factor analysis was conducted which reflected no such issue in the data with explained variance of less than 50%.

Table 1
Reliability and Validity Analysis

<table>
<thead>
<tr>
<th></th>
<th>Cronbach's Alpha</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Context Performance</td>
<td>0.89</td>
<td>0.92</td>
<td>0.61</td>
</tr>
<tr>
<td>Paternalistic Leadership</td>
<td>0.82</td>
<td>0.81</td>
<td>0.45</td>
</tr>
<tr>
<td>Person Job</td>
<td>0.95</td>
<td>0.96</td>
<td>0.84</td>
</tr>
<tr>
<td>Person Organization</td>
<td>0.93</td>
<td>0.96</td>
<td>0.88</td>
</tr>
<tr>
<td>Person Supervisor</td>
<td>0.91</td>
<td>0.94</td>
<td>0.85</td>
</tr>
<tr>
<td>Task Performance</td>
<td>0.87</td>
<td>0.91</td>
<td>0.68</td>
</tr>
</tbody>
</table>

Table 2 shows that the correlation values are greater than 0.5 and show significance.
**Table 2**

*Inter-Correlations among Constructs*

<table>
<thead>
<tr>
<th></th>
<th>IWP</th>
<th>PL</th>
<th>P-J Fit</th>
<th>P-O Fit</th>
<th>P-S Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL</td>
<td>0.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-J Fit</td>
<td>0.71</td>
<td>0.56</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-O Fit</td>
<td>0.72</td>
<td>0.67</td>
<td>0.54</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-S Fit</td>
<td>0.70</td>
<td>0.67</td>
<td>0.61</td>
<td>0.56</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 2: SEM Model*

Table 3 shows that T values are greater than 2 and significant with p-value less than 0.5 for all the path relationships.
Table 3
*Standardized Path Coefficients*

<table>
<thead>
<tr>
<th></th>
<th>Coeff.</th>
<th>STDEV</th>
<th>T</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL -&gt; IWP</td>
<td>0.17</td>
<td>0.04</td>
<td>4.75</td>
<td>0.00</td>
</tr>
<tr>
<td>PL-&gt; P-J Fit</td>
<td>0.56</td>
<td>0.03</td>
<td>18.88</td>
<td>0.00</td>
</tr>
<tr>
<td>PL-&gt; P-O Fit</td>
<td>0.67</td>
<td>0.03</td>
<td>25.73</td>
<td>0.00</td>
</tr>
<tr>
<td>PL-&gt; P-S Fit</td>
<td>0.67</td>
<td>0.03</td>
<td>27.08</td>
<td>0.00</td>
</tr>
<tr>
<td>P-J Fit -&gt; IWP</td>
<td>0.31</td>
<td>0.03</td>
<td>9.71</td>
<td>0.00</td>
</tr>
<tr>
<td>P-O Fit -&gt; IWP</td>
<td>0.31</td>
<td>0.04</td>
<td>8.75</td>
<td>0.00</td>
</tr>
<tr>
<td>P-S Fit -&gt; IWP</td>
<td>0.23</td>
<td>0.04</td>
<td>6.21</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Table 4 shows the values for path significance of mediation. All the values in the table are greater than 0.2 that shows partial mediation. Hence, all the hypotheses of the mediation are accepted.

Table 4
*Variance Accounted For*

<table>
<thead>
<tr>
<th>IV</th>
<th>MV</th>
<th>DV</th>
<th>VAF</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL</td>
<td>PJ</td>
<td>IWP</td>
<td>0.219</td>
</tr>
<tr>
<td>PL</td>
<td>PS</td>
<td>IWP</td>
<td>0.475</td>
</tr>
<tr>
<td>PL</td>
<td>PO</td>
<td>IWP</td>
<td>0.550</td>
</tr>
</tbody>
</table>

Table 5
*HTMT*

<table>
<thead>
<tr>
<th></th>
<th>CP</th>
<th>IWP</th>
<th>PL</th>
<th>P-J Fit</th>
<th>P-O Fit</th>
<th>P-S Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>PL</td>
<td>0.49</td>
<td>0.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-J Fit</td>
<td>0.48</td>
<td>0.55</td>
<td>0.36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-O Fit</td>
<td>0.49</td>
<td>0.57</td>
<td>0.56</td>
<td>0.31</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P-S Fit</td>
<td>0.49</td>
<td>0.57</td>
<td>0.58</td>
<td>0.43</td>
<td>0.35</td>
<td></td>
</tr>
<tr>
<td>TP</td>
<td>0.69</td>
<td>0.91</td>
<td>0.54</td>
<td>0.54</td>
<td>0.58</td>
<td>0.57</td>
</tr>
</tbody>
</table>
The hypothesized model was tested by PLS-SEM on SmartPLS3. The three component of PE Fit (P-J fit, P-S Fit and P-O fit) showed partial mediation in the relationship between paternalistic leadership and individual work performance, where P-O fit showed the highest mediating effect of all three. This may indicate the scope of the P-O fit which is relatively broader than the P-J fit and P-S fit, hence have higher role to play in translating the paternalistic leadership into the work outcomes.

Conclusion

The study examined the mediation of three PE fit components together in explaining the relationship of paternalistic leadership and individual work performance. The findings of the study explained that the morality, benevolence and authoritarianism of paternalistic leader could affect together in fitting the employee towards its job, supervisor as well as organization that leads to increased task and contextual performance. The concept of paternalism and cultural norms are incorporated in Asian context so the study contributed the existing literature of paternalistic leadership and individual work performance on the basis of PE fit theory as an additional mechanism that differentiate from the previous studies. The findings of the study suggest that those senior doctors and nurses who attain the qualities of paternalism could enhance performance of their juniors by establishing their fit with the job, supervisor and organization.

Limitations and Future Research

Since the limitations in research are unavoidable in spite of its implications. A self-report survey is conducting for data collection that could be susceptible for generating common method variance as all the perceptual measures of explanatory and dependent variables are collected from same respondents. The variables are measured using the self-reported data from one source only that could be addressed in the future studies to proceed by calculating actual fit rather than perceived fit.
and performance by including other sources using a longitudinal design. For future research, other leadership styles should be compared with dimensions of paternalistic leadership.

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Creativity? The Mediating Role of Leader – Member Exchange and the Moderating Role


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ANTECEDENTS OF BRAND EQUITY IN INSURANCE INDUSTRY OF PAKISTAN

Masood Hassan

Abstract

The current research concerned with the testing of antecedents (factors) (i.e. brand image, brand attitude, brand trust, corporate social responsibility, word of mouth, and customer satisfaction) of brand equity in the insurance industry. By using the convenience sampling technique, questionnaires were used to collect data from customers/policyholders of the insurance companies. 436 complete questionnaires were used in the study. PLS-SEM technique was employed to examine the data. For this purpose, SmartPLS 3.0 is used for data analysis. Results showed that all factors have positively influenced the brand equity. Future studies can investigate these factors with brand equity dimensions separately. Marketers and decision-makers should consider these factors while taking decisions regarding marketing and specifically about branding.

Keywords: Brand Equity, Brand Image, Corporate Social Responsibility, Insurance Industry.

JEL Classification: M310, G220, G520

Introduction

In the more transparent, competitive, and interconnected business environment, memorable experiences must be offered by brands to their consumers if they require to differentiate themselves from others and want to gain strong competitive position (Schmitt, 1999; Pine & Gilmore, 1998; Berry, Carbone, & Haeckel, 2002). This is more challenging in the service sector (Iglesias, Markovic, Singh, & Sierra, 2019; Iglesias, Markovic, & Rialp, 2019) due to distinguish nature of services e.g. heterogeneous, perishable, intangible, and in-separable (Zeithaml, Parasuraman, & Berry, 1985; Berry, 1980), and the number of contacts points that are present among customers and services brands (Grönnroos, 2006). Positive brand experiences enhance customer satisfaction, increases brand-customer relation quality, and build up the brand equity (Iglesias, Markovic, & Rialp, 2019, Lin, 2015; Iglesias et al., 2011; Brakus et al., 2009; Yao, Wang, & Liu, 2013). The higher degree of brand equity influences the preference and buying intentions of customers (Cobb-Walgren et al., 1995; Noormahmoudi & Zomorrodian, 2016). The main reason behind the reputation of the brand equity concept is that it

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builds value for both company and customers and finally marketers can get a competitive advantage through brand equity (Bharadwaj et al., 1993).

Many researchers studied the brand equity concept in different countries of the world (Iglesias, Markovic, & Rialp, 2019; Lin, 2015; Yao, Wang, & Liu, 2013; Buil et al., 2013; Yoo & Danthu, 2001). Brand equity plays strategic role in building competitive advantage and on company’s decision-making (Attilgan et al., 2009). Lee and Back (2009) argue that brand equity permits the companies to charge more prices for their brands. Brand equity is an added value that is created for an organization because of a brand. This concept has been discussed in different means and for diverse aims, but still no common consensus has been reached on it (Beverland et al., 2007). Through a brand, a platform is established for the growth and development of companies (Kayaman & Arsali, 2007).

Many authors studied antecedents of brand equity in different research settings i.e. brand image, perceived quality, and customer satisfaction as antecedents in clothes market context (Mathews & Watchravesringkan, 2014); brand experience, brand trust, and brand association as antecedents of hospital brand equity (Kumar et al., 2014); and expertise, like ability, and relevance of spoke-character with brand association and brand awareness as antecedents of brand equity in retail brand market (Chang, 2014). Accordingly, the aim of this investigation is to study the antecedents of brand equity to provide appropriate solutions for marketing managers in insurance industry of Pakistan based on analyzing data and results from the research. Numerous antecedents or factors affect brand equity but in the insurance sector, brand image (BIM), brand attitude (BAT), brand trust (BTR), CSR activities, word of mouth (WOM) and customer satisfaction (CS) are critical factors. So, there is a need to study these factors in the insurance sector of Pakistan where competition is increasing at a rapid pace.

However, there is limited research done on brand equity applications in the insurance industry of Pakistan. Thus, the purpose of this study is to build a valid model of insurance companies' brand equity by measuring the influence of antecedents i.e. brand image, brand attitude, brand trust, corporate social responsibility, word of mouth, and customer satisfaction on brand equity construct. Based on the problem statement, the following objectives are derived.

- To identify the role of BI in building BE.
- To identify the role of BAT in building BE.
- To identify the role of BTR in building BE.
- To identify the role of CSR in building BE.
- To identify the role of WOM in building BE.
- To identify the role of CS in building BE.
Literature Review

Theory of Brand Equity

Aaker (1991) introduced the brand equity concept; describe it as the sum of assets and liabilities that are associated with a brand which create value for a firm and as well as for customer also. He classified the assets and liabilities into five categories i.e. brand association, brand awareness, brand loyalty, perceived quality, and other brand assets. These brand equity dimensions can be attained through marketing activities (Aaker, 1996; Tong & Hawley, 2009). Out of these five dimensions, the first four dimensions describe the reaction and evaluation of the brand. Therefore, these four dimensions get popularity in marketing and consumer behavior research studies (Pinar & Girard, 2020; Vogel et al., 2019; Islam et al., 2019; Yoo & Donthu, 2002).

Grounded on Aaker’s brand equity conception, Yoo et al. (2000) tried to understand the relationships between brand equity and marketing activities by creating a Brand Equity Creation Process Model. Yoo et al.’s brand equity framework provide a base for further studies to better understand the relationship between BE and marketing activities. These relationships are crucial in developing customer-based brand equity. The relationships among marketing efforts (CSR, BIM, BAT, BTR, WOM, and CS) and brand equity are the main concern of this research.

Brand Image

Brand image is expressed as customers’ perception and beliefs that are linked with customers’ memory (Kotler et al., 2016). While Keller (2013) stated brand image as a multidimensional variable that is formed by brand association, which further refers to ideas, beliefs, or feelings that customers hold. Therefore, brand image is an essential feature of marketing activities. Previous literature supported that positive brand image significantly influence consumer outcome constructs e.g. customer buying intention, customer loyalty, customer willingness to pay, and customers’ positive WOM (Iglesias et al., 2019; Ogba & Tan 2009; Esch et al., 2006; Anselmsson et al., 2014), that is probably to rise brand equity in return (Cho & Fiore, 2015). On the other side, some studies supported brand image as brand equity dimension (Keller, 1993; Na et al., 1999), while other researchers suggested that brand image regulates the brand equity (Park & Srinivasan, 1994). Keller (1993; 2001) further suggested that the overall strength of brand increase as customer association becomes favorable, strong, and unique. Companies try to compete in marketing by forming a favorable, robust, and unique BIM in customers’ minds through their marketing activities (Mabkhot, Shaari, & Salleh, 2017). Various studies support that BIM is the stimulus of brand equity. Many studies empirically proved that brand image positively influences the brand equity (Gill & Dawra, 2010; Iglesias et al., 2019). This helps to form the hypothesis :

\[ H1: \text{Brand image positively influence brand equity} \]
Brand Attitude

Brand internal evaluation is the most suitable definition of brand attitude (Amini-Kasbi et al., 2015). Attitude is developed after integration, evaluation, and interpretation of information stimuli. Brand attitude is the positive or negative customer view towards brand services (Krystallis & Chrysochou, 2014). This view of attitude is taken from CS (Grace & Cass, 2005). Therefore, brand attitude is the tendency of the customer to respond and show favorable or unfavorable reaction towards a specific brand consistently (Yim et al., 2014). Brand attitude is the key aspect of consumer behavior (Lee & Kang, 2013). Keller (1993) suggested that if the customer has a favorable attitude for a brand then he/she would be more likely to purchase it. Positive or favorable relation between brand and consumer can develop and retain a positive attitude for brand (Beerli et al., 2004). Positive attitude for brand represents the level to which a brand is liked and further reflect the customer favorable views towards a brand (De Pelsmacker & Janssens, 2007) because individuals tendency are normally continuous (Stokburger et al., 2012). So, brand identity can be enhanced if customers have positive /desirable attitude for a brand (Kim et al., 2012; Zarantonello & Schmitt, 2013; Park et al., 2010; Ansary & Hashim, 2018). This helps to form the hypothesis as,

\[ H2: \text{Brand attitude positively influence brand equity} \]

Brand Trust

Due to relational principles, key directional changes are noticed during the last decade in marketing theory and as well as in marketing practices. Morgan and Hunt (1994) argue that trust with a connection of commitment is a major characteristic that is needed for the success of relationship marketing and this concept gets remarkable attention from the academicians and as well as from the marketers and practitioners. Brand trust specifically, is more relevant in relation that takes place in the channels of distribution ((e.g. Kumar et al., 1995; Andaleeb, 1992), and buyer-seller relation in industry.

Various studies argued that BAT has a positive direct influence on BE (Chaudhuri & Holbrook, 2001; Buil et al., 2008). BAT is much beneficial for the brand because it develops and increases consumer confidence and directly relates to the dimension of brand equity that ultimately leads to BE (Zhou et al., 2012; Aaker et al., 2007). Companies made an effort to build their brand trust and they always try to win the trust of consumers through acting on local values. These activities are beneficial for the local population and as well as for the company also (Alden, Steenkamp, & Batra, 2006). Thus BAT has positive influence on BE. This helps to form the hypothesis as,

\[ H3: \text{Brand trust positively influences the brand equity} \]
Corporate Social Responsibility

Corporate social responsibility (CSR) is getting incremental attention specifically since the last decade. The Economist (2008) stated that more than fifty percent of global executives recognize CSR as their main concern. CSR policy implementation may create a trusted relation among stakeholders and companies. And it sources stakeholders to become committed with an organization by actions i.e. shareholder capital investment, customer loyalty, and supplier investment (Maignan & Ferrell, 2004; Sen et al., 2006; Garbarino & Johnson, 1999). Brand equity is affected by corporate social marketing activities that build customer awareness, developing brand credibility, developing brand community sense, brand image enhancement, provoking brand engagement, and inducing brand feelings (Hoeffler & Keller, 2002). Further scholarly researches presents that CSR activities can result in positive evaluation (Brown & Dacin, 1997), strong identification of a customer (Sen & Bhattacharya, 2001), and improved consumer satisfaction (Luo & Bhattacharya, 2006). Therefore, these favorable customer mindsets resulting through CSR activities that can create rewardsinbrand equity form. This leads to the hypothesis.

\[ H_4: \text{CSR positively influence BE.} \]

Word of Mouth

The basic conception behind WOM is that is directed towards communicating and sharing customers’ opinions and knowledge relating to products and services of the specific brand. Generally, WOM consisting of shared information relating to the brand that can be transferred from customer to customer by personal conversations and through different tools of communications (Brown et al., 2005). Previous studies i.e. Hogan et al. (2004) and Godes et al. (2005) stated that WOM was a highly effective component of marketing communications that is cost-efficient. Kotler et al. (2014) also suggested that WOM as a key tool that is used in marketing that transmitted between consumers at a low cost. Recently, WOM has received larger appreciation from consumers as a more trustworthy tool of communication because of less interest by customers in traditional media. Positive WOM enhances consumers towards evaluating the brands, in terms of quality perception in their minds (Murtiasih, Sucherly, & Siringoringo, 2013). Stronger WOM leads to a higher level of quality perception that further leads to brand loyalty. Murtiasih, Sucherly, and Siringoringo (2013) suggested that positive information via WOM enhances brand association, brand awareness, perceived quality, and brand loyalty that are dimensions of brand equity. This leads to the hypothesis

\[ H_5: \text{WOM positively influence BE.} \]

Customer Satisfaction

Customer satisfaction (CS) is extensively studied with brand equity such as Geigenmüller and Bettis-Outland (2012) suggests CS along with service increases brand equity of that service. In the same way, Ha et al. (2010) propose that CS is an essential and positive impact on BE in discount
store and banking services. Similarly, Hsu (2012) stated that CS plays an important role and have a significant positively effect on BE in the life insurance industry. CS has a positive indirect impact on brand equity via brand awareness that is brand equity’s dimension, which is found in a study on hotel marketing (Kim et al., 2008). In the same vein, Pappu and Quester (2006) argued that CS positively influence BE in retail brands context. In the higher education context, student satisfaction has positive influence on the brand equity of university (Dennis, Papagiannidis, Alamanos, & Bourlakis, 2016). Similarly, Chen (2010) studied in electronics products and found that green CS has a positive effect on green brand equity. Torres and Tribó (2011) found that CS is an antecedent of BE. Finally, Iglesias et al. (2019) found that CS positively affect BE in an online banking context. This leads to the hypothesis $H6$: CS positively influence brand equity.

**Conceptual Framework**

After an extensive review of brand equity literature, we develop the following framework that consists of six direct relationships.

![Conceptual Framework Diagram](image)

*Figure 1: Conceptual Framework*

**Methodology**

The purpose of this study is to identify and assess the antecedents of brand equity in insurance industry of Pakistan. Therefore, the insurance policyholders are the population of this study. The convenience sampling technique was used to draw samples because of the non-availability
of the sampling frame and cost constraint. Questionnaires were used to collect data from insurance policyholders. We visited the offices of insurance companies and insurance desks at different commercial banks to meet the policyholders for three months. Insurance companies’ agents also helped us to collect the data from policyholders. Data was collected through emails and as well as personally floating questionnaires. 650 forms were circulated out of which 190 through emails and returned 97 complete questionnaires. While 339 complete questionnaires were filled personally. So, the sample size consists of 420 policyholders.

**Measurement of Constructs**

The survey questionnaire had two sections. Section one had demographic-related questions and section two has questions on 7 constructs that were adapted from previous literature. Brand image is measured through 5 items adapted from (Jin et al., 2012). Augusto and Torres (2018) 4 item scale is adapted to measure brand attitude. Brand trust is measured through 4 items taken from Chaudhuri and Holbrook (2001). CSR is measured through 7 items scale adapted from Lai et al. (2010). Babin et al. (2005) 3 items scales are adapted to measure word of mouth. To measure customer satisfaction, 7 items scale is adapted from Homburg et al. (2009). Brand equity is measured through 15 items adapted from Yoo and Donthu (2001).The items were examined on five-point Likert-scale where 1 displays highly disagree and 5 displays strongly agree.

**Data Analysis**

Hair et al. (2014) recommended partial least square structural equation modeling (PLS-SEM) technique to evaluate the data is used in this study. This technique further consists of two steps i.e. measurement model analysis and analysis of the structural model. An analysis of the measurement model, validity and reliability of data is examined. While in structural model analysis, hypotheses are tested.

**Results**

**Respondents Profile**

The sample consists of 436 questionnaires. 288 are males and the remaining 148 were females. Most of the customers were belongs to 40 and above age group. 137 respondents were business persons. 124 respondents have a bachelor's level of education. 122 respondents have more than 100,000 income.

**Measurement Model Results**

In measurement model analysis, validity (convergent validity and discriminant validity) and
reliability of data were examined. But before examining validity and reliability, outer loadings of all items were tested that represent the contribution of each item to its respective variable. The outer loadings values should be higher than 0.50 as recommended by Hair et al. (2017). One item of brand equity is deleted due to poor outer loadings and results of outer loadings are presented in Table-1.

Table 1
*Result of Confirmatory Analysis*

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items’ Code</th>
<th>Outer Loadings</th>
<th>Cronbach’s Alpha</th>
<th>Composite Reliability</th>
<th>Average Variance Extracted</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIM</td>
<td>BIM1</td>
<td>0.850</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BIM2</td>
<td>0.861</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BIM3</td>
<td>0.623</td>
<td>0.862</td>
<td>0.900</td>
<td>0.646</td>
</tr>
<tr>
<td></td>
<td>BIM4</td>
<td>0.851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BIM5</td>
<td>0.809</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BAT1</td>
<td>0.873</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BAT</td>
<td>BAT2</td>
<td>0.829</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BAT3</td>
<td>0.834</td>
<td>0.852</td>
<td>0.899</td>
<td>0.518</td>
</tr>
<tr>
<td></td>
<td>BAT4</td>
<td>0.787</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BTR1</td>
<td>0.799</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BTR</td>
<td>BTR2</td>
<td>0.668</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BTR3</td>
<td>0.706</td>
<td>0.705</td>
<td>0.810</td>
<td>0.691</td>
</tr>
<tr>
<td></td>
<td>BTR4</td>
<td>0.699</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CSR1</td>
<td>0.810</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR</td>
<td>CSR2</td>
<td>0.816</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CSR3</td>
<td>0.762</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>CSR4</td>
<td>0.739</td>
<td>0.862</td>
<td>0.894</td>
<td>0.550</td>
</tr>
<tr>
<td></td>
<td>CSR5</td>
<td>0.766</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CSR6</td>
<td>0.707</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CSR7</td>
<td>0.562</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>WOM1</td>
<td>0.804</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WOM</td>
<td>WOM2</td>
<td>0.902</td>
<td>0.818</td>
<td>0.892</td>
<td>0.734</td>
</tr>
<tr>
<td></td>
<td>WOM3</td>
<td>0.861</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Table Continued...)
The reliability of items is examined through two methods i.e. composite reliability and Cronbach alpha. Composite reliability method established on outer loading while Cronbach alpha is established on the correlational value of an item. Hair et al. (2017) recommended that reliability values should be higher than 0.70. Results presented in Table-1 showed that all variables are consistent internally (reliable).

AVE is the measure for convergent validity. Convergent validity measures variables that should be related are related. Hair et al. (2014) recommended that the AVE score would be higher than 0.50. Results are presented in Table-1 that showed AVE values of all variables are above 0.50.

Discriminant validity examined that unrelated constructs are unrelated. Fornell-Larcker (1981) recommended a method to examine discriminant validity. In this method, the square root
of AVE all variables is compared with the correlation values of respective variables. Results of discriminant validity are presented in Table-2 which showed that \( \sqrt{AVE} \) is higher than the respective correlation values.

Table 2

<table>
<thead>
<tr>
<th></th>
<th>BIM</th>
<th>BAT</th>
<th>BTR</th>
<th>CSR</th>
<th>WOM</th>
<th>CST</th>
<th>BEQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Image (BIM)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.804</td>
</tr>
<tr>
<td>Brand Attitude (BAT)</td>
<td>0.111</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.831</td>
</tr>
<tr>
<td>Brand Trust (BTR)</td>
<td>0.256</td>
<td>0.200</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.720</td>
</tr>
<tr>
<td>Corporate Social Responsibility (CSR)</td>
<td>0.366</td>
<td>0.125</td>
<td>0.447</td>
<td></td>
<td></td>
<td></td>
<td>0.742</td>
</tr>
<tr>
<td>Word of Mouth (WOM)</td>
<td>0.390</td>
<td>0.160</td>
<td>0.508</td>
<td>0.565</td>
<td></td>
<td></td>
<td>0.857</td>
</tr>
<tr>
<td>Customer Satisfaction (CST)</td>
<td>0.317</td>
<td>0.131</td>
<td>0.366</td>
<td>0.656</td>
<td>0.646</td>
<td></td>
<td>0.710</td>
</tr>
<tr>
<td>Brand Equity (BEQ)</td>
<td>0.381</td>
<td>0.091</td>
<td>0.423</td>
<td>0.567</td>
<td>0.546</td>
<td>0.628</td>
<td>0.752</td>
</tr>
</tbody>
</table>

Bold Value on diagonal—\( \sqrt{Average Variance Extracted} \), BIM--Brand Image, BAT--Brand Attitude, BTR--Brand Trust, WOM--Word of Mouth, CSR--Corporate Social Responsibility, CST--Customer Satisfaction, BE--Brand Equity

Structural Model Results

In this step, hypotheses were tested to examine the impact of independent constructs (antecedents) on the dependent construct (brand equity). Results represented that all study variables positively influence the dependent construct (brand equity).

The result of the first hypothesis presented that brand image influences brand equity positively \((\beta = 0.10, p<00)\). The second hypothesis result exhibited that brand attitude influences brand equity positively \((\beta = 0.07, p<02)\). The third hypothesis result exhibited that brand trust influences brand equity positively \((\beta = 0.09, p<02)\). The fourth hypothesis result exhibited that CSR impact brand equity positively \((\beta = 0.18, p<00)\). The fifth hypothesis result exhibited that WOM impact brand equity positively \((\beta = 0.17, p<00)\). And, the sixth hypothesis result showed that CS impact brand equity positively \((\beta = 0.31, p<00)\). The results are shown in Table 3 and figure 2.
Table 3
Hypotheses Result and Structural Relationship

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Path Coefficient</th>
<th>p-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>BIM → BEQ</td>
<td>0.10</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>BAT → BEQ</td>
<td>0.07</td>
<td>0.02</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>BTR → BEQ</td>
<td>0.09</td>
<td>0.02</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>CSR → BEQ</td>
<td>0.18</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5</td>
<td>WOM → BEQ</td>
<td>0.17</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>H6</td>
<td>CST → BEQ</td>
<td>0.31</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
</tbody>
</table>

BIM—Brand Image, BAT—Brand Attitude, BTR—Brand Trust, CSR—Corporate Social Responsibility, WOM—Word of Mouth, CST—Customer Satisfaction, BEQ—Brand Equity

Figure 2: Structural Model

Discussion

The drive of the study was to investigate the effect of different antecedents (i.e. BIM, BAT, BTR, CSR, WOM, and CS) on BE in the insurance industry of Pakistan. The result of the first
hypothesis exhibited that BIM has positively impact BE. Results are in line with past researches such as Mabkhot, Shaari, and Salleh (2017) and Gill and Dawra (2010). This means that the companies that have a positive image in customers’ mindsets have greater BE of their brands that ultimately enhance the repurchase intentions of the customers. The second hypothesis also exhibited that brand attitude has positively impacted BE, which is also in-line with past researches i.e. Zarantonello and Schmitt (2013) Ansary and Nik-Hashim (2017). This present that brand attitude is the key factor in developing BE. The third hypothesis result showed that BAT positively influences BE, which supports the results of previous studies i.e. Garbarino and Johnson (1999). Therefore, BAT is a crucial factor in BE. Trust builds relationships between brands and customers. The fourth hypothesis result showed that CSR influences the BE positively, which supports the results of previous studies i.e. Hoeffler and Keller (2002). Therefore, CSR practices of companies’ play an important role in building BE. The fifth hypothesis result showed that WOM positively influences BE which supports the results of previous studies i.e. Murtiasih and Siringoringo (2013). Therefore, positive WOM is an important factor that transferred positive information from one customer to another customer and it is a cost-effective tool, which builds BE. In final and sixth hypothesis result showed that CS positively influence the BE, which supports the results of previous, studies i.e. Hsu (2012) and Iglesias et al. (2019). Therefore, CS is a crucial factor in BE. Satisfied customers are the key asset for the companies.

Conclusion

The purpose of the research was to study the effect of different antecedents (i.e. BIM, BAT, BTR, CSR, WOM, and CS) on BE in the insurance industry. Results showed that all factors (i.e. BIM, BAT, BTR, CSR, WOM, and CS) have a positive influence on BE. Therefore, insurance companies should consider the BIM, BAT, and BTR in marketing decision making because a positive image is more crucial for the company with a positive BAT of customers. Insurance companies provide better services to their customers that increase BTR. CSR practices also influence the BE that increases the pride of customers towards the organizations. Positive WOM is also very important for the companies. It helps companies to build BE and ultimately leads to consumer buying behavior in the future. CS is the most important factor in BE. Satisfied customers are an asset to the companies. They promote the companies' among their peers, families and social circle that ultimately pay profit to the companies.

There are some limitations to this research. This study only took samples from Karachi. Future researches may be conducted in other areas of the country. This study combined all dimensions of BE and used BE as a single variable. Future researches can take BE at a multidimensional level.

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Management 15(1), 4-14.
A FRESH LOOK AT UNDERSTANDING CONSUMER PURCHASE INTENTIONS TOWARDS PACKAGED MILK THROUGH THE LENS OF THEORY OF PLANNED BEHAVIOR

Hannan Afzal¹, Dr. Farida Faisal² and Ahmed Imran Hunjra³

Abstract

In today’s highly saturated, competitive, and informed market, the victory of business purely relies on understanding customers and their consumption methods and knowing the dynamics that influence their decisions. This research aims to study the factors that hinder consumers while they go for buying packaged milk. 800 questionnaires were floated among milk buyers and finally, 485 questionnaires were included in the study of those buyers who preferred fresh milk. A convenience sampling technique was used. Results showed that all study factors i.e. trust in government, trust in manufacturer, trust in farmer, sensory appeal, and product quality influence the attitude that ultimately affects the purchase intention of milk buyers. The results of this study are useful for marketing managers of milk processing companies to understand the factors while they are engaged in developing strategies.

Keywords: Trust, Packaged Milk, Purchase Intention, Product Quality.

JEL Classification: M300, M310.

Introduction

Dairy in general and milk, in particular, are essential components of diet in Pakistan. Milk is solidly known as a complete diet because of vital ingredients i.e. minerals, lactose, fats, vitamins, and proteins. Milk is the major product of the livestock sector of Pakistan. Livestock farming plays a critical role in the economy of Pakistan especially the rural economy as it provides regular income as well as cashable assets to the people that are part of the livestock sector. In the same way, it is the important component of the agriculture sector of Pakistan as it contributes 60.5% to the agriculture value-added, 4% increase in gross value added, and 11.2% to the GDP of Pakistan (Economic Survey, 2018-19).

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The livestock sector also provides 3.1% of foreign exchange earnings. Products of the livestock sector extraordinarily contribute to exports of the country. Meat and meat-related products worth Rs. 23,674 billion were exported to other countries. While on the other side, the worth of Rs 11.78 billion of milk and milk-related products were imported in the country (Economic Survey, 2015-2016). Pakistan also imported 586 thousand tons of milk and milk-related products in 2018. Historically, the livestock sector never has a negative growth rate. While 8 million families are connected with the livestock sector (Agriculture Census Organization, 2010).

Pakistan is the fourth-largest country in milk production following India and the USA (FAO, 2019). In Pakistan, 26% of food expenses are incurred on milk and milk-related products (Ministry of Finance, 2015). So, it is very critical for dairy farmers to reach different rural and urban markets. Due to several reasons, the expected demand of dairy products is increasing rapidly, i) the animal-based foods are needed for fulfilling protein and calcium needs of the population on health grounds, ii) the faster growth in population, iii) for meat and milk income elasticity is greater than one, implying more than a proportionate increase in demand for dairy products and meat than the rate of rising in income and iv) increased urbanization and/or rising absolute urban population (Afzal & Faisal, 2018). Due to globalization and development in the country, the demand for dairy products and milk is also expected to increase.

Despite the clear importance of the dairy sector, this sector could not get due to intention from the investors and policymakers. In the last 25 years, Milk production increases by 4.8% while the productivity of milk per animal in buffaloes is declined. This represents the increment in the population of animals instead of milk productivity per animal head. So, an increase in population is a major source of milk production growth in the country.

Pakistan Dairy Association (2018) stated that 5% of milk is processed and available in packaged form and the remaining 94% of milk is used in fresh form. Milk processing companies are trying to enhance the packaged milk consumption. Milk companies also launch various awareness programs for consumers regarding packaged milk. These companies also invest a heavy amount on advertising and promotional campaigns to attract customers but they are unable to achieve satisfactory results.

When a consumer points out its needs and wants to satisfy the identified needs, his/her decision to acquiring these needs is affected by many factors. The literature of marketing divides these factors into different categories that affect the consumer buying behavior. Lake (2009) divided these factors based on external factors (i.e. social groups) that creating from the external environments such as social groups and cultures, and internal factors (i.e. psychological factors) that are created by persons' beliefs, motivations, attitudes, and emotions. Kotler and Armstrong (2004) made four categories of influential factors, personal factors (i.e. age, lifestyle, occupation, self-concept, family lifestyle, and economic situation), psychological factors (i.e. beliefs, attitude, perception, motivation
and learning), cultural factors (i.e. culture, sub-culture, and social class), and social factors (i.e. family, status, role, and reference groups). In the same way, many factors influence the buying behavior i.e. image, availability, trust, and shelf life (Soyez, Francis, & Smirnova, 2012), trust, self-identity, attitude, subjective norms and behavioral control in the context of organic milk (Carfora et al., 2019), sensory appeal, product quality, social influence, price, motivation, attitude, and learning (Kurajdova et al., 2015).

Trust is a key factor in the decision-making process of consumers. Many factors interrupt the relationship between consumers and food. Numerous researchers studied the trust at different levels (i.e. trust in government, trust in manufacturer, trust in retailers, trust in farmers) (Carfora et al., 2019) and with different dimensions (i.e. competence, benevolence, and integrity) (Oliveira et al., 2017). Sensory appeal and product quality also play an important role in the buying of food and dairy products (Boniface & Umberger, 2012).

The need for thorough research and study of consumer behavior is now becoming more and more topical. There is a need to understand the customers’ expectations of companies. It is also important for companies to understand the factors specifically at an individual level that influence the customers’ decisions. Because of the understanding of these needs, expectations, and individual factors help companies in the development of marketing programs, marketing mix, and marketing strategies. Consequently, the purpose of this research is to study the factors that hinder consumers while they are going for purchasing packaged milk for their daily life. Consequently, the purpose of this research is to study the role of trust at different levels (i.e. trust in government, trust in manufacturer, and trust in farmer) with sensory appeal and product quality that build consumers' intentions while they are going for purchasing packaged milk for their daily life.

**Literature Review**

*Theory of Planned Behavior*

Different models are proposed by researchers to understand human intentions and behaviors, but the Planned Behavior Theory is one of the most utilized theories that researchers have used so far to know determinants of an individual’s intention and behavior. Many researchers used this theory to understand the behavior of consumers relating to food products (Yadav & Pathak, 2016; Wong et al., 2018). This study is also based on TPB as this theory stated that attitude and beliefs affect the buying intentions.

In general attitude is considered as the key predictor of behavior and specifically buying behavior (Rizvi & Oney, 2018). Attitude is extensively studied in academic literature (Bagozzi & Burnkrant, 1979; Spears & Singh, 2004; Moon et al., 2017). Fishbein and Ajzen (1977) suggested that attitude is mainly effected by beliefs and attitude is a cognitive construct.
Different affective and emotional constructs influenced the attitude (Rizvi & Onay, 2018; Alnawas & Hemsley-Brown, 2018). In present study, trust and product quality are affective constructs while sensory appeal is an emotional construct. Therefore, the aim of study is to investigate how affective and emotional construct affect the attitude that create intentions for particular product (packaged milk).

**Trust**

Trust shows an imperative part in the decision-making practices while purchasing food (Hobbs & Goddard, 2015; Del et al., 2018) and showed to show an essential role in TPB application to describe various food choices (Carfora et al., 2019; Menozzi et al., 2017; Mazzocchi et al., 2008; Lobb et al., 2007). Lobb (2004) defined trust as a person’s experience with a combination of cognitive process and affective stimuli. Trust is remarkably studied in several disciplines, like psychology (Bachmann & Inkpen, 2011), economics (Hartmann et al., 2015), social science (Siegrist et al., 2000), philosophy (Welter, 2012) and marketing (Dumortier et al., 2017).

Numerous concepts are studied with trust as antecedents i.e. familiarity (Chen, Lai, & Lin, 2014; Lu, Zhao, & Wang, 2010), economic status and social capital (Greiner & Wang, 2010). Similarly, in online service context trust is determined by perceived web quality (Jones & Leonard, 2008; 2014), service quality and guarantee (San-Martín & Camarero, 2014), and perceived risk (San-Martín & Camarero, 2014; Zhang, Tang, Lu, & Dong, 2014). On the other side, trust can create positive attitude (Sarkar, Chauhan, & Khare, 2020; Hajihedyari & Ashkani, 2018; Cheung & To, 2017), satisfaction (Sarkar et al., 2020; Chi, 2018; Ofori et al., 2018), intention (Beza et al., 2018; Zhao, Ni, & Zhou, 2018), and loyalty (Sarkar et al., 2020; Ofori et al., 2018; Berraies et al., 2017) towards product or service.

Several scholars describe trust from a different viewpoint, trust considered as a single construct (one-dimensional) (Li et al., 2008). Another viewpoint is trust is a multidimensional construct, and hence any single item cannot forecast it (Frewer & Miles, 2003). Carfora et al. (2019) studied the trust with different perspectives i.e. government, manufacturer, and farmer to measure the intentions of consumers for organic milk. This study considered a predictive part of trust with different perspectives in describing the consumers’ attitudes and intentions towards packaged milk buying.

First, it is vital to examine the role of government. This perspective of trust presents the greater degree of trust on system that is detached from personal relationships effect between individuals (Lewis & Weigert, 1985). Trust in government describes the government’s power to control food security, availability, and implementation of food safety rules, linkages, and coordination among the government agencies have concerns about consumers’ health and the government institutes provide the right information relating to food safety (Wisnalmawati et al., 2018).
Second, it is also essential to investigate trust in manufacturers on consumers’ part. In the food industry, the relationship among manufacturer and consumers has weakened because the industry is configured in such a way that consumer has a little amount of knowledge about food processing (Ayyub et al., 2018). Consequently, consumers have doubts about the claims made by milk processors (manufacturers) relating to taste, purity, quality, and health-related benefits. Therefore, companies made different brands to gain the consumers' trust and to craft a specific image of their products in consumers’ minds.

Third, it is also vital to examine consumers’ trust in the farmer. Previously, Carfora et al. (2019) found that trust in farmers positively influences the purchase intentions for organic milk.

Therefore, the aim to review former research and examine role of trust at different levels (i.e. trust in government, trust in manufacturer, and trust in farmer) of the supply chain. Hence, the current study hypothesized that trust (from three perspectives i.e. government, manufacturer, and farmer.) affects the consumer attitude.

\[ H_1: \text{Trust in government significantly influences the attitude towards packaged milk.} \]
\[ H_2: \text{Trust in the manufacturer significantly influences the attitude towards packaged milk.} \]
\[ H_3: \text{Trust in farmer significantly influences the attitude towards packaged milk.} \]

Product Quality

Product/service quality is considered as a means to meet consumer’s expectations (Evans, 1997). Product perception and quality are significant contributors in consumers' purchase decisions, and the standards are driven through the intrinsic or extrinsic cues (Kumar & Babu, 2014). If dairy products are considered specifically, the purchase intention and decision are significantly based on factors such as the environment of the selling point, cleanliness, reachability and quality (Kurajdova & Táborecka-Petrovicova, 2015). The research conducted in Malaysia shows that consumers are more consistent with the quality, safety and nutrition content, and are depicting diverse consumption patterns (Rezai, Mohamed, & Shamsudin, 2011, Khan & Siddiqui, 2019). Furthermore, researches have repeatedly hypothesized that product quality significantly and positively affect consumer’s purchase intention (Chi et al., 2008; Mirabi et al., 2015) and have found mainly positive results.

\[ H_4: \text{Product quality significantly influences the attitude towards packaged milk.} \]

Sensory Appeal

Sensory appeal explains to appeal of the product’s appearance, taste, smell, and texture to shoppers (Lee & Yun, 2015). Appearance, smell, and taste are the sensory attributes for food (Wong et al., 2018). The research indicates the product’s sensory appearance can alter consumer’s buying preferences. There have been certain indications that the sensory appeal including the taste, smell and texture work together and impact each other (Pohjanheimo, 2010) and eventually the buyer’s decision.
The product’s sensory appeal influences buyers' purchase desire and product preference (Baker et al., 2015; Wong et al., 2018). Sensory appeals are increasingly significant for the two genders while obtaining dairy items (Krešić et al., 2010). Sensory factors and nutritional significantly influence fresh milk purchases (Kurajdova et al., 2015). Hence food manufacturers need to have a clear description of consumer’s sensory preferences (Ghanbari et al., 2017).

$H_5$: Sensory appeal significantly influences the attitude towards packaged milk.

**Attitude towards Packaged Milk**

Attitude defined as the way a buyer process the information covering both emotions and thoughts (Parumasur & Roberts-Lombard, 2012). Personal experiences with the product during the usage of the product influence the attitudes (Schiffman & Kanuk, 2010). Consumer behavior literature is accompanied by a thorough investigation of the association between attitude and behavior. The planned behavior theory (Fishbein & Ajzen, 1977) and reasoned action theory (Ajzen & Fishbein, 1980), say that purchase intention is affected by customer behavior which is determined through attitude towards the product. Kempen et al. (2017) have argued that personal beliefs and values set based on different parameters are instrumental in forming consumer attitudes towards products such as the alternatives to cow milk. The consumers are reluctant with the purchase of UHT processed raw milk is due to the lack of trust in technology and the claim that these processes affect the structure of the product making it health averse (Kaya, 2016).

$H_6$: Attitude towards packaged milk significantly influences the intentions towards packaged milk.

**Purchase Intention towards Packaged Milk**

Purchase intention is a situation in which shoppers tend to buy a particular product in specific conditions (Hannantyas et al., 2016). Shah et al. (2012) stated that purchase intentions are a type of decision-making that discovers out the motives to buy a particular product by customers. The purchase decision is a complex process affected by multiple factors such as attitude, perception, and behaviors of customers. The purchase intention is affected by aspects such as personal factors, cultural factors, social factors, psychological factors, product factors, and demographic factors (Bahl & Chandara, 2018). The social factors involve reference groups, family types, social class, family impact, jobs, peer influence, and status. The demographic factors include Income, age, education, and occupation. Whereas taste, color, texture, and smell are product-related factors. The purchase intention and buying decision with its complexity are influenced by many factors including intrinsic and extrinsic motivation, value, perceived quality, and price (Mirabi et al., 2015; Gogoi, 2013).

**Theoretical Framework**

Based on TPB, the following model is proposed with hypotheses:
The population of this research study was milk buyers. For data collection from milk buyers, 800 questionnaires were distributed in person and through email. For data collection, the convenience sampling technique was employed. At initial level of the survey, three screening questions were asked. The first question was “do you buy milk?” if the answer to the first question is yes then the second question was “which type of milk you mostly buy, fresh milk or packaged milk? Then the third screening question was asked “which type of milk do you prefer, fresh milk or packaged milk?” the buyers with fresh milk preference were included in the final study because the purpose of the research is to study the factors that hinder the purchasing of packaged milk. 603 questionnaires were received from respondents out of which 485 questionnaires were included in the study whose preference was fresh milk. The research study was cross-sectional.

**Measures**

Trust in government is the first construct of the study and to measure this construct, Carfora et al. (2019) scale of 6 items was adapted. Trust in the manufacturer was the second construct of the study. To measure trust in the manufacturer, Carfora et al. (2019) scale were adopted that have 6 items. Trust in farmer was the third construct of the study. To measure trust in farmer, Carfora et al. (2019) scale were adopted that have 6 items. The fourth construct of the study was the sensory appeal which represents the freshness, taste, and texture of milk. To measure the sensory appeal 4 items were taken from Steptoe et al. (1995). The fifth construct of the study was product quality which was measured through the scale of Olsen (2002) and it consists of 4 items. Attitude is the sixth construct of the study.
which was measured through the 6 items scale of Huang, Lee, and Ho (2004). Purchase Intention is the seventh construct which was measured through the 3 items scale of Chandran and Morwitz (2005). For all instruments, a five-point Likert scale was utilized.

**Procedure**

Partial least square structural equation modeling (PLS-SEM) technique was used to analyze the data. Hair et al. (2014) recommended two steps procedure for PLS-SEM. The first step is measurement model analysis and the second step is structural model analysis. Smart PLS 3.0 was used to analyze the data.

**Data Analysis and Results**

**Sample Description**

The sample of the study was 485 respondents who preferred fresh milk. Sample descriptive showed that 273 respondents were males and the remaining 212 were females while 164 respondents were from the age group of 31-40 years. A total of 144 respondents have a bachelor’s level of education. Based on monthly income, 129 respondents have more than 50,000 incomes while 142 respondents have 7 to 8 family members.

**Measurement Model Analysis**

To analyze the measurement model, validity (i.e. convergent validity and discriminant validity) and reliability (i.e. Cronbach’s alpha and composite reliability) were measured.

To analyze the measurement model, factor loadings of each observed variable (item) are checked which represents the correlation of latent variables with its observed variables. The cut-off point for outer loading is that the values should be higher than 0.50 and items were deleted that have lower outer loadings (i.e. <0.50).

Composite reliability (CR) and Cronbach’s alpha are studied to examine the internal consistency of the latent constructs of study. Cronbach’s alpha estimates are based on correlation values among variables while the composite reliability is based on outer loadings of the variables. The cut-off point of internal consistency values is greater than 0.70 (Hair et al., 2017). Resulting values showed that the model is internally consistent.
Table 1  
**Summary of Measurement Model Analysis**

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item Coding</th>
<th>Outer Loadings</th>
<th>Composite Reliability (CR)</th>
<th>Cronbach Alpha</th>
<th>AVE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trust in Government</td>
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<tr>
<td>TIG1</td>
<td>0.75</td>
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<tr>
<td>TIG2</td>
<td>0.80</td>
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<tr>
<td>TIG3</td>
<td>0.79</td>
<td>0.89</td>
<td>0.85</td>
<td>0.62</td>
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<tr>
<td>TIG4</td>
<td>0.81</td>
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<tr>
<td>TIG5</td>
<td>0.79</td>
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<tr>
<td>TIM1</td>
<td>0.73</td>
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<tr>
<td>TIM2</td>
<td>0.75</td>
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<tr>
<td>Trust in Manufacturer</td>
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<tr>
<td>TIM3</td>
<td>0.79</td>
<td>0.88</td>
<td>0.83</td>
<td>0.60</td>
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<tr>
<td>TIM4</td>
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<tr>
<td>TIM5</td>
<td>0.77</td>
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<tr>
<td>TIF1</td>
<td>0.74</td>
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<tr>
<td>TIF2</td>
<td>0.82</td>
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<tr>
<td>TIF3</td>
<td>0.81</td>
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<tr>
<td>Trust in Farmer</td>
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<tr>
<td>TIF4</td>
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<tr>
<td>TIF5</td>
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<tr>
<td>TIF6</td>
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<tr>
<td>SEA1</td>
<td>0.82</td>
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<tr>
<td>SEA2</td>
<td>0.84</td>
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<tr>
<td>Sensory Appeal</td>
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<td>SEA3</td>
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<td>SEA4</td>
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<td>PRQ1</td>
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<td>Product Quality</td>
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<tr>
<td>PRQ2</td>
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<td>0.88</td>
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<td>PRQ3</td>
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<tr>
<td>ATT1</td>
<td>0.79</td>
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<tr>
<td>ATT2</td>
<td>0.79</td>
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<tr>
<td>Attitude</td>
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<tr>
<td>ATT3</td>
<td>0.79</td>
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<tr>
<td>ATT4</td>
<td>0.74</td>
<td>0.90</td>
<td>0.87</td>
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<tr>
<td>ATT5</td>
<td>0.80</td>
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<tr>
<td>ATT6</td>
<td>0.75</td>
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<tr>
<td>PIN1</td>
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<tr>
<td>PIN2</td>
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<tr>
<td>Purchase Intentions</td>
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<tr>
<td>PIN3</td>
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</tr>
<tr>
<td>PIN4</td>
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<tr>
<td>PIN5</td>
<td>0.74</td>
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</tbody>
</table>

*AVE Average Variance Extracted*
Convergent validity indicates variables that should be related are related. The average-variance-extracted (AVE) was measure of convergent validity of latent constructs. The cut-off point for AVE is would be greater than 0.50 (Hair et al., 2014). Table 1 consists of results of reliability.

Discriminant validity indicates that variables that should be unrelated are unrelated. In other words, discriminant validity is used to study the difference among variables. Fornell-Larcker (1981) method is employed to examine discriminant validity. This criterion matches √AVE of all variables with correlations values among variables. Results are presented in Table 2 that exhibited the square root of AVE of each latent variable is higher than their respective correlation values (Hair et al., 2014).

Structural Model Analysis

After an acceptable analysis of the measurement model, the second step is to analyze the structural model. In the assessment of the structural model, collinearity analysis, structural path analysis, R² analysis, and predictive relevance analysis (Q²) are carried out.

Table 2
Fornell-Larcker Discriminant Validity and Correlation Analysis

<table>
<thead>
<tr>
<th>Constructs</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Trust in Government</td>
<td>0.73</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2. Trust in Manufacturer</td>
<td>0.49</td>
<td>0.82</td>
<td></td>
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<tr>
<td>3. Trust in Farmer</td>
<td>0.45</td>
<td>0.51</td>
<td>0.80</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>4. Sensory Appeal</td>
<td>0.48</td>
<td>0.61</td>
<td>0.59</td>
<td>0.81</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Product Quality</td>
<td>0.43</td>
<td>0.49</td>
<td>0.53</td>
<td>0.59</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Attitude</td>
<td>0.56</td>
<td>0.66</td>
<td>0.59</td>
<td>0.61</td>
<td>0.55</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td>7. Purchase Intention</td>
<td>0.53</td>
<td>0.62</td>
<td>0.61</td>
<td>0.68</td>
<td>0.55</td>
<td>0.69</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Bold values on diagonal represent √Average Variance Extracted

Sometimes variables have a high correlation i.e. > 0.70 which may cause collinearity issues. To test the collinearity, variance inflation factor (VIF) was checked and the values of VIF are below the cut-off point of 5 that represents that collinearity does not prevail.

Structural path analysis is performed to test the hypotheses. The first hypothesis result represents that trust in government (TIG) positively influences attitude (i.e., β=0.46, p<0.00). The second hypothesis result represents that trust in manufacturer (TIM) positively influences attitude (i.e., β=0.14, p<0.00). The third hypothesis result represents that trust in farmer (TIF) positively influences attitude (i.e., β=0.11, p<0.00). The fourth hypothesis result represents that sensory appeal (SEA) positively influences attitude (i.e., β=0.12, p<0.00). The fifth hypothesis result represents that
product quality (PRQ) positively influences attitude (i.e. $\beta=0.16$, $p<0.00$). The sixth hypothesis result represents that attitude (ATT) positively influences purchase intention (PIN) (i.e. $\beta=0.60$, $p<0.00$). Table-3 shows path coefficients results with p-values.

Table 3

Hypotheses Result and Structural Relationship

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Path Coefficient</th>
<th>p-Value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>TIG→ATT</td>
<td>0.46</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>H2</td>
<td>TIM→ATT</td>
<td>0.14</td>
<td>0.04</td>
<td>Accepted</td>
</tr>
<tr>
<td>H3</td>
<td>TIF→ATT</td>
<td>0.11</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>H4</td>
<td>SEA→ATT</td>
<td>0.12</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>H5</td>
<td>PRQ→ATT</td>
<td>0.16</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
<tr>
<td>H6</td>
<td>ATT→PIN</td>
<td>0.60</td>
<td>0.00</td>
<td>Accepted</td>
</tr>
</tbody>
</table>


Figure 2: Structural Model

$R^2$ measures how nearly data are to fitted regression line. The value of $R^2$ lies between 0 and 1. The higher value shows a good model fit for data. $R^2$ values are 0.67 and 0.36 for attitude and
Q² quantifies the predictive relevance of the model. The values of Q² are 0.39 and 0.26 for attitude and purchase intention respectively. These values are higher than the threshold (i.e. > zero) (Hair et al., 2014).

Discussion

This study focuses on factors that hamper the consumers’ intentions to purchase packaged milk. The first hypothesis was the effect of trust in government on attitude for packaged milk. Results represented that trust in government positively affects attitude for packaged milk. Previously, trust in government also has a positive impact on the purchase of organic milk (Wisnalmawati et al., 2018). This showed that consumers consider that the government has a concern about their health issues and government institutes i.e. food authorities at the provincial level are working and providing information regarding food safety. It was hypothesized in the second hypothesis that the effect of trust in manufacturer (processor) on attitude for packaged milk. Results represented that trust in manufacturer have a positive effect on attitude for packaged milk. These results contradict the previous study (Carfora et al., 2019). Results showed that trust in manufacture is also very important in building buying intentions. Therefore, milk-processing companies must build their trust if they want to capture more market share. In the third hypothesis, it was hypothesized that the effect of trust in farmer on attitude for packaged milk. Results represented that trust in farmer have a positive effect on attitude for packaged milk. Previously, trust in farmer also has a positive impact on the purchase of organic milk (Carfora et al., 2019). Trust in farmer is crucial as milk producers provide milk to manufacturers (processing-companies). It is important for companies to also win consumer trust in the farmer's side. These results of trust at a different level are novel findings in packaged milk buying. Processing companies make arrangements to win consumers trust at all levels. It was hypothesized in the fourth hypothesis that sensory appeal affects the attitude of the milk buyers. The current study results showed that sensory appeal positively influences the attitude of the milk buyers. Previous studies also showed that product features affect buyer preference and purchase desire (Baker et al., 2015; Wong et al., 2018). So, sensory factors also influence the buyers in building their attitude towards a purchase of packaged milk. It was hypothesized in the fifth hypothesis that product quality affects the attitude of the milk buyers. The current study result showed that product quality positively affects the attitude of milk buyers. Previous studies also showed that product features affect the attitude of the buyers that help in making purchase intention (Mirabi et al., 2015; Chi et al., 2008). So, product quality also influences the buyers in building their attitude towards a purchase of packaged milk. In the seventh hypothesis, it was hypothesized that attitude influences the purchase intention of the buyer. The current study results showed that attitude positively affects the purchase intention of the buyer. Previous studies also showed that the attitude of the buyers helps in making purchase intention (Mirabi et al., 2015; Chi et al., 2008).
Conclusion

Pakistan is the fourth-largest milk-producing country and only 5% of milk is processed due to which it spent a lot of billions every year to import powder milk and other milk-related products. The aim of this research is to study the factors that hinder shoppers to buy packaged milk. The result showed that trust in government, trust in manufacturer, trust in farmer, sensory appeal, and product quality have a positive relationship with attitude. In the end, attitude positively affects the purchase intention. This showed that companies’ managers should consider these factors when they are making business strategies for packaged milk.

Future Recommendations and Implications

There are some future recommendations. Future studies should consider other marketing factors i.e. (promotion, branding, and convenience), demographic factors i.e. (family pattern, family size, gender, age, and household income), cultural factors, and attitudinal factors i.e. environmental consciousness, etc. In the future, comparative study can also be conducted between fresh milk and packaged milk. The current study collected the data from main cities i.e. Islamabad, Lahore, Multan, and Rawalpindi. Future researches should consider other cities to enhance generalizability.

The current study contributes to the knowledge base of buyers’ purchase intention for packaged milk that how trust and product-related factors (product quality and sensory appeal) affect the attitude that ultimately plays their role in building consumer buying intentions for buying of packaged milk. This study is helpful for policymakers and market managers of the dairy sector that how different factors play their role in affecting the consumer attitude and intention. This study will also help in making strategic decisions for milk marketing companies.

References


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