

---

## EDITORIAL BOARD

### **Chief Editor**

Prof. Dr. Syed Irfan Hyder

### **Editor**

Mr. Masood Hassan

### **Managing Editor**

Ms. Sabina Mohsin

### **Literary Editor**

Mr. Muhammad Asif Khan

### **Editorial Assistants**

Mr. Muhammad Naveed Khan

Mr. Majid Hussain

## ADVISORY BOARD

Prof. Izlin Ismail, Faculty of Business and Accountancy, University of Malaya, Kuala Lumpur, Malaysia.

Dr. Teoman Duman, International Burch University, Bosnia and Herzegovina.

Prof. Angelo Santagostino, University of Brescia, Italy.

Mr. Thomsas Winter, University of Rostock, Rostock, Germany.

Dr. Geoff Kay, City University, London, United Kingdom.

Dr. D.M.Semasinghe, University of Kelaniya, Sri Lanka.

Dr. Ziasma, University of Karachi, Pakistan.

Prof. Dr. Fasihul Alam, Department of Management Studies, University of Chittagong, Bangladesh.

Prof. Subas K.C., Dean, Kathmandu University, School of Management, Nepal.

Mr. Peter N. Stearns, Provost and Executive Vice President, George Mason University, Virginia, United States of America.

Ms. Deng Xinghua, Director, University of Science and Technology, China.

Prof. Dr. Dietrich Steude, Fachhochschule Erfurt University of Applied Sciences, Berlin, Germany.

---

Mr. Jurgen Gau, Dipl.-Ing., Dipl.-Wirtsch.-Ing.,  
Donarweg, Munich, Germany.

Mr. Horst Stenzel, Concepts Consulting  
Production, Stenzelfilm, Selma-Lagerlof-STR.,  
Munich, Germany.

Prof. Asim Jamal Siddiqui, University of  
Karachi, Pakistan.

Prof. Dr. Arshad Syed Karim, Sir Syed Univer-  
sity of Engineering & Technology, Karachi,  
Pakistan.

Prof. Anoma Abhayaratne, Department of  
Economics and Statistics, University of Perad-  
eniya, Sri Lanka.

Dr. Domingos Santos, Sub-Director, Institute  
of Politecnico de Castelo Branco, Portugal.

Dr. Javier Poncela Gonzalez, Department  
ETSI Telecommunication, University of  
Malaga, Spain.

Ms. Alessia Lefebure, Director Alliance  
Program, Columbia University, New York,  
United States of America.

Prof. Pranas Zukauskas, Faculty of Economics and  
Management, Vytautas Magnus University, Lithuania.

Mr. Hartmut Wellerdt, Marketing Consultant,  
Bremin University, Germany.

Dr. Silvia Scaramuzzi, Head of International  
Relations Department of Economics and Manage-  
ment, University of Florence, Italy.

Dr. Niaz Wassan, Kent Business School, United  
Kingdom.

Dr. Zaheer Khan, Kent Business School, United  
Kingdom.

Dr. Jaime Yong, Edith Cowan University, Australia.

Dr. Anna Zamojska, Edith Cowan University,  
Australia.

Dr. Helen Cripps, Edith Cowan University, Australia.

Dr. Saleem Chaudhry, San Jose State University,  
United States of America.

---

## Pakistan Business Review (PBR)

### **Introduction - About Us:**

Pakistan Business Review (PBR) is the premier journal of Institute of Business Management (IoBM) which is in continuous publication since April 1999. It is Pakistan's first refereed academic research quarterly focused on areas related to business and industry. PBR is an HEC approved X category journal. It is abstracted and indexed by the American Economic Association's EconLit, the Journal of Economic Literature, USA, and EBSCO, New York. It is supervised by an international advisory board of academics from national and international organizations such as the London School of Economics, the University of Sussex, the University of San Diego and Indiana University, USA, Bochun University, Germany, the United Nations Industrial Development Organization, the International Association for Clean Technology, Austria. International advisory board members are also drawn from China, Spain, Columbia, Srilanka, Bangladesh, Lithuania, and Nepal. The Institute of Cost and Management Accountants of Pakistan, the Institute of Chartered Accountants of Pakistan, the Pakistan Institute of Development Economics, the Applied Economic Research Centre, the University of Karachi and the Aga Khan University faculty are also represented on the board.

### **Scope & Mission:**

PBR encourages research in areas related to business and industry through quality articles. It is a double blind peer-reviewed journal edited by IoBM, Karachi, Pakistan. The journal is an academic resource for research articles and research based case studies in areas such as strategy, marketing, management, human resource management, finance, accounting, business ethics, entrepreneurship, economics, business psychology, social marketing, business analytics and other related functional areas. It provides a platform to academics and researchers for sharing their original and unpublished work globally.

### **Indexing & Abstracting Agencies:**

- HEC recognized journal in "X" category
- EconLit
- EBSCOhost
- Crossref
- CiteFactor
- Google Scholar
- Miar
- Eurasian Scientific Journal Index
- Scientific Indexing Services (SIS)
- EZB
- ZDB
- Journal Factor (JF)
- EuroPub
- BASE (Bielefeld Academic Search Engine)
- Central and East European Index (CEE Index)
- International Institute of Organized Research (I2OR)
- ProQuest (Under Evaluation)

---

**Review & Publication Policy:**

All research articles published in PBR go through an initial editor screening followed by a rigorous double-blind peer review by three referees. Articles of PBR are available online through the Journal Management System. The process of submission, editing, refereeing, review and correspondence with authors is also online through the Journal Management System.

**Copyright:**

Copyrights for articles published in PBR are retained by the authors, with first publication rights granted to the journal.

**Correspondence:**

Editor PBR  
Institute Of Business Management(IoBM)  
Korangi Creek, Karachi-75190, Pakistan  
UAN: (+92-21) 111-002-004, Ext. : 731  
Email: editorpbr@iobm.edu.pk  
Website: <https://pbr.iobm.edu.pk/>

---

**CONTENTS**

<b>Research</b>	<b>Page No.</b>
Understanding Brand Extension Evaluation in the Malaysian Market: The Moderating Role of Style of Thinking <i>Noor Ul Hadi, Mohammad Altwe and Ahtesham Ali Raja</i>	693
Exploring the Role of Mentoring in Entrepreneurial Career Transition of Pakistan <i>Sajjad Hussain, Muqaddas Rehman and Chaudhry Abdul Rehman</i>	706
Influence of Creative Organizational Climate on Organizational Citizenship Behavior amid Public and Private Universities Faculty <i>Dr. Shagufta Ghauri and Dr. Nadia Ayub</i>	719
Liquidity Risk Preference in Asset Returns <i>Muhammad Waseem Ur Rehman, Muhammad Kashif and Farhan Ahmed</i>	731
Identifying the Opportunities and Challenges in Potential Cultural Heritage Tourism Destination- A Case of Sindh, Pakistan <i>Dr. Sadia Shaikh, Muhammad Faisal Sultan and Waqar Akbar</i>	743
Can Incidence of Workplace Bullying Really be Reduced? Application of the Transtheoretical Model as Tertiary Stage Anti-Bullying Intervention <i>Muhammad Munir, Saman Attiq and Muhammad Zeeshan Zafar</i>	762
Dissimilarities between AAOIFI and BNM Shariah Standards: Analysis on Murabaha Financing <i>Muhammad Shujaat Saleem and Dr. Fadillah Mansor</i>	778
The Exchange Rate Exposure and Stock Performance of Pakistan Banking Institution <i>Dr. Muhammad Zia ur Rehman, Muhammad Mohsin and Sajjad Ahmad Baig</i>	795

Innovative Branding Strategies, Consumer Perception and Purchase Intentions in the Insurance Sector of Pakistan 808

*Masood Hassan and Muhammad Arsalan Hashmi*

Towards Examining the Link between Workplace Spirituality, Employee Engagement and Job Satisfaction 825

*Jawad Khan, Saad Farooq and Dr. Mubashar Hassan Zia*

# UNDERSTANDING BRAND EXTENSION EVALUATION IN THE MALAYSIAN MARKET: THE MODERATING ROLE OF STYLE OF THINKING

Noor Ul Hadi<sup>1</sup>, Mohammad Altwe<sup>2</sup> and Ahtesham Ali Raja<sup>3</sup>

## Abstract

*Since styles of thinking vary across cultures, it is necessary to explore and examine, how consumers evaluate brand extensions in a multi-cultural country. Therefore, this study made an attempt to identify whether style of thinking moderates the perceived fit and brand extension evaluation relationship in the Malaysian market. Employing 141 valid responses, this study found a positive and significant relationship between perceived fit, style of thinking, and consumer's evaluation of brand extension. It also found that holistic style of thinkers evaluates brand extension more favourably than analytical style of thinkers ( $t=2.042$  at the 5% level). This finding is further supported by  $f^2$  effect sizes. The amount of variance suggested by the overall model is considerable, and it also offers a good amount of predictive capability. This finding has significant implications for companies worldwide as they commonly implement brand extension strategies.*

**Keywords:** Perceived Fit, Style of Thinking, Brand Extensions, Malaysia, PLS-SEM.

**JEL Classification:** M370

## Introduction

Brand extension (BE) is actually the use of existing brand names to introduce new products in existing or new market. Brands extension within the original product category is considered to be cost-effective strategy, since, overall, it is presumed that using already known existing brands that are recognised well in the market, require lesser new product introduction expenses and fewer marketing activities such as advertisement and trade deals (Tauber, 1988; Collins-Dodd & Louviere, 1999). Nevertheless, consumer's favourable evaluation of extended brand is indeterminate, and the rate of its

---

<sup>1</sup>Associate Professor, Department of Business Administration, Foundation University, Islamabad, Pakistan.  
Email: n\_hadi1@yahoo.co

<sup>2</sup>Adjunct Senior Lecturer, Universiti Kuala Lumpur Business School, Kuala Lumpur, Malaysia.  
Email: mohammad-atawe@hotmail.com

<sup>3</sup>Program Director, National Business Education Accreditation Council, HEC, Islamabad, Pakistan. Email: aaraja@hec.gov.pk

failure in many fast-moving consumer goods (FMCG) product categories is roughly 75-80% (Ernst, Young & ACNielsen, 1999; *Marketing* 2003; Schneider & Hall, 2011). However, in order to minimise failure, key factors of brand extension success have been recognised (e.g., Aaker & Keller, 1990; Dacin & Smith, 1994). Perception of fit is one such important factor among perceived risk (PR), parent brand reputation (PBR), and perceived quality (PQ) (Hem, Chernatony, & Iversin 2001) that determines the performance of a brand extension. However, the perception of fit varies among people from different cultures (Monga & John, 2007). Using medium split analyses on fifty-seven U.S. and sixty-two Indian students<sup>4</sup>they confirmed the existences of cultural differences. However, previous empirical evidence on cultural differences in multi-cultural country is still insufficient. Therefore, this study made an attempt to fill this gap by considering a multi-cultural country Malaysia (Ibrahim, 2007) since Malaysia has a diverse culture. We also combined previous fragmented literature on perceived fit (categorical similar and benefit similar) as identified by Chang (2014).

### **Theoretical Background and Hypotheses Development**

#### *Theoretical Background*

The theories we used to frame the argument in this study are based on Hofstede (1984) cultural difference model and categorization theory. We used Hofstede model, since, consumer behaviour is different in cross-cultural settings. Categorization theory is considered as *consumers can evaluate the extension by their category memory* (Barone & Miniard, 2002; Fanzen & Bouwman, 2001; Fudali-Czyz et al., 2016).

#### *Brand Extension Evaluation (BEE)*

The concept of consumers' evaluation of brand extension is originated from "*categorization theory*" Keller (2002). He continues by saying that consumers can effortlessly move their current attitude about parent brand (PB) to brand extension (BE) because both the PB and the extension may be categorized by the brand. Therefore, consumers categorise and identify an object as a member of a class. Having this in mind, BEE is therefore, the way in which consumers evaluate an extended brand. Monga and John (2007: 529) further elucidated this notion by supporting that consumer evaluates an extended brand by perceiving that how well it fit with the present brand. They further argued that several factors affecting whether consumers will evaluate an extended brand favourably. Similarly, data from several sources (e.g., Aaker & Keller, 1990; Keller, 2002; Volckner & Sattler, 2006) identified "perceived fit" (PF) between the PB and the BE as a crucial determinant of brand extension success, among others.

---

<sup>4</sup>Studying at University of Minnesota.



### *Perceived Fit (PF)*

For the favourable evaluation of BE it is important that the customers perceive similarity between the PB and the newly launched product. Earlier studies Volckner and Sattler (2006), Asker and Keller (1990), De Ruyter and Wetzels, (2000) and Boush and Loken, (1991) find a positive association between PF and BEE. According to Buil, Chernatony and Hem (2009) Chung and Kim, (2014), Pontes, Palmeria, and Jevons (2017) and Marva et al. (2019), a high extend of PF increases the likelihood of customer showing a positive attitude towards an extension.

In contrast, Campbell and Goodstein (2001) projected that brand extension in different product category may create a sense of inappropriateness and high level of PR. Dawar (1996) supports this view by mentioning that distant extension is usually viewed dubiously by consumers, which increases the chances of failure. Hence, consumers' attitude concerning brand extensions is contingent upon the degree of analogy between the parental brand (PB) and its extension. Thus, the direct relationship between PF → BEE is conceptualize from the study conducted by Aaker and Keller in 1990 on brand knowledge. Furthermore, the theoretical backdrop behind this relationship is based on categorization theory. Thus:

*H1:* The higher Perceived fit (PF) the higher is the probability that consumer will evaluate an extended brand favourably.

### *Cultural Differences*

The review of literature confirms that brand extension evaluation differs across nations as consumer behaviour is different in cross-cultural settings (Guoqun & Saunders, 2002; Hadi, Gul & Muhammad, 2018; Echambadi et al., 2006; Sunde & Brodie, 1993; Holden & Barwise, 1995). Aaker and Keller (1993) cite that the dissimilarities found in a comprehensive study by Sunde and Brodie (1993) could be traced back to culture differences. Bottomley and Holden (2001) also put forward that cultural differences influence the association between PF the extension, the PB, and finally, BEE. Therefore, overlooking cultural differences may reduce the financial performance of a company. According to Monga and John (2007), brand evaluation is a judging process that includes cognitive interaction. They examine this interaction by style of thinking with two components: holistic thinking, and analytical thinking. Furthermore, the importance of cultural differences is also found in a recently study by Fan et al. (2016). They found that different cultural differences do affect marketing success.

### *Style of Thinking (SoT)*

People from diversified societies differ in their judgement of BEE Monga and John (2007) found that this is due to different cultural SoT. Thus, style of thinking, which is a personality dimension, is a cognitive process that influences values, attitudes, and social interaction. Perceptive processes may be distinguished as either analytical or holistic (Nisbett, Choi, & Norenzayan, 2001; Peng &

Nisbett, 1999). They are of the view that “holistic style of thinkers are prone focus the associations between a focal object and its context”. However, “analytical style of thinkers often detaches an object from its context and tend to focus on the attributes and features of the object that assign it to a specific category”.

Previous research emphasises the role of SoT on CEBE (Monga & John, 2007). Likewise, in a study by Buil et al. (2008) and Hadi et al. (2018) cited that cross-cultural issue has been found to influence consumer behaviour. Thus, previous studies of brand extension evaluation have not dealt with the interactive role of *style of thinking* on the relationship between PF → BEE. Therefore, the purpose of this theoretical unification is to integrate the diverse aspects of style of thinking (Analytic versus Holistic) within the framework of Hofstede (1984) cultural difference model, and examine the interactive role of SoT on the relationship between PF → BEE to enhance our understanding on how consumer evaluate an extended brand (EB) in a multi-cultural country such as Malaysian, which to our knowledge is less understood in literature.

H2: The influence of perception of fit (PF) on consumer evaluation of brand extension (CEBE) is affected by holistic style of thinking (HST).

H3: The influence of perception of fit (PF) on consumer evaluation of brand extension (CEBE) is affected by analytic style of thinking (HST).

## Methodology

### *Questionnaire Design and Measurement*

To find valid measures for each construct, the questionnaires for the current study were adopted from (Hem et al., 2001). To ensure face validity, Malaysian cultural differences and linguistic characteristics were considered by translating the questionnaires into local language. Decisions of experts<sup>5</sup> were considered to ensure content validity of the constructs. Construct validity is some time affect by cultural differences, therefore, construct validity was also examined by means of factor analysis (sub-section4.1). All questionnaires measured responses on a 6-point Likert scale [(Hem et al., 2001) (Appendix A)].

### *Sampling and Data Collection*

The sample was collected from customers at Nike stores in the Kelang Valley in Malaysia (Nike has been in the Malaysian market for years, and their products have earned a strong reputation).

---

<sup>5</sup> Dr. Muhammad and Dr. Kamisan-Malaysian citizen checked the content of the questionnaires.

### *Screening and Cleaning of Data*

In order to inspect for missing values and suspicious responses, a total of 195 observations were statistically analysed. Two types of missing data can be found in a survey-based questionnaire. If more than 15% of the data are missing, the observation is rejected (Hair et al., 2014). We found 35 such cases, which reduced the number of observations to 160. The rest of the missing values were controlled by means of the expectation maximization algorithm. Such observations were 25 in number. 19 responses were further removed while checking for straight-lining.

### *Statistical Analysis*

#### *Descriptive Statistics*

A total of 141 valid responses were taken into account for analysis. 76 male participants and 65 female participants completed the questionnaires, with ages ranging from 18-24 years, and 25-34 years respectively. Their ethnic demographic comprises of 88 participants from the “Muslim Malay” majority. 35 “Chinese” and 18 Indian ethnicity, comprising of two religious backgrounds (16 Hindu and two Christian).

#### *Common Method Bias*

In this study, all variables were assessed perceptually, therefore, there is chance of common method variance (CMV). To test for CMV, we used “Harman’s single factor test” by means of exploratory factor analysis (EFA). The results indicated that the maximum variance that is explained by a single factor is 23.7, indicating that approximately 24% of the variance is explained by a single factor. Therefore, it is deduced that this data set does not suffered from the CMV issue because less than 50% of variance is explained by a single factor.

#### *Uni-Dimensionality Test*

Scales used in current were found to be valid and reliable, as the pattern of correlation indicates that all items are related to their corresponding construct. While inspecting structure matrix, it was also found that the items not related to other constructs are in reality not related. Therefore, both forms of construct validity (convergent and discriminant) are ensured (Hadi et al., 2016a).

#### *Partial Least Squares (PLS)*

PLS-SEM was used to test the hypothesised relationships. The main reason for using PLS-SEM is that PLS is suggested for testing complex models with small sample size (Hair et al., 2014 & Chin et al., 2003).

### *Assessment of Measurement Model*

The quality of outer models was confirmed by the assessment of three indicators: “*consistency reliability*”, “*indicator reliability*”, and “*construct validity*” (Fornel-Larcker criterion). The results of the outer models show that the data fit the model well.

Table 1  
*Construct Validity and Reliability*

<b>Constructs</b>	<b>CR</b>	<b>AVE</b>
AST	0.851	0.657
BEE	0.725	0.469
HST	0.870	0.627
PF	0.830	0.620

Table 1 indicates that the instruments used for PF, holistic thinking, analytical thinking, and BEE have good amount of reliability. The value of CR for each construct is appropriate. The values of CR range from 0.725 to 0.870. This result meets the threshold of 0.70 Fornell and Larcker (1981). All the values of AVE are above the minimum threshold of 0.5, signifying that most of the variance is explained by each item than the error variance. This result indicates the existence of uni-dimensionality (Hadi et al., 2016).

### *Discriminant Validity*

Discriminant validity was also ensured in this study, we found each construct representing distinct phenomena, as all square roots of the AVE are higher than the off-diagonal values.

Table 2  
*Discriminant Validity*

<b>Constructs</b>	<b>AST</b>	<b>BEE</b>	<b>HST</b>	<b>PF</b>
AST	<b>0.810</b>	-		
BEE	0.235	<b>0.685</b>	-	
HST	0.247	0.336	<b>0.792</b>	-
PF	0.193	0.038	0.038	<b>0.788</b>

### *Structural Model*

In the structural model, all possible hypothesised effects pointing from exogenous constructs to endogenous constructs are examined. Four model fit indices for PLS-SEM were tested by computing path coefficients, i.e.,  $\beta$ , t-value and p-value:  $R^2$ ,  $f^2$  effects size,  $Q^2$ , and  $q^2$  effect size as proposed by

Hair et al. (2004), Hadi et al. (2016b) and Irfan et al. (2016).

For the evaluation of moderating effect, a two-stage approach was applied as proposed by Chin et al. (2003). In stage 1, the direct effect of exogenous variable on endogenous variable was examined. In stage 2, the moderating effects were considered. Results from stage 1 indicate that the direct effect of perceived fit on brand extension evaluation is significant at the 5% level ( $t > 1.96$ ). Perceived fit explains 31% of the variance in brand extension evaluation as shown in;

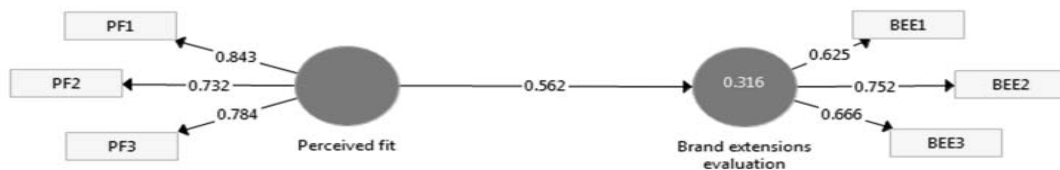


Figure 1: Structural Model with Direct Effect

In stage 2, the interactive effects of both holistic as well as analytical styles of thinking on the association between PF and CEBE were examined. The results indicate that the value of  $R^2$  increased from 31.6% to 52.9%. This result provides support of better explained variance. Interestingly, it was found that HST moderates the relationship between PF and CEBE ( $\beta = 0.144$ ,  $t = 2.042$ , and  $p = 0.045$ ) in the context of Malaysia (Figure 2 and Table 3).

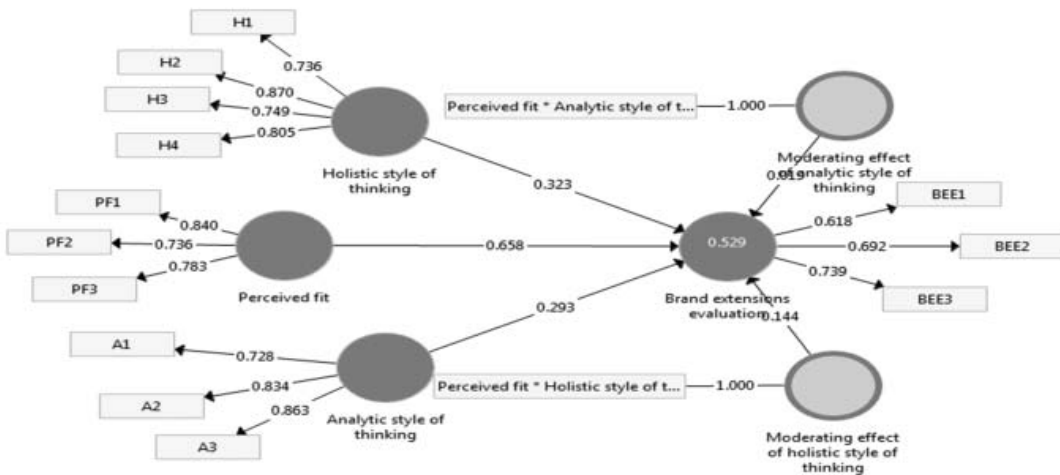


Figure 2: Structural Model with Moderating Effect

To enhance our understanding of the contribution of each moderating effect towards the  $R^2$  value, we examine the effect size of each effect. The effect size of HST on BEE ( $R^2$  value) is medium.

The effect size of AST on BEE is considered to be low (0.14), below the threshold of 0.15. Finally, the effect size of both styles of thinking simultaneously is considered to be large (0.43), above 0.35. It was also found that the model has good predictive relevance  $Q^2$  is above the recommended value of zero.

Table 3  
*Hypotheses Test*

	<b>B</b>	<b>S mean</b>	<b>Std dvt</b>	<b>t value</b>	<b>p value</b>
AST → BEE	.293	.290	0.078	3.764	0.000
HST → BEE	.323	.321	.072	4.503	0.000
PF → BEE	.658	.654	.061	10.781	0.000
Moderating effect of AST	.01	.026	.070	0.274	0.784
Moderating effect of HST	.144	.134	.071	2.042	0.042

The relationship between PF and CEBE show that PF is significantly and positively related to CEBE (Table 3). Findings from the moderating relationships indicate that HST do moderates the relationship between PF → CEBE, while the AST is insignificant (Table 3).

### Findings and Discussion

Analysis of the path coefficient PF → CEBE showed that PF significantly and positively related to CEBE. A 100-points increase in the SD of perceived fit will bring about a 65.8-point increase in the SD of brand extension evaluation. From this path it can be argued that PF is a critical factor for CEBE. Meaning that if the similarity between PB and BE is highly related, consumers can perceive the fit among BE.

Furthermore, our analysis showed that the interaction of HST on the relationship between PF and BEE was found to be considerable ( $\beta = 0.323$ ,  $t = 4.503$ , and a  $p$  value = 0.000). It can be claimed from this finding that BEE can be increased with holistic style of thinking. The interactive effect of analytic style of thinking surprisingly revealed that analytic style of thinking shows no improvements of BEE in Malaysian market.

The findings of this study indicate an outcome comparable to those from past descriptive, theoretical, and empirical studies (Aaker, 1990; Aaker & Keller, 1990; Keller & Aaker, 1992; Aaker & Keller, 1993; Monga & John, 2007; Buil et al., 2009; Chang, 2014; Rubio & Marrin, 2015). Since this study was conducted in the multi-cultural country of Malaysia, our finding support the belief about Eastern style of thinking, and the generalised conclusions of well-known studies conducted by Choi et al. (1999), Ji et al. (2000), Nisbett et al. (2001), and Monga and John (2007). The study found that favourable evaluation of brand extension by Malaysian consumers is strongly dependent on

similarities between the original brand and its extension. We also found that the evaluation of brand extension depends either directly or indirectly on style of thinking. The direct effect is in line with Norenzayan et al. (2002), John (2004), and Monga and John (2008). Holistic thinking moderates the strength of the association between PF → CEBE. This finding is in line with previous *fragmented literature* by Chang (2014) on perceived fit (categorical similar and benefit similar).

Therefore, the interactive role of HST on the association between PF and BEE is considerable, whereas the moderating role of AST on the association between PF and BEE is not as strong in the context of the Malaysian market.

### Conclusion and Contributions

To examine the interactive role of SoT (holistic vs analytical) on the relationship between PF and BEE in the context of the Malaysian market this study analysed 141 valid responses by means of PLS-SEM with the application of SmartPLS3.2.4. We found that higher perception of similarities between the newly launched product and PB leads to a favourable evaluation of brand extensions in Malaysian context. Interestingly, the study also found that HST has an interactive effect on the PF → CEBE link. This effect was further supported by the  $f^2$  effect size which was found to be medium. We also found the interactive role of AST on the relationship between PF → CEBE to be insignificant. This was also supported by the  $f^2$  effect size, which was found to be low. Furthermore,  $R^2=53%$ ,  $R^2$  change value with the inclusion of interactive terms was also found to be considerable (21.3%). It was concluded that the model research has a good amount of predictive capability ( $Q^2$  =above zero).

Findings of the present study also advance our understanding in the context of Malaysia concerning cultural differences in BEE. Prior studies (e.g., Bottomley & Holden, 2001) suggest that “consumers from different cultures emphasise different factors when evaluating brand extensions”. The present study did not split the scale in order to separately measure holistic and analytical thinking behaviour, but used each scale for each style of thinking. This may be seen as a methodological contribution of the study. Our results found that the concept of perceived fit is important across cultures. To conclude, insights from this study expand our knowledge of MNCs as they extend their products from time to time.

### Managerial Implications

This study have several implications i.e. theoretical and managerial. Firstly, in relation to theoretical implication, findings of the study have added to the body of knowledge and understanding of consumer behaviour in the context of Malaysia. Secondly, about managerial implications we found that analytical thinkers moderate the above-mentioned relationship. Therefore, a similar brand extension would be a good strategy for companies that market their offering globally.

### *Limitations and Opportunities for Future Research*

In this study we only examines PF as a key determinant of BEE. Other factors, such as perceived risk, perceived difficulty, and innovation need to be investigated. A further limitation of this study is that it considers holistic versus analytical styles of thinking as the only interactive variables; styles of thinking other than these – such as abstract versus concrete – also need to be examined in future studies. In this study, we used the 6-point Likert scale for holistic and analytical thinkers, modified in the context of Malaysia. However, EFA was conducted for construct validity. According to Aaker (1991), perceived fit is a multidimensional construct.

### **References**

- Aaker, D. A., & Equity, M. B. (1991). Capitalizing on the Value of a Brand Name. *New York*, 28(1), 35-37.
- Aaker, David A. and Kevin Lane Keller (1990), “Consumer Evaluations of Brand Extensions,” *Journal of Marketing*, 54 (January), 27–41.
- Barone, M. J., & Miniard, P. W. (2002). Mood and brand extension judgments Asymmetric effects for desirable versus undesirable brands. *Journal of Consumer Psychology*, 12(4), 283-291.
- Bottomley, P. A., & Holden, S. J. (2001). Do we really know how consumers evaluate brand extensions? Empirical generalizations based on secondary analysis of eight studies. *Journal of marketing research*, 38(4), 494-500.
- Boush, D. M. & Loken, B. (1991). A process-tracing study of brand extension evaluation. *Journal of Marketing Research*, 28(1), 16-28.
- Buil, I., de Chernatony, L., & Hem, L. E. (2009). Brand extension strategies: perceived fit, brand type, and culture influences. *European Journal of Marketing*, 43(11/12), 1300-1324.
- Campbell, M. C., & Goodstein, R. C. (2001). The moderating effect of perceived risk on consumers' evaluations of product incongruity: Preference for the norm. *Journal of consumer Research*, 28(3), 439-449.
- Chang, S. S. (2014). Does Style of Thinking Make Differences in Consumer Judgments on Brand Extensions?. *Contemporary Management Research*, 10(2).
- Chung, H., & Kim, S. (2014). Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation. *Atlantic Marketing Journal*, 3(1), 8.
- Collins-Dodd, C., & Louviere, J. J. (1999). Brand equity and retailer acceptance of brand extensions. *Journal of Retailing and Consumer Services*, 6(1), 1-13.
- Ernst & Young, N. (1999). New Product Introduction–Successful Innovation/Failure: A Fragile Boundary.
- Dacin, P. A., & Smith, D. C. (1994). The effect of brand portfolio characteristics on consumer evaluations of brand extensions. *Journal of marketing research*, 31(2), 229-242.
- Dawar, N. (1996). Extensions of broad brands: The role of retrieval in evaluations of fit. *Journal of Consumer Psychology*, 5(2), 189-207.



- De Ruyter, K., & Wetzels, M. (2000). The role of corporate image and extension similarity in service brand extensions. *Journal of Economic Psychology*, 21(6), 639-659.
- Echambadi, R., Arroniz, I., Reinartz, W., & Lee, J. (2006). Empirical generalizations from brand extension research: how sure are we?. *International Journal of Research in Marketing*, 23(3), 253-261.
- Fan, Q., Kim, H. R., & Lee, J. Y. (2016). An examination of cross-cultural differences in e-service quality, e-satisfaction and e-marketing success: Korean vs. American portal sites. *International Journal of Multinational Corporation Strategy*, 1(1), 44-64.
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of marketing research*, 18(1), 39-50.
- Franzen, G., Bouwman, M., & Gordon, W. (2001). *The mental world of brands: Mind, memory and brand success*. Henley-on-Thames, Oxfordshire: World Advertising Research Centre.
- Fudali-Czyż, A., Ratomska, M., Cudo, A., Francuz, P., Kopiś, N., & Tużnik, P. (2016). Controlled categorisation processing in brand extension evaluation by Indo-European language speakers. An ERP study. *Neuroscience letters*, 628, 30-34.
- Guoqun, F., & Saunders, J. (2002). Consumer evaluations of brand extensions: empirical evidence from China. *ACR Asia-Pacific Advances*.
- Hadi, N. U., Abdullah, N., & Sentosa, I. (2016). An easy approach to exploratory factor analysis: Marketing perspective. *Journal of Educational and Social Research*, 6(1), 215.
- Hadi, N. U., Abdullah, N., & Sentosa, I. (2016). Making sense of mediating analysis: A marketing perspective. *Review of Integrative Business and Economics Research*, 5(2), 62.
- Khan, M. N., Razaq, A., Hadi, F., Khan, N., Basit, A., Jan, F., & Khan, N. (2018). Ethnobotanical Profile of Weed Flora of District Charsadda, Khyber Pakhtunkhwa. *RADS Journal of Biological Research & Applied Sciences*, 9(1), 14-23.
- Hair Jr, J. F., Hult, G. T. M., Ringle, C., & Sarstedt, M. (2016). *A primer on partial least squares structural equation modeling (PLS-SEM)*. Sage publications.
- Hem, L. E., De Chernatony, L., & Iversen, N. M. (2003). Factors influencing successful brand extensions. *Journal of Marketing Management*, 19(7-8), 781-806.
- Hofstede, G. (1984). *Culture's consequences: International differences in work-related values* (Vol. 5). sage.
- Ibrahim, R., Muslim, N., & Buang, A. H. (2011). Multiculturalism and higher education in Malaysia. *Procedia-Social and Behavioral Sciences*, 15, 1003-1009.
- Muhammad, I., Shamsudin, M. F., & Hadi, N. U. (2016). How important is customer satisfaction? Quantitative evidence from mobile Telecommunication market. *International Journal of Business and Management*, 11(6), 57.
- Ji, L. J., Peng, K., & Nisbett, R. E. (2000). Culture, control, and perception of relationships in the environment. *Journal of personality and social psychology*, 78(5), 943.
- Keller, K. L., & Aaker, D. A. (1992). The effects of sequential introduction of brand extensions. *Journal of marketing research*, 29(1), 35-50.
- Chang, S. S. (2014). Does Style of Thinking Make Differences in Consumer Judgments on Brand

- Extensions?. *Contemporary Management Research*, 10(2).
- Abid, M. B., Hassan, S., Rasool, I., Ghias, W., & Hadi, N. U. (2019). Impacts of perceived fit and self-brand connection on consumer purchase intention towards a newly introduced smartphone in Pakistan (Product Line Extension).
- Masuda, T., & Nisbett, R. E. (2001). Attending holistically versus analytically: comparing the context sensitivity of Japanese and Americans. *Journal of personality and social psychology*, 81(5), 922.
- Monga, A. B., & John, D. R. (2006). Cultural differences in brand extension evaluation: The influence of analytic versus holistic thinking. *Journal of Consumer Research*, 33(4), 529-536.
- Nisbett, R. E., Peng, K., Choi, I., & Norenzayan, A. (2001). Culture and systems of thought: holistic versus analytic cognition. *Psychological Review*, 108(2), 291-310. <http://dx.doi.org/10.1037//0033-295X.108.2.291>.
- Norenzayan, A., Smith, E. E., Kim, B. J., & Nisbett, R. E. (2002). Cultural preferences for formal versus intuitive reasoning. *Cognitive Science*, 26(5), 653-684.
- Peng, K. & Nisbett, R. E. (1999). Culture, dialectics, and reasoning about contradiction. *American Psychologist*, 54 (9), 741-754.
- Pontes, N., Palmeira, M., & Jevons, C. (2017). Brand expertise and perceived consistency reversals on vertical line extensions: The moderating role of extension direction. *Journal of Retailing and Consumer Services*, 34, 209-218.
- Rubio, A., & Marin, L. (2015). Innovation Management to market performance: The effect of consumer identification in the evaluation of brand extensions. *Procedia-Social and Behavioral Sciences*, 181, 269-275.
- Schneider, J. & Hall, J. (2011). Why Most Product Launches Fail. Harvard Business Review, April issue.
- Sunde, L., & Brodie, R. J. (1993). Consumer evaluations of brand extensions: Further empirical results. *International Journal of Research in Marketing*, 10(1), 47-53.
- Völckner, F., & Sattler, H. (2006). Drivers of brand extension success. *Journal of marketing*, 70(2), 18-34.

---

### Appendix A: Survey Questionnaires

***Overall evaluation of extension (adopted from E. Hem et al., 2001):***

- a. Overall, I am very positive to the bike extension by Nike:  
[(Totally disagree (1) to Totally Agree (6))]
- b. What attitude do you have towards bike extension by Nike:  
[(Dislike (1) to Like (6))]
- c. Overall evaluation of the potential extension relative to existing brands in the extension category:  
[(one of the worst (1) one of the best (6)).]

***Similarity between the original brand and extension (adopted from E. Hem et al., 2001):***

- a. Think of what you associate with Nike \_\_\_\_\_, how much overlap exists with extension bike?
- b. Think about Nike \_\_\_\_\_, how similar is the user situation with extension bike?
- c. Think about Nike \_\_\_\_\_, how similar is the competence for making the original brand and extension bike?  
Anchored by: *Not at all similar (1) to Highly similar (6).*

***Style of thinking (Holistic):***

- a. Everything in the universe is somehow related to each other.
- b. Nothing is un related.
- c. The whole rather parts should be considered in order to understand the phenomenon.
- d. The whole is greater than the sum of its parts.

***Style of thinking (Analytic):***

- a. It is more important to pay the parts than the whole.
- b. It is not possible to understand the whole picture without considering the parts.
- c. It is important to pay attention to the details rather than the whole context.
- d. Anchored by: *Never (1) to Very Often (6).*

# EXPLORING THE ROLE OF MENTORING IN ENTREPRENEURIAL CAREER TRANSITION OF PAKISTAN

Sajjad Hussain<sup>1</sup>, Muqaddas Rehman<sup>2</sup> and Chaudhry Abdul Rehman<sup>3</sup>

## Abstract

*The objective of this research is to explore the role of mentoring (inside and outside organizations) in the career transition of employees to entrepreneurship. Semi-structured interviews were used for primary data collection from ten entrepreneurs who shared their experiences in switching from a corporate organization to a new venture in Lahore, Pakistan. All interviews of participants were analyzed through Nvivo 11 plus software. Mentoring relationship within and outside the organizational context was helped in the transition of these individuals from corporate employees to entrepreneurs. The implications of this study indicate that having mentors play a vital role to switch from employment to entrepreneurship. Thus, government sponsoring initiatives to encourage new venture development should consider the importance of mentoring for promoting entrepreneurship.*

**Keywords:** Developmental Relationships, Mentors, Entrepreneurship, Venture Development.

**JEL Classification:** Z000

## Introduction

Small business owners have been marked economically useful advantageous around the world and governments encouraged the new ventures through removing the hurdles in their way in order to enhance the economic growth rate of the countries (Olaleye & Adeyanju, 2012). Governmental organizations and (NGO) are established in order to facilitate the promotion of new venture. Entrepreneurship related to education programs has been granted with \$3.5 by European commission to bring reform in the performance of entrepreneurs. While improving the entrepreneurship sector is the ongoing objective for all countries, it is even more important in the case of developing countries (Moosa & Sajid, 2010). These countries have more prominent and ineffective entrepreneurship mechanism. They are often characterized by economic instability, deficiency of resources and inadequate infrastructure. All factors that are obstruction in the career transition, mentoring and in

<sup>1</sup> PhD Scholar, Superior University Lahore, Pakistan. Email: sajjadhussain1990@hotmail.com

<sup>2</sup> Assistant Professor, Punjab University Lahore, Pakistan. Email: muqaddas@superior.edu.pk

<sup>3</sup> CEO, Superior University Lahore, Pakistan. Email: ceo@superior.edu.pk

developmental relationships for the new venture (Klyver & Terjesen, 2007).

Information on the number of entrepreneurs working in developing countries, such as Pakistan, is not readily available. But in the developed country like the U.K positive outcome from mentoring of individuals is very high (Kelley, Bosma, & Amoros, 2011). It is expected that it will increase further. Therefore, it is the clear need to examine the ways to improve the career transition in entrepreneurship providing mentoring to protégées for the betterment of business. It is argued that the protégées are looking for mentoring to seek motivation for networking to start out their own venture.

The research of academia has explored such steps through which persons' job in different time periods within the organization before the transition to entrepreneurship (Carroll & Mosakowski, 1987). While employees working in the corporation, learn effective skills and are engaged in networking that might be important to their skills to begin and become successful in entrepreneurial venture (Ensher, Grant, & Marelich, 2002). Different studies have also explored the mechanism how different governments of countries gave vital role to the new venture development of businesses (Elam & Terjesen, 2010).

In spite of using Pakistani government sponsorship for mentoring programs and entrepreneurship research, rare studies have been conducted on the career mentoring of small business owners in Pakistan. This study provides the incitement for the present research that seeks to apply the career transition theory in exploring the importance of mentoring in a career transition to entrepreneurship in Pakistan.

## **Literature Review**

### *History and Evolution*

Although the practice of mentoring exists since centuries, this profession has got popularity in the last four decades. The word mentor, borrowed from tradition and Homer's *Odyssey*, has Greek origination (Sommer, Markopoulos, & Goggins, 2013). While leaving for Trojan War, Odysseus appointed a person whose name was 'Mentor' for the education of his son. Athena goddess, speaking through 'Mentor' blessed him with heavenly qualities and they both mutually guide the young son Telemachus (Sommer, 2013). So, mentoring through the centuries is being used to represent an affiliation in which one person guides, nurtures, educate, develops, and provides protection to other persons that are less in these qualities (Allen, Finkelstein, & Poteet, 2011).

The research work on the subject of mentoring was initiated by Levinson (1978) in his book named "The Seasons of a Man's Life". Afterward, the decisive and influential work in the subject of mentoring was carried out by Kram (1983) based upon the Levinson work. With the start of work on this subject, several scholars have worked to sort out the ways to make mentoring better, efficient,

effective to optimize the mentoring programs for entrepreneurs. 110 million people worldwide in 2010 have actively commenced different businesses with 140 million people carrying out businesses that have short life (Kelley et al., 2011).

The famous business press is continuously showing that People worldwide are increasingly going to start their own businesses successfully using these new ventures (Week, 2010). Educational studies have also researched the practice of people of working for some periods in a corporate entity before quitting to launching their own business (Mainiero & Sullivan, 2006). During their time in the corporate entity, these people develop themselves by learning valuable skills, building their capacities, increasing their knowledge, building social networks, and nurturing themselves to increase their abilities to get success in the entrepreneurial life (Ensher et al., 2002). This increasing tendency of working as an entrepreneur rather than doing job in a corporate entity has been examined and recorded for men (Dobrev & Barnett, 2005).

#### *Mentoring and Developmental Relationships*

Conventionally mentoring has been described as an association of individuals in which an individual superior in some qualities and experience takes an individual less in qualities and experience under his wing to guide, develop, educate and nurture him in the socio-political settings of organizational environment (Singh et al., 2002).

Levinson (1978) wrote his research book entitled "*The Seasons of a Man's Life*". Kram (1983) to extend the research work to build up an influential work on mentoring. St-Jean and Audet (2013) said that researchers have explored and determined what sort mentoring effective and how the entrepreneurs to improved with these programs.

People, in the past, were working throughout their careers in just one or two organizations building more firm, deep and long term association with their organizations. They generally had been entering the organizations in their young ages and start of careers and at the end of their careers, they used to mentor the new entrants (Sullivan & Crocitto, 2007). The people under the wing of mentor showed encouraging results like higher salaries, career development, socialization, achievement of goals and overall welfare within the firm (Lander et al., 2001).

In traditional organizations, mentors provided guidance to the associated protégé' in the political settings of the organization and protected them from the consequences of their work blunders (Perrew & Nelson, 2004). Entrepreneurs also give importance to the mentors for their assistance to protégées within the organization (McGregor & Tweed, 2002). It reduces stress levels and enables a high level of efficiency in the sense of protection (Little, Nelson, Wallace, & Johnson, 2011). Bosma and Levie (2010) said that entrepreneurs have mentors in their organization, are vigilant to the creativity, innovation, and new business opportunities. Generally, best-practice company has

development programs along with mentoring section but mostly mentors' impact on protégé' outputs is not focused on these programs (Klofsten, Heydebreck, & Jones, 2010).

#### *Nature of Mentoring Relationship after the Transition*

Entrepreneurial environment is not much controlled and structured as the traditional organizational environments are. People switching from the traditional organizational environment may not feel comfortable due to their non-formal programs and absence of structured environment. However, knowledge of mentoring the entrepreneurs and possible gender discrimination in mentoring relationship is not common. Due to lack of theoretical knowledge about the entrepreneurs mentoring subject, researchers look forward to investigating the possible differences within and outside the boundaries of organizations. People may have more opportunities to build mentoring relationships within corporations than outside. Similarly, in our opinion, women are less likely to have mentoring relationships in their own small ventures.

While explaining the nature of these mentoring relationships, researchers suggest that people both inside the organization and outside the boundaries of organization (St-Jean & Audet, 2008) will get the encouragement, emotional support and learning from their mentors. However, people find the mentors, who can provide them support to manage working environment political settings. Emerging entrepreneurs try to look for the mentors who can provide support in building the relationships and networks to increase the profit of small venture (Ozgen & Baron, 2007).

#### *Types Of Developmental Relationship*

Globalization, technological advancements, and other dynamic changes have influenced the mentor-protégé' association. Flatter and leaner corporate entities pay less attention to the job security of workers. Traditional mentoring association occurs within the one or two organizations, while people are now more active in switching their jobs to different organizations, markets, professions, and states (Sullivan & Baruch, 2009).

Although the mentoring relationship from corporations to the entrepreneurial working environment has not been studied largely, researchers conclude, that this relationship built within the boundaries of an organization and implemented largely by giving incentives and continuous appraisal in organizations will probably be terminated when an individual leaves the organization. While mentoring relationship built within the organization and implemented by mutual cooperation is expected to prolong even after one departs the organization.

#### *Research Objective*

To explore the low researched concept of mentoring of people starting new businesses.

Although theoretical work on mentoring and developmental associations is well documented (Gayle & Sullivan, 2005) there is little understanding about the way mentors can provide support to the people in starting their own small ventures (Bisk, 2002). So, to fill up the gap researchers focused on analyzing the role mentoring plays in a person's switching from job to starting a new business.

Secondly, this research provides the understanding of entrepreneurship in respect of careers theory. Several studies have been conducted on personality traits (Rauch & Frese, 2007) that affect the decision of people becoming entrepreneurs but a few studies have researched the process through which people switch out of corporations to start their own ventures. So, this paper also adds to career studies by analyzing patterns in developmental associations during the transition process of quitting a job and becoming a self-governed and self-regulated business person.

#### *Research Questions*

- Q1.* How the focus of the mentoring association is altered after career transition from corporate sector to entrepreneurship in Pakistan?
- Q2.* What is the importance of mentoring in the career transition of an individual?
- Q3.* What kind of developmental associations will be present in corporate and entrepreneurial contexts of Pakistan?
- Q4.* Are entrepreneurs engaged in multiple mentoring relationships in Pakistan?

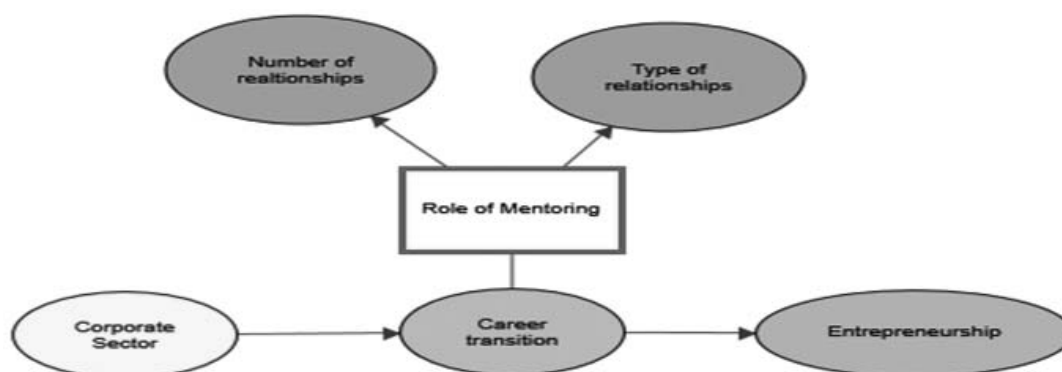
*Proposition1:* The relationship focuses positively linked with career transition of individual.

*Proposition2:* Developmental relationships are required in the career transition.

*Proposition3:* Work experience is positively linked with the decision of career transition.

*Proposition4:* Multiple relationships with entrepreneur are positively linked with career transition.

#### **Concept Map**





### Methodology

The aim of this study is to examine the phenomena of career transition with the role of mentoring in-depth and in context of a collectivist nation like Pakistan. Interpretivism paradigm is used along with the inductive approach due to a context-dependent phenomenon (Ulin, Robinson, & Tolley, 2012).

The research was conducted in Lahore, Pakistan on entrepreneur because people from different cities came to Lahore for job and due to a lot of opportunities start their own business therefore, Lahore represents the population across Pakistan. The population of interest for the under research study is entrepreneur who has done career transition in the past. Snowball sampling was used which is recommended for this kind of studies (Creswell, 2003). We found our 10 study participants through multiple strategies including using MBA alumni and local entrepreneur networks (Curran & Blackburn, 2001). Creswell (1998) suggested that interviews between 5 to 25 are acceptable for this kind of researches.

Semi-structured interviews were used in order to gain an in-depth insight into career transition to entrepreneurship. This is the appropriate method to collect this type of data that allowed participants to express their views freely. It is in accordance with the ontological assumption that states, there is no single reality and the perceptions, thoughts, and understanding of people shape it and epistemological assumption that the knowledge is subjective and the way to obtain is to talk to people and interact with them (Bryman & Bell, 2012; Creswell, 2003; Denzin & Lincoln, 2011).

All interviews of the participants were audiotaped and transcribed verbatim independently to develop an overview of each participant's responses. Interview data from the participant was analyzed through the process of Nvivo 11 plus software to produce the definition categories to explore the interrelationships between different aspects. Additionally constant comparative thematic analysis will be analyzed to generate the main idea about the mentoring of the protégées in career transition to entrepreneur (Lofland, 1995).

Table 1

*Interpretation and Discussion*

	Matrix Coding Query		
	Experience	Mentoring	Multiple Relationship
R1	2	4	3
R2	2	4	3
R3	2	4	3
R4	8	7	9

(Table Continued...)

R5	2	4	3
R6	2	4	3
R7	2	4	2
R8	2	4	3
R9	2	4	3
R10	4	9	11
Total	28	48	43

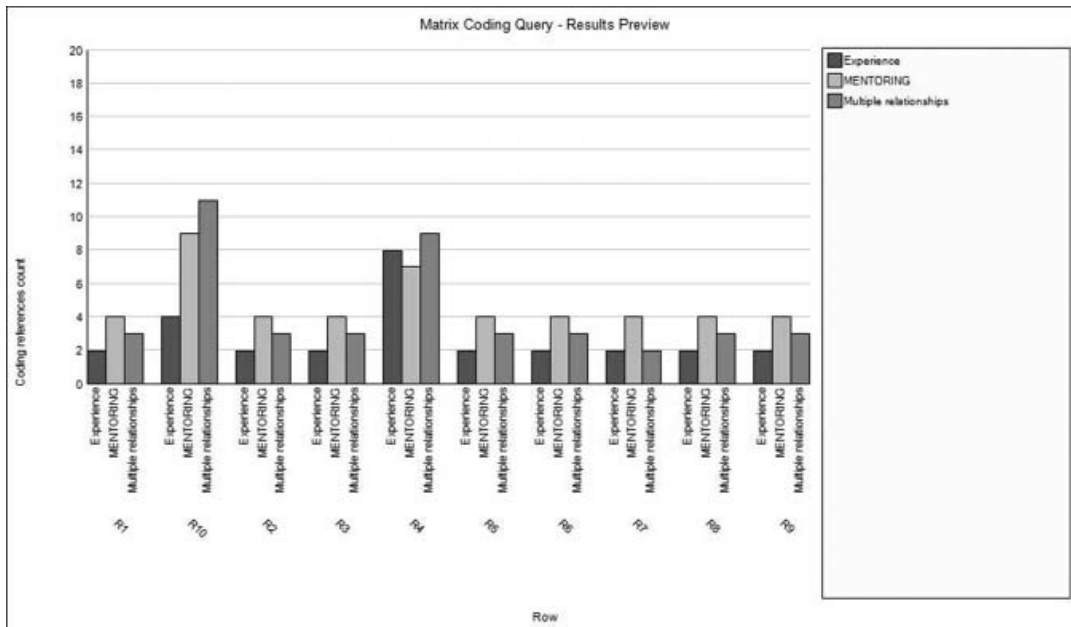


Figure 1: Matrix Coding Query Graph

*Mentoring And Developmental Relationship*

This theme explains how the individuals are counseled by the experience people within and outside the organization during their career of employment. In this theme, researchers determine the importance of mentoring in the career transition of a person from corporate employees to entrepreneur whether the focus of the relationship change after the protégées make career transition.

Mentoring has different meanings in both environments. In the context of entrepreneurship,

an individual received both emotional and task support. While, in the context of corporations, an individual received both emotional and task support from mentoring associations, including help in navigating the workplace politics. It is more important to discuss how their mentor assisted their employees to get key network instead of discussing how they assisted them. Employees worked with their mentors that helped them in making networking such as “He links me into people when I need it.” (R1) and

*“He knows all the players” (R1).*

Moreover, the junior entrepreneurs described how senior entrepreneurs served like a mentor. For instance, R4 explained, how much her mentor assisted her in the startup of new business, by saying

*“He is one of the big investment entrepreneurs... He has been very successful in setting up businesses. He is basically a professional entrepreneur. That is his career. He was my colleague’s friend. But when I wanted to go out on my own, he would say that he knew many people who had started businesses. Now that I have the business he helps me seek new opportunities and think about growing it” (R4)*

In the same vein other, respondents said that,

*“ He was my university friend...He left sooner than me...he started his own firm and currently running his own two firms...He motivates me to start business...He lent me some money for business...He is one whom I can trust” (R5)*

*“Meeting with people with company flag ultimately converted into strong bonding...these relationships ultimately help you in your own business” (R7)*

*“Relationships which build in the organization for job performance... these changed when you left out the organization... outside the organization which you make with you own interaction with people remain in the entrepreneurial context”(R10)*

It was found during the analysis of the interviews that mentoring is the key factor in the career transition of the protégés. The focus of relationship does not change with outside mentors, but in case of the mentoring within the organization’s focus of relationship changed. According to our respondent researchers can conclude that, when the individuals left out the organization, they lost all relationship structure within the firm. The findings of this study has supported the previous literature that is recommended when individuals left the organizational boundaries, it becomes tough for them to maintain and develop mentoring associations (Sullivan, 1999). Organizations focused on developmental associations by promoting culture of mentoring programs and rewards developmental

associations. Therefore, people leave their organization because they have not programs and structure within organization that is proactive in developing and maintain mentoring associations.

#### *Multiple Mentoring Relationships With Entrepreneur*

Three research questions have asked the mentoring associations involved in the entrepreneurs. On the Nvivo analysis, we found second influential factor that motivates the protégées to become an entrepreneur. The entrepreneurs stated that seeking mentors are founded on networks by educational settings (former professors), social networks (e.g. friends and family) and new business contacts (fellow entrepreneurs). Three entrepreneurs indicated that they reconnected with professors and also their relationship is transformed into mentor-protégée.

*“I am in connection with my university professor... He is expert in the financial investment” (R2)*

Similarly added by other respondents

*“He is my university professor... He is already in connection with a lot of entrepreneurs... He has helped many entrepreneurs for starting their business... He also helped me to start my own business...He provided me business connections” (R10)*

*“He is my college teacher...I discussed all my business issues as well as my personal issues... He always guides me... He is the person on whom I can trust” (R8)*

Additionally, experiencing the expertise of professors, entrepreneurs also found the knowledge of other business owners.

*“My close friend was key support. His father was a financial advisor. He knows how to run the business” (R7)*

*“He is my best childhood friend. He has done C.A. He was genius in the accounting because his father was also auditor. He worked with his father for many years, currently running his own audit firm. I meet him approximately daily. He helped me so much in my business” (R3)*

On the responses, we can conclude that the protégées are engaged in multiple mentoring relationships. Some of our respondents also said that they faced difficulties in finding mentors. Some of our respondents also recognized that limited developmental help could harm their prospects of business. They indicated the need to develop and find such relationships of mentoring. The results are similar to study of Terjesen and Sulliva (2011) conducted in UK.

### *Work Experience*

This theme explains how the individuals work experience play a role in the transition.

*“When you become shuttlecock then you start your own business” (R5)*

Similarly added by other respondents,

*“Yes, experience matter in switching toward your own business...when you become experienced...you do for yourself, what you were doing for employer” (R2)*

*“Yes, I learned many things during my job...which I am applying in my own business” (R5)*

It can be concluded from the results of the respondents that the work experience also plays role in the career transition to entrepreneurship. Individuals switch from job to their own venture when they became capable enough to handle business problems. The results of my study are similar to study of Mainiero and Sullivan (2006).

### **Conclusion and Limitations**

The objectives of this study were to fill the gap of literature by exploring the mentorship of entrepreneurs in the process of a career transition from job to becoming an entrepreneur. In the entrepreneurial environment, finding mentors is problematic. In conclusion, this study contributes to the entrepreneurial literature by describing an under-study topic and offered few implications for those who have taken interest in starting their businesses. Our study has offered interviews of both protégées and mentors for getting in-depth results. This study is an exploratory in nature that can help the future researches how person switch from the context of corporate to entrepreneurship and also force more studies should be conducted to have various process of mentoring in the development of other career transitions.

This research has suffered a few limitations typical to qualitative studies. Firstly, only one partner is interviewed in mentorship of entrepreneurs. Various respondents are matched with (Ensher et al., 2002) that is small relatively. The future studies must be performed on large sample empirically from both mentors and entrepreneurs.

Lastly, the findings are linked with the context of entrepreneurship that can not be generalized in other contexts. Further researches are required to know the relationship of mentoring that can be transferred from one place to other and on various industries.

### References

- Allen, T. D., Finkelstein, L. M., & Poteet, M. L. (2011). *Designing workplace mentoring programs: An evidence-based approach* (Vol. 30). John Wiley & Sons.
- Bell, E., & Davison, J. (2013). Visual management studies: Empirical and theoretical approaches. *International Journal of Management Reviews*, 15(2), 167-184.
- Bosma, N. S., & Levie, J. (2010). Global Entrepreneurship Monitor 2009 Executive Report.
- Bryman, A., & Bell, E. (2012). *Business research methods*: Oxford University Press, USA.
- Burke, R., Vinnicombe, S., & Terjesen, S. (2005). Senior women managers' transition to entrepreneurship: Leveraging embedded career capital. *Career Development International*, 10(3), 246-259.
- Creswell, J. W., Plano Clark, V. L., Gutmann, M. L., & Hanson, W. E. (2003). Advanced mixed methods research designs. *Handbook of mixed methods in social and behavioral research*, 209, 240.
- Denzin, N. K., & Lincoln, Y. S. (Eds.). (2011). *The Sage handbook of qualitative research*. Sage.
- Dobrev, S. D., & Barnett, W. P. (2005). Organizational roles and transition to entrepreneurship. *Academy of Management Journal*, 48(3), 433-449.
- Elam, A., & Terjesen, S. (2010). Gendered institutions and cross-national patterns of business creation for men and women. *The European Journal of Development Research*, 22(3), 331-348.
- Ensher, E. A., Grant-Vallone, E. J., & Marelich, W. D. (2002). Effects of perceived attitudinal and demographic similarity on protégés' support and satisfaction gained from their mentoring relationships. *Journal of Applied Social Psychology*, 32(7), 1407-1430.
- Enterprise, D. G. (2012). Industry.(2012). *EU Industrial Structure 2011. Trends and Performance*.
- Fernández-Cano, A., Torralbo, M., Vallejo, M., & Fernández-Guerrero, I. M. (2012). A narrative review of Greek myths as interpretative metaphors in educational research and evaluation. *Educational Research Review*, 7(3), 238-248.
- Gayle Baugh, S., & Sullivan, S. E. (2005). Mentoring and career development. *Career Development International*, 10(6/7), 425-428.
- Kelley, D., Bosma, N., & Amorós, J. (2011). Global Entrepreneurship Monitor 2010 Global Report. Global Entrepreneurship Research Association.
- Klofsten, M., Heydebreck, P., & Jones-Evans, D. (2010). Transferring good practice beyond organizational borders: Lessons from transferring an entrepreneurship programme. *Regional studies*, 44(6), 791-799.
- Klyver, K., & Terjesen, S. (2007). Entrepreneurial network composition: An analysis across venture development stage and gender. *Women in Management Review*, 22(8), 682-688.
- Kram, K. E. (1983). Phases of the mentor relationship. *Academy of Management journal*, 26(4), 608-625.
- Lander, E. S. (2001). Initial sequencing and analysis of the human genome. International Human Genome Sequencing Consortium. *Nature*, 409, 860-921.
- Larson, A. (1992). Network dyads in entrepreneurial settings: A study of the governance of exchange relationships. *Administrative science quarterly*, 37(1).

- Levinson, D. J. (1978). *The seasons of a man's life*. Random House Digital, Inc..
- Lofland, J. (1995). Analytic ethnography: Features, failings, and futures. *Journal of contemporary ethnography*, 24(1), 30-67.
- Madill, A., Jordan, A., & Shirley, C. (2000). Objectivity and reliability in qualitative analysis: Realist, contextualist and radical constructionist epistemologies. *British journal of psychology*, 91(1), 1-20.
- Mainiero, L. A., & Sullivan, S. E. (2006). *The Opt Out Revolt: Whe People are Leaving Companies to Create Kaleidoscope Careers*. Davies-Black Publishing.
- McGregor, J., & Tweed, D. (2002). Profiling a new generation of female small business owners in New Zealand: networking, mentoring and growth. *Gender, Work & Organization*, 9(4), 420-438.
- Moosa, K., & Sajid, A. (2010). Critical analysis of Six Sigma implementation. *Total Quality Management*, 21(7), 745-759.
- Mosey, S., & Wright, M. (2007). From human capital to social capital: A longitudinal study of technology-based academic entrepreneurs. *Entrepreneurship theory and practice*, 31(6), 909-935.
- Olaleye, A., Ogundele, O., Deji, S., Ajayi, O., Olaleye, O., & Adeyanju, T. (2012). Attitudes of students towards peers with disability in an inclusive school in Nigeria. *Disability, CBR & Inclusive Development*, 23(3), 65-75.
- Ozgen, E., & Baron, R. A. (2007). Social sources of information in opportunity recognition: Effects of mentors, industry networks, and professional forums. *Journal of business venturing*, 22(2), 174-192.
- Perrewe, P. L., & Nelson, D. L. (2004). Gender and Career Success:: The Facilitative Role of Political Skill. *Organizational Dynamics*, 33(4), 366-378.
- Rauch, A., & Frese, M. (2007). Born to be an entrepreneur? Revisiting the personality approach to entrepreneurship. *The psychology of entrepreneurship*, 41-65.
- Singh, N. N., Wahler, R. G., Sabaawi, M., Goza, A. B., Singh, S. D., Molina, E. J., & Mindfulness Research Group. (2002). Mentoring treatment teams to integrate behavioral and psychopharmacological treatments in developmental disabilities. *Research in Developmental Disabilities*, 23(6), 379-389.
- Sommer, C. A., Markopoulos, P., & Goggins, S. L. (2013). Mentoring master's level students: Drawing upon the wisdom of Athena as Mentor in Homer's Odyssey. *Journal of Poetry Therapy*, 26(1), 1-12.
- St-Jean, E., & Audet, J. (2008). The role of mentoring in the learning development of the novice entrepreneur: can a mentor make a difference?. In *ICSB World Conference Proceedings* (p. 1). International Council for Small Business (ICSB).
- St-Jean, E., & Audet, J. (2013). The effect of mentor intervention style in novice entrepreneur mentoring relationships. *Mentoring & tutoring: partnership in learning*, 21(1), 96-119.
- Sullivan, S. E., & Baruch, Y. (2009). Advances in career theory and research: A critical review and agenda for future exploration. *Journal of management*, 35(6), 1542-1571.

- 
- Sullivan, S. E., & Crocitto, M. (2007). The developmental theories: A critical examination of their continuing impact on careers research. *Handbook of career studies*, 283-309.
- Terjesen, S., & Sullivan, S. E. (2011). The role of developmental relationships in the transition to entrepreneurship: A qualitative study and agenda for future research. *Career Development International*, 16(5), 482-506.
- Ulin, P. R., Robinson, E. T., & Tolley, E. E. (2012). *Qualitative methods in public health: A field guide for applied research*. John Wiley & Sons.



---

# INFLUENCE OF CREATIVE ORGANIZATIONAL CLIMATE ON ORGANIZATIONAL CITIZENSHIP BEHAVIOR AMID PUBLIC AND PRIVATE UNIVERSITIES FACULTY

Dr. Shagufta Ghauri<sup>1</sup> and Dr. Nadia Ayub<sup>2</sup>

## Abstract

*The aim of this research was to investigate the influence of Creative Organizational Climate on Organizational Citizenship Behavior amid Private sector and Public sector Universities Faculty in Karachi, Sindh. The sample size consists of 300 faculty members, in which 156 respondents were from private sector universities and 144 respondents were from public sector universities. To measure organizational climate for creativity, KEYS: Assessing the climate for creativity Scale (Ambile et al., 1996) was used; the scale focused on perceived work environment that influences the creativity of organizations; and Organizational Citizenship Behavior was assessed by using the Podssoff et al.'s (1990) five factor model of OCB. The data was analyzed by using Linear Regression model. The findings of the study suggest that creative organizational climate influence on organizational citizenship behavior amid private and public universities faculty. The findings of the study will be helpful for universities, policy makers, psychologist, scholars and researchers in making better strategies to develop for faculty in creating citizenship behavior by providing creative work environment.*

**Keywords:** Creative Organizational Climate, Organizational Citizenship Behavior, Faculty, Work Environment.

**JEL Classification:** Z000

---

<sup>1</sup>Assistant Professor, Management & HR Department, Institute of Business Management (IoBM), Karachi, Pakistan.  
Email: shagufta.ghauri@iobm.edu.pk

<sup>2</sup>Associate Professor & Head of Business Psychology Department, Institute of Business Management (IoBM), Karachi, Pakistan. Email: nadia.ayub@iobm.edu.pk

## Introduction

In the 21<sup>st</sup> century, the essential force behind the evolution of organization is creativity, not knowledge, technology or competition (Florida, 2002). In the information- based economy of today, there is a growing need to increase the productivity within their workers but also their creativity . Therefore today's perspective growth of organization is highly dependent on their informative workers as these knowledgeable employees can fabricate the information, create solutions, address multifarious problems and extort information (Davenport, 2005; Borgohini, 2005). Consequently from an employers' perspective it is essential to comprehend the aspects that effect the performance of knowledge workers.

Creativity is a latest exhortation that has infiltrated several domains of social life (Grigorenko, 2019). Amabile (1997) has defined creativity as a streamline of novel ideas, which translates the ideas into innovation. He further states that creativity often results from the interaction of an individual with the situation. Creativity is also defined as ' capability to create novel and useful work' (Sternberg & Lubart, 1999). The term innovation and creativity doesn't have the same connotation. Innovation has been defined as ' a procedure that develops and implement novel ideas'. The terms can be interchangeably used (Van de Ven & Angle, 1989, p.12)

Discussion on creativity has been heard around the world by education system, specifically in the high income countries (HIC) as they significantly contribute to the leadership positions in the labour market (Mishra & Mehta, 2017). Remarkably, a petition for creativity has become vital for educational imperative (Gregory, Skiba, & Noguera, 2010) with universal commitment to education for all ( Barrett, 2011).

As stated by McLean( 2005), the term 'organizational climate' and 'organizational culture' are interchangeably used in literature . The researcher defines organizational culture as 'assumptions , meanings and beliefs that are deeply held' and organizational climate as ' the perception or experience of the current work environment .

To function well, organizationa are contingent on the extra- role behavior of employees, consequently these type of employees are required by managers who do extra work beyond their job description. Explicitly they are looking for Organizational Citizenship Behavior (OCB) as stated by Katz and Kahn (1966). Organizational Citizenship Behavior is the "discretionary behavior which is not acknowledged by the approved compensation system and that it cumulative promotes the efficient functioning of the organization", this discretionary behavior that is not defined by role specification is very important and vital for attaining organizational objectives (Organ, 1988). Organizations' that exclusively depends on the blueprints of approved behavior is extremely an insubstantial societal system (Katz, 1964, p .132) as it's not probable for an organization to antedate all contingencies with in operations and foresee environmental change specifically.

Therefore, for organizational effectiveness and survival those employees are needed who go beyond their job description by voluntarily helping new or existing co worker with their work load, enthusiastically attending and participating in meetings, focusing on self development, being versatile and not complaining on petty issues. Comprehensively organization citizenship behavior has become important as it facilitates in accomplishing organizations enhanced performance and goals (Allen & Rush, 1998).

There is a dismal condition of education in Pakistan, the system is assaulted from different angles and higher education is not excluded from this generalization as the education system of the country is not delivering well. In short the insufficiency of the system can be partially credited to the teachers, as they are the pillars, it is said no improvement can be brought into the education system without the involvement of teachers. This forces us to a point to understand the causes that is leading to this catastrophe (Hamid & John,2006).

Throughout the world it has been acknowledged that 'education' is the main force for the socio-economic , cultural and moral advancement of any nation.The development of a nation is significantly reliant on the educational structure of the nation.It also develops an individuals goals which further enhances person's skill then transform him to be an important advantage to the nation by spreading information, understanding, appreciation and knowledge.Education system efficiency is partially depended on responsible teachers and their efficiency is depended on the nature and extent of their professionalism, it is not adequate to only have degrees and certificates, it is essential for them to have desirable level of mastery, creativity and enthusiasm for the work they are doing ( Govt. of Pakistan, 1998). Progress on the way to knowledge based economy and society will require that universities to design hub of knowledge creation and their partners in society give creativity their full attention. Universities either private or public are providing training in all kinds of disciplines and are students training grounds, translating theory into practice.

Teachers are the most important group of professionals for every nation's future, without them the education system will be crippled. Their creativity can create dynamics at university level by building emotional and creative competitive individuals, which is much needed in the country for survival and growth. University faculties are presently facing many challenges, like lack of supportive research culture, in adequate infrastructure, discrepancy in salary, allowances, and inconsistent policies which affect their performance. This raises concern about the behavior and attitudes of educators towards their work performance. The culture of universities differ from one another, it serves the measure of faculty perception and feeling towards the organization (Medley & Shannon,1994).

According to Gunter and Furnham (1996) organization climate can have direct effect on work outcomes, either negative or positive. Positive outcomes are attractive and interesting work, transparent policies, benefits, creative work environment, job structure and compensation, this will lead to motivated, satisfied and organizational committed personnel , where as negative outcome

include boring, dissatisfying and unchallenging work leading to absenteeism, low performance, deviance behavior and turnover. In order to prevent these negative outcomes, it is imperative to find out the factors within organizational climate that can lead to continuous contented, productive and satisfied academics who has a vast responsibility of nurturing future of a nation. Hence, it is important to recognize how best to retain university faculty and to prevent steady mobility that is brain drain.

Therefore it is of utmost importance to analyze how creative organizational climate affect the organizational citizenship behavior of Faculty in private and public universities and what are the mediating variables that maximizes the influence. On the base of literature review following hypothesis was developed:

*Hypothesis* : There will be an impact of creative organizational climate on organizational citizenship behavior amid private and public universities faculty.

### **Methodology**

#### *Sample*

The sample size of the study comprised of 300 respondents, 48% that is 144 respondents were from public sector universities and 52% that is 156 respondents were from private sector universities. Where age is concern 40.4% respondents ranged from age 23-33 years, 36% were from the age bracket of 34 years to 43 years, 12.3% were between 44 years to 53 years, 7.3% respondents were from the age bracket ranging from 54-63 years and 4% of the respondents belong to 64 years to 73 years.

The female respondents in the study were 37% and male were 63%. In education criteria 68.3% were Masters degree holders, 16.6% were MS/ MPhil degree holders and 15.1% were PhD. 60% of the respondents of the study were married, 39% were unmarried and 1% were divorced. 61.1% respondents had a tenure of more than 6 years, 11.3% respondents tenure was from 5-6 years and same percentage goes for 3-4 years tenure. Respondents with 1-2 years tenure were 10.3% and 6% respondents had less than a year tenure. Where income level is concerned 18.4% respondents earned 20,000-30,000 Pkr, 6.6% between 31,000-40,000 Pkr, 7% from 41,000-50,000 Pkr, 10.3% from 51,000-60,000 Pkr and 57.7% respondents' income level was above 61,000 Pkr. The population of the research study encompass of diversify population. The convenience sampling method was used to select respondents of the study.

#### *Measures*

To assess organizational climate for creativity, KEYS scale by Ambile et al. 1996 was used. The scale focal point is on the employee perception of work environment that influence the creativity, the scale assessed the eight key dimensions of organizational climate like organizational

encouragement, work group supports, lack of organizational impediments, freedom, realistic workload pressure, challenging work, sufficient resources and managerial encouragement, further it helped us to assess perception of organizational productivity and creativity. The scale uses four-point response scale (1=never or almost never to 4= always or almost always). Item related with each KEYS facet are scheduled beneath:

*A) Freedom:* Freedom was measured with four questions, higher scores on this dimension is associated with employee perception of more freedom in their work ( $\alpha=.78$ ). In this study the cronbach alpha is  $\alpha=.75$

*B) Challenging Work:* This was measured with five questions, higher score on this dimension associate with worker experiencing challenges in their work ( $\alpha=.86$ ). In this study the cronbach alpha is  $\alpha=.72$

*C) Managerial Encouragement:* This was measured with 11 questions, high score on this dimension associated with the perceived increased encouragement from one's manager ( $\alpha=.95$ ). In this study the cronbach alpha is  $\alpha=.72$

*D) Work Group Support:* This dimension was measured with eight questions scale, higher scores on this dimension associate with healthy work group relationships and perception of high quality teams ( $\alpha=.92$ ). In this study the cronbach alpha is  $\alpha=.85$

*E) Organizational Encouragement:* this was measured with 15 questions, higher scores on this dimension associate with worker perception of a strong vision and mission of the organization towards innovation and creativity ( $\alpha=.78$ ). In this study the cronbach alpha is  $\alpha=.86$

*F) Lack Of Organizational Impediments:* This was measured with 12 questions, after reverse- scoring the questions, higher scores on this dimension associate with worker perception of a strong healthy organizational culture free of creative blockade ( $\alpha=.85$ ). In this study the cronbach alpha is  $\alpha=.70$

*G) Sufficient Resources:* This was measured with six questions, higher scores on this dimension associate with perceived organizational support by encompassing essential resources to be creative at workplace ( $\alpha=.92$ ). In this study the cronbach alpha is  $\alpha=.83$

*H) Realistic Workload Pressure:* This was measured with five questions, after reverse scoring the items, higher scores on this dimension associate with perceived organizational support in the form of allocating time towards the completion of their work ( $\alpha=.85$ ). In this study the cronbach alpha is  $\alpha=.79$

*I) Creativity:* This is one of the outcome variables of KEYS, which was measured with six questions, higher score on this dimension associate with high worker perception of organizational and individual

creativity ( $\alpha=.93$ ). In this study the cronbach alpha is  $\alpha=.84$

*J) Productivity:* This is also one of the outcome variable of KEYS, which was measured with six questions, higher scores on this dimension associate with perceived organizational and individual productivity ( $\alpha=.91$ ). In this study the cronbach alpha is  $\alpha=.77$

### *Organizational Citizenship Behavior*

To assess organizational Citizenship Behavior, Podsakoff et al.'s (1990), 24 questions scale was used, it has reliably shown a five factor model, that includes conscientiousness, sportsmanship, altruism, courtesy and civic virtue responses are reported on seven point Likert scale format ranging from 1=strongly disagree to 7= strongly agree. In this study the cronbach alpha is  $\alpha=.78$

### *Procedure*

To conduct the study following procedures were followed for the assortment of the data from the university faculty. The researcher approached the university's authorities, explained them about the scope of the study and took consent to conduct the research in their premises. After seeking the approval the information about the survey was provided to the respondents, prior to the survey, consent form was provided to the respondents. After seeking the consent of the respondents the survey was explained and time of three to four days was provided for the completion of the questionnaire.

### *Statistical Analysis*

Quantitative technique was applied to analyze the data on Statistical Packaging for Social Science (SPSS) version 20. Linear regression model was applied to test the hypothesis that there will be an impact of creative organizational climate on organizational citizenship behavior between private and public sector universities faculty.

## **Results**

According to the hypothesis i.e. there will be an impact of creative organizational climate on citizenship behavior amid public and private universities faculty. Table 1 specifies that the regression model predicts the outcome variable significantly well. This specifies the statistical significance of the regression model that was applied. Here,  $P < 0.0005$  which is less than 0.05 and specifies that, overall, the model applied is significantly good enough in predicting the outcome variable. Table 3 provides the R and R<sup>2</sup> value. The R value is 0.770, which represents the simple correlation and, therefore, specifies a high degree of correlation. The R<sup>2</sup> value specifies how much of the dependent variable, organizational citizenship behavior, can be explained by the independent variable, organizational

climate for creativity. In this case, 59.4% can be explained, which is large.

Table 1

*Analysis of Variance for Linear Regression with Organizational Climate for Creativity as Predictor of Organizational Citizenship Behavior amid Private Sector Business Universities Faculties*

Model		SS	Df	MS	F	Sig.
1	Regression	76673.609	1	76673.609	435.146	.000a
	Residual	52508.188	298	176.202		
	Total	129181.797	299			

a. Predictors: (Constant), Organizational Climate for Creativity

b. Dependent Variable: Organizational Citizenship Behavior

This table specifies that the regression model predicts the outcome variable significantly well. This specifies the statistical significance of the regression model that was applied. Here,  $P < 0.0005$  which is less than 0.05 and specifies that, overall, the model applied is significantly good enough in predicting the outcome variable.

Table 2

*Coefficients for Linear Regression with Organizational Climate for Creativity as Predictor of Organizational Citizenship Behavior amid Private Sector Business Universities Faculties*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	28.472	4.215		6.755	.000
	Organizational Climate for Creativity	.240	.012	.770	20.860	.000

a. Dependent Variable: Organizational Citizenship Behavior

The above table indicated that Organizational Climate for Creativity ( $\beta = 0.770$ ,  $p > 0.05$ ) is significant predictor of Organizational Citizenship Behavior.

Table 3

*Summary of Linear Regression with Organizational Climate for Creativity as predictor of Organizational Citizenship Behavior amid Private Sector Business Universities Faculties*

Model	R	R Square	Adjusted R Square
1	.770a	.594	.592

This table provides the  $R = 0.594$  and Adjusted  $R^2 = 0.592$ . The R value is 0.770, which

represents the simple correlation and, therefore, specifies strong correlation amid the variables. The  $R^2$  value specifies how much of the dependent variable, organizational citizenship behavior, can be explained by the independent variable, organizational climate for creativity. In this case, 59.4% can be explained, which is significant.

### Discussion

This section comprises, the summary of the study findings and strategic references for the stakeholders and policy makers to support the necessity and importance of creative work climate, new standards should be codified for universities to be responsible for the upcoming challenges and provide an environment to the faculty that can aid in nurturing the future of our education system in accordance to the requirement of the knowledge based economy and work beyond their formal duties and display organizational citizenship behavior.

The progress of quality education in this knowledge based economy can only be achieved through faculty. As stated by Miller (1980) the effect of education is, “the man behind the system”. The key factor that decides the power of education is human. In reality, education is a service industry and the front line determines the quality of service delivered (Sallis, 2002). The best performance of these faculty can endow good benefits for the students and community will be comprehend if the faculty carry out their duties creatively which can only be possible if creative environment is provided to them in contrast to the conducive environment that solely focus on mechanistic approach, thus building organizational citizenship behavior.

In order to be market driven, it is very much imperative for the university to provide the learned faculty with an environment that not only enhances their learning but also their well being, by giving them freedom, challenging work, managerial and organizational encouragement, realistic work pressure, sufficient resources, supportive work group that enables them to carry out their duties effectively and building trusting relationship with their organization, and going beyond their call of duties with full enthusiasm through organizational citizenship behavior .

As mentioned in the research by (Choi, 2007) a strong and inspiring vision specified by the top management and encouragement provided by them in the form of innovative climate is an important predictors of organizational citizenship behavior. One possible explanation that can be given for the Choi's (2007) inconsistent findings is that the study only involved one company employees and was deliberated for an extensive period of time, whereas the present research study measured employees from both the public and private sector faculty at one point of time.

Research study conducted by Alge, Ballinger, Tangirala, and Oakley (2006) studied a model that sited employees' performance information on the company's web page predicted a feeling of psychological empowerment, which led the workers perform additional-role in the form of OCB



and enhanced creativity. When faculty is provided with an environment that gives them freedom, managerial encouragement, challenging work, regardless whether the university is public or private the faculty experience meaningfulness of the work, when freedom is provided the individual experience a psychological state of responsibility related to the work outcome as stated by Hackman (1977). Managerial encouragement in the form of feedback further aid knowledge about the actual result of the work activity performed. In another study Duff (2007) stated that creative organizational climate has influence on citizenship behavior, and is a significant predictor of it.

Another reason is, Universities giving attention to the system that provides them encouragement, sufficient resources to carry out the work, realistic workload pressure, autonomy, managerial encouragement and provide benefit to the organizational members will be able to craft a creative organizational climate that can reinforce organizational citizenship behavior. Organizational citizenship behavior aimed at innovative behavior will be reinforced by creative organizational climate. Creative climate not only arises as a result of individual but as a result of the system. Creativity cannot appear spontaneously (Leonard Sensiper, 1988; Kylene & Shani, 2002), factors like freedom, challenging work, managerial encouragement, workgroup support and other factors contribute in maximizing and stimulating the power of creativity. Amabile et al. (1996) indicated that creative organizational climate consist of commitment to the organization's employees on the organization's objective, autonomy, freedom with reference to task of your choice, the encouragement, reward, recognition, worthy of management creative work.

Creative climate of universities innately transmit message to the employees that there is goal alignment amid individual and organizational goals. The workers of these universities buy into the mission and vision of the organization. The employees receive intrinsic and extrinsic rewards, managerial encouragement is also provided. When employee's basic needs are taken care of by the organization then they actively engage themselves in helping coworkers. Lastly, if this is possible then the same employee will reciprocate positively to the University for providing the resources to meet the need of the employee (Michael, 2011).

In spite of the strengths in the research study there are several limitations that might have influenced the study. There was lack of pertinent literature on creative work environment, barely research studies are published in journals that target the difference amid public and private universities where creative work environment is considered. The data was collected through self report measures that might have directed towards the common method of variance and thus inflated the reported relationship amid independent and dependent variable. The participant might misrepresent the result to show consistency amid their responses or present themselves in positive way, despite of their exact feelings (Podsakoff, MacKenize, Lee, & Podsakoff, 2003). As the research study was conducted in an underdeveloped country, there might have been cultural values that influenced the hypothesized variables. The research study only studied some of the universities in Karachi, where the demographics are different from the rest of the cities. All universities were not taken into study due to

time limitation. There is a possibility that the respondents who had a short tenure might have not been able to perceive whether or not creative organizational climate exists.

The implication made from the finding might be relevant to those organizations that constantly uphold a strategic benefit by evaluating the future. These type of organizations are not able to hold employees in the non- discretionary particulars of their jobs, and can greatly benefit from those employees who plans to initiate, implement and propose improvements in their work and in organizational system such as procedures and policies. These workers OCBs are answer for organizations that need to be creative and acclimate to the change. There are added benefits for organizations when they provide the workers with creative climate; it encourages adaptability and agility which is necessary for organizations. Nonetheless, this should not stop, as stated in the present research study that creative organizational climate naturally comprise of elements that lead to effective outcomes for organization and individual employees.

In these time of economic downturn organizations are flattening, downsizing and implementing more cost control processes, only those organizations are excelling who have creative organizational climate that foster employees to come up with innovative products and services. Organizational citizenship behavior is the social lubricant of the organizational machinery, and when managers know the positive significances of OCB on organizations, they should work to improve the job dimension, commitment and satisfaction of workers and work towards enhancing creative work environment. Workers with diversified skills, supportive creative process and challenging jobs are important dimensions that consistently relate to OCB. When employees recognize their organizational climate as creative in this light of positivity healthy relation exchange between co- workers exist and jobs become intrinsically rewarding. This understanding seems to be only on the tip of the knowledge in the understanding that how creative organizational climate support such open behavior and further research is needed to uncover the information that increase employee cooperation and organizational performance in these turbulent times of economic pressure.

### **Conclusion**

The main conclusions from this study may be applicable to a wider group of people. This research theoretically provide provision that when employees are given appropriate amount of challenging work load with essential resources to accomplish their work are more motivated to go further than their job description to work for the organization. Organizations should promote creative work environment in order to foster positive attitude amid workers, as technology and work processes can be purchased and copied, the only sustainable viable advantage an organization has is its work force. Organization should not adhere to the rigid rules and procedures as it hinders creative ideas, policies should be design in such a way that leads to the enhancement of the creative potential, they should be treated as a valuable asset of the organization by providing them with honest and open communication, autonomy, challenging task, freedom, ample resources, voice in the decision, tolerance for non conformity.

---

### References

- Alge, B. J., Ballinger, G. A., Tangirala, S., & Oakley, J. L. (2006). Information privacy in organizations: Empowering creative and extra-role performance. *Journal of Applied Psychology, 91*(1), 221.
- Allen, T. D., & Rush, M. C. (1998). The effects of organizational citizenship behavior on performance judgments: A field study and a laboratory experiment. *Journal of Applied Psychology, 83*, 247-260.
- Amabile, T. M. (1996). Creativity and innovation in organizations.
- Amabile, T. M. (1997). Motivating creativity in organizations: On doing what you love and loving what you do. *California management review, 40*(1), 39-58.
- Amabile, T. M., Conti, R., Coon, H., Lazenby, J., & Herron, M. (1996). Assessing the work environment for creativity. *Academy of management journal, 39*(5), 1154-1184.
- Barrett, A. M. (2011). An education Millennium Development Goal for quality: complexity and democracy. *Compare, 41*(1), 145-148.
- Borghini, S. (2005) "Organizational creativity: breaking equilibrium and order to innovate", *Journal of Knowledge Management, Vol. 9* Iss: 4, pp.19 – 33.
- Choi, J. N. (2007). Change-oriented organizational citizenship behavior: effects of work environment characteristics and intervening psychological processes. *Journal of Organizational Behavior: The International Journal of Industrial, Occupational and Organizational Psychology and Behavior, 28*(4), 467-484.
- Davenport TH (2005) *Thinking for a living: how to get better performance and results from knowledge workers*. Harvard Business School Publishing, Boston.
- Duff, G. C., & Galyean, M. L. (2007). Board-invited review: recent advances in management of highly stressed, newly received feedlot cattle. *Journal of Animal Science, 85*(3), 823-840.
- Florida, R. (2002). The economic geography of talent. *Annals of the Association of American geographers, 92*(4), 743-755.
- Govt. of Pakistan (1998 a) "The Ninth Five Year Plan (1998-2003)" Ministry of Education, Islamabad.
- Gregory, A., Skiba, R. J., & Noguera, P. A. (2010). The achievement gap and the discipline gap: Two sides of the same coin?. *Educational Researcher, 39*(1), 59-68.
- Grigorenko, E. L. (2019). Creativity: a challenge for contemporary education. *Comparative Education, 55*(1), 116-132.
- Gunter, B., & Furnham, A. (1996). Biographical and climate predictors of job satisfaction and pride in organization. *The Journal of psychology, 130*(2), 193-208.
- Hackman, J. R. (1977). Work design. In J. R. Hackman & J. L. Suttle (Eds.), *Improving life at work: Behavioral science approaches to organizational change* (pp. 96-162). Santa Monica, CA: Goodyear.
- Katz D, Kahn RL (1966). *The Social Psychology of Organization*. New York : John Wiley and Sons, Inc.

- Katz, D. 1964. Motivational basis of organizational behavior. *Behavioral Science*, 9: 131–146.
- Kylen, F.S. & Shani, A.B. (2002). *Tiggering Creativity in Teams: An Exploratory Investigation*, *Creativity and Innovation Management*, 11(1), pp.17-30.
- Leonard, D., & Sensiper, S. (1998). The role of tacit knowledge in group innovation. *California management review*, 40(3), 112-132
- McLean, L. D. (2005). Organizational culture's influence on creativity and innovation: A review of the literature and implications for human resource development. *Advances in Developing Human Resources*, 7(2), 226-246.
- Medley, D. M., & Shanon, D. M. (1994). Teacher Evaluation in T. Husen and TN Postlethwaite (eds), the interanational Encyclopedia of Education, 2nd edn, Vol X.
- Michael J. (2011) *Long-term effects of the demographic transition on family and kinship networks in Britain*. *Population and Development Review*, 37 (S1). pp. 55-80. ISSN 1728-4457.
- Mishra, P., & Mehta, R. (2017). What we educators get wrong about 21st-century learning: Results of a survey. *Journal of Digital Learning in Teacher Education*, 33(1), 6-19.
- Niazi, H. K., & Mace, J. (2006). The contribution of the private sector to higher education in Pakistan with particular reference to efficiency and equity. *Bulletin of Education & Research*, 28(2), 17-42.
- Organ, D. W. (1988). *Organizational citizenship behavior: The good soldier syndrome*. Lexington Books/DC Heath and Com.
- Podsakoff, P. M., & MacKenzie, S. B. (1997). Impact of organizational citizenship behavior on organizational performance: A review and suggestion for future research. *Human performance*, 10(2), 133-151.
- Podsakoff, P. M., MacKenzie, S. B., Paine, J. B., & Bachrach, D. G. (2000). Organizational citizenship behaviors: A critical review of the theoretical and empirical literature and suggestions for future research. *Journal of Management*, 26(3), 513-563.
- Sallis, E. (2002). *Total Quality Management in Education*. London : Kogan Page Limited.
- Scott, S. G., & Bruce, R. A. (1994). Determinants of innovative behavior: A path model of individual innovation in the workplace. *Academy of Management Journal*, 37(3), 580–607.
- Van de Ven, A. H., & Angle, H. L. (1989). An introduction to the Minnesota innovation research program. *Research on the management of innovation*, 3-30.

# LIQUIDITY RISK PREFERENCE IN ASSET RETURNS

Muhammad Waseem Ur Rehman<sup>1</sup>, Muhammad Kashif<sup>2</sup> and Farhan Ahmed<sup>3</sup>

## Abstract

*The study emphasizes on the liquidity risk preference in asset returns on Karachi Stock Exchange. The study uses standard deviation of trading volume (SDTV) and standard deviation of turnover (SDTN) based liquidity proxies of Chordia et al. (2001). The study incorporates monthly basis data of 535 equities from January 2007 to December 2015. Furthermore, the study constructs equally-weighted and value-weighted decile portfolios on the basis of both liquidity risk proxies. The Real-time portfolios are constructed for the first time in Pakistani context to evaluate the liquidity-based portfolio strategy. The study uses system-based estimation in GMM framework with Newey-West procedure to adjust autocorrelation and heteroscedasticity. The liquidity-based portfolio strategy does not work with Capital Asset Pricing Model, Fama-French Three Factor Model and Fama-French Five Factor Model on Karachi Stock Exchange.*

**Keywords:** Asset Pricing, Karachi Stock Exchange, Portfolio Strategy, Standard Deviation, Trading Volume, Turnover.

**JEL Classification:** G120, G210

## Introduction

It is an old debate that liquidity can be priced in Asset Pricing. The two mutually exclusive concepts exist in the seminal work on liquidity-return relationship, where one supports the liquidity premium and the second supports the illiquidity premium. The liquidity basically is the efficiency of a capital market in terms of buying or selling. Amihud and Mendelson (1986) provided the concept that liquidity is a spread between bid-ask prices, a miner spread represents that the market is highly liquid. In this study, the liquidity is captured through the trading volatility proxies of Chordia, Subrahmanyam and Anshuman (2001). Second moment liquidity proxies were also recommended by Jun, Marathe and Shawky (2003) as the efficient proxy for emerging markets. The Karachi Stock Exchange is a

<sup>1</sup>Department of Management Sciences, Mohammad Ali Jinnah University, Karachi, Pakistan.  
Email: muhammadwaseemurrehman@gmail.com

<sup>2</sup>Department of Management Sciences, Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology, Karachi, Pakistan.  
Email: mohammadkashif79@yahoo.com

<sup>3</sup>Department of Economics & Management Sciences, NED University of Engineering & Technology, Karachi, Pakistan.  
Email: fahmed@neduet.edu.pk

highly volatile market therefore, we assume that the SDTV and SDTN perform significantly on the Karachi Stock Exchange.

The study emphasizes on liquidity risk in asset returns on Karachi Stock Exchange. Conversely, how much our liquidity-based portfolios explain the risk in asset pricing models. Considered that the liquidity risk took more importance in asset pricing after recent global financial crises (Liang & Wei, 2012). Therefore, the study uses three well known asset pricing models. The portfolio strategy was tested with commonly used model CAPM as well as with Fama-French three-factor and five-factor models. We assume that this is the first study which incorporates five-factor asset pricing model to test the liquidity risk. The study uses portfolio strategy to explain the relationship of liquidity with stock returns<sup>4</sup>. The equally-weighted and value-weighted decile portfolios formation is adopted from the work of Kostakis, Muhammad and Siganos (2012). Furthermore, the study uses time-series regression approach and the results are generated through the system-based estimation. Finally, we studied some surprising evidences on Karachi Stock Exchange.

#### *Origination of the Concept*

The concept arisen in 80's that liquidity is a factor which may impact the stock returns. The expected returns are increasing and is a concave function of liquidity (Amihud & Mendelson, 1986). Furthermore, Amihud and Mendelson (1986) realized that the investors demand higher return on the illiquid investments and transaction cost also impacts their investment decisions. Moreover, the work done by Chen and Kan (1989) was also similar to the empirical work of Amihud and Mendelson (1986), the portfolio formation was similar but they used risk-adjusted returns. They did not study any significant relationship between spread and risk-adjusted returns.

#### *Bid-Ask Spread and Further Considerations in the US Markets*

In the previous section, two alternative findings were presented on spread-return relationship. Moreover, Eleswarapu and Reinganum (1993) partially supported the spread-return relationship and concluded that the liquidity risk is only priced in the month of January. But later after Dater, Naik and Radcliffe (1998) did not study any seasonality effect in relationship between liquidity and asset returns. According to Brennan and Subrahmanyam (1996), the required rate of return should be higher for the securities that are illiquid. They divided transaction cost into variable and fixed cost. They concluded that the variable cost is a concave function of liquidity premium<sup>5</sup> and fixed cost is a convex function of liquidity premium<sup>6</sup>. Moreover, trading patterns also impact the computations for returns

<sup>4</sup>The study constructs decile portfolios on the basis of SDTV and SDTN on KSE-All index stocks. Previous studies did not follow this approach in Pakistani context.

<sup>5</sup>The variable cost increases the liquidity premium at low level but gradually increase in variable cost will decrease the liquidity premium.

<sup>6</sup>The fixed cost decreases the liquidity premium at low level but gradually increase in fixed cost will increase the liquidity premium.

because on weekends the investors' behavior may be changed which may affect the bid-ask prices (Keim, 1989).

A more comprehensive measure of liquidity can be used instead of spread (Amihud & Mendelson, 1986). Furthermore, Hu (1997) also stated that the quoted bid-ask spread does not completely measure the transaction cost. As an alternative approach Dater et al. (1998) studied the liquidity risk in asset returns by using turnover ratio. After the introduction of new method to capture liquidity, a new test was used by Amihud (2002) to study the impact of illiquidity (ratio of a stock absolute daily return to its daily dollar volume) on excess stock returns. The Amihud (2002) measure of illiquidity was positively related to excess returns. Moreover, he stated that the measure of liquidity (trading volume) is easy to arrange. Avramov, Chordia and Goyal (2006) stated that the liquidity plays an important role in assets pricing and also in understanding of returns pattern. The low turnover stocks have more reversals because the investors are uninformed therefore, they usually rely on volume or turnover of the stock.

#### *Evidence from Asian and Australian Markets*

In the last century in Japan, Hu (1997) used turnover ratio to capture the liquidity and the results of the study were consistent with the results of Amihud and Mendelson (1986). He studied the significant impact of turnover on asset returns. Another work done by Chang, Faff and Hwang (2010) on Tokyo Stock Exchange in recent years in which liquidity positively impacted the stock returns and illiquidity negatively impacted the stock returns. Marshall and Young (2003) focused on Australian Stock Exchange in which their findings were consistent with the previous studies and they also interpreted the consistency in beta coefficients. Chan and Faff (2005) studied the favorable evidences of liquidity in Fama-French three-factor model on Australian Stock Exchange and initiated the concept that the liquidity risk can be included as a fourth factor. Lam and Tam (2011) augmented the Fama-French three-factor model and Carhart four-factor model by including liquidity as a risk factor on Hong Kong Stock Exchange. Furthermore, they recommended the four-factor model<sup>7</sup> is best for prediction of portfolio excess returns on Hong Kong Stock Exchange.

#### *Emerging Markets Versus Developed Markets*

In the context of emerging and developed equity markets, Rouwenhorst (1999) studied the qualitatively similar return factors in emerging markets. The performance of small stocks is comparatively better than the large stocks, the performance of value stocks is comparatively better than the growth stocks and finally the momentums also impact the returns in emerging markets<sup>8</sup>. In the

<sup>7</sup>The four-factor model is a liquidity augmented form of a Fama-French three-factor model.

<sup>8</sup>Rouwenhorst (1999) incorporate 20 emerging markets. He did not study any significant relationship between turnover and stock returns.

literature, the large findings were discovered by Jun et al. (2003) on 27 emerging equity markets of the world (including Karachi Stock Exchange). They studied significant liquidity-return relationship in Karachi Stock Exchange. Another work on 18 emerging markets including Karachi Stock Exchange was done by Bekaert, Harvey and Lundblad (2007) in which they studied insignificant autocorrelation in returns as well as in liquidity. The recent study of Liang and Wei (2012), in which they incorporated 21 developed equity markets and they studied significance of the liquidity risk in 11 markets. Moreover, they provided the following statement; “*We also find that the pricing premium for local liquidity risk is lower in markets where corporate boards at the country level are more effective and where there are less insider trading activities.*” (Liang & Wei, 2012, p. 3287).

### Research Methodology

The study focuses on the relationship between liquidity risk and equity returns in the Karachi Stock Exchange. The unit of analysis is common equity of listed, delisted, suspended, acquired and merged companies traded on KSE-All index. We incorporate data in this study from different data sources (e.g. Thomson Reuters, Bloomberg and SBP). Our final sample size after all data cleaning and sorting is 535 securities<sup>9</sup>. The study incorporates data on monthly basis for the period of nine years from January 2007 to December 2015. The study constructs the different portfolios on the basis of SDTV and SDTN, those will be discussed in detail in later sections. The study incorporated three different asset pricing models to test the significance of liquidity-based portfolio strategies on Karachi Stock Exchange. The methodology of pricing liquidity with asset pricing models was also used by Liu (2006); Lam and Tam (2011) but in this study, we also used five-factor model of Fama and French (2015) which was not used in earlier studies.

#### *Empirical Models and Description*

##### *Liquidity Risk*

The study uses two proxies to capture the liquidity risk on Karachi Stock Exchange, where one is a SDTV and the another is a SDTN<sup>10</sup>. These methods were initially used by Chordia et al. (2001). They studied the negative significant relationship of these proxies with stock returns on NYSE and AMEX. These proxies were also used by Lam and Tam (2011) to capture liquidity risk on Hong Kong Stock Exchange. The emerging markets are more volatile than developed markets moreover, the highly liquid markets can handle more volume with small fluctuation in prices (Jun et al., 2003; Lesmond, 2005). Therefore, we use these proxies to capture liquidity risk. Finally, we constructed equally-weighted and value-weighted portfolios on the basis of both proxies.

<sup>9</sup> The study utilizes the comprehensive number of companies in Pakistani context.

<sup>10</sup> Turnover is a product of trading volume and number of shares outstanding.



*Excess Return on Portfolios*

As a dependent variable, the study uses excess return on portfolios. The study uses discrete returns because portfolio returns are calculated on the basis of weighted average of individual returns. In discrete returns, weights can be assigned against each set of the assets but this benefit cannot be availed in continues returns (Campbell, Lo, & MacKinlay, 1997). The study uses six months T-bill rate as a proxy for risk-free rate of return ( $R^f_{i,t}$ ), it was subtracted from the discrete monthly returns ( $R_{i,t} - R^f_{i,t}$ ) to calculate the excess monthly returns and the study constructs the decile portfolios.

*Capital Asset Pricing Model with Liquidity*

The capital asset pricing model (CAPM) of Sharpe (1964), Lintner (1965) and Mossin (1966) was used in first step of empirical analysis. The study includes excess portfolio returns on the left side of the equation instead of individual asset returns. The regression form of CAPM is as under:

$$(R_t - R^f_t)^p = \alpha_t^{capm} + \beta_t (R_m - R^f_t) + \mu_t \dots\dots\dots(1)$$

Where  $(R_t - R^f_t)^p$  is excess return on portfolios,  $(R_m - R^f_t)$  is excess return on market,  $\beta_t$  is partial regression coefficient of market risk,  $\alpha_t^{capm}$  is Jensen alpha (intercept) and  $\mu_t$  is stochastic disturbance term.

*Fama-French Three Factor Model with Liquidity*

There are several models arisen by relaxing some assumptions of basic CAPM (Jensen, Black & Scholes, 1972). In the second step of empirical analysis, the study uses three-factor asset pricing model of Fama and French (1993).

$$(R_t - R^f_t)^p = \alpha_t^{3factor} + \beta_t (R_m - R^f_t) + \gamma_t SMB_t + \delta_t HML_t + \mu_t \dots\dots\dots(2)$$

Where,  $SMB_t$  is a size risk factor,  $HML_t$  is a book-to-market equity risk factor,  $\gamma_t$  and  $\delta_t$ , in equation (2), are partial regression coefficients capturing the risk sensitivity of size and book-to-market equity factors.

*Fama-French Five Factor Model with Liquidity*

The equation was further augmented by Fama and French (2015) by including profitability and investment factors. In the third step of empirical analysis, the study uses following regression model:

$$(R_t - R^f_t)^p = \alpha_t^{5factor} + \beta_t (R_m - R^f_t) + \gamma_t SMB_t + \delta_t HML_t + \theta_t RMW_t + \lambda_t CMA_t + \mu_t \dots\dots\dots(3)$$

Where,  $\theta_t$  and  $\lambda_t$  are partial regression coefficients capturing the risk sensitivity of profitability and investment factors.

*Estimation Methodology*

In this section, we discuss the method of transformation and estimation of the parameters. We use system-based estimation in GMM framework with Newey and West's (1987) procedure to adjust the problem of autocorrelation and heteroscedasticity. We use time series procedure in regression analysis and we adopt this strategy from Black et al. (1976) and Kostakis et al. (2012). The study uses GMM because of its accuracy in estimation of financial returns. Usually, the stock returns are not normally distributed (Kostakis et al., 2012). Therefore, we prefer GMM to transform the system. The study constructs the decile portfolios and regresses the following equation:

$$R_{(p,t)} = \alpha_p + \beta_p F_t + \varepsilon_{(i,t)} \quad p=1, \dots, N, t=1, \dots, T \dots\dots\dots(4)$$

Where,  $R$  is a return on portfolio  $p$  in time  $t$ ,  $N$  is the number of portfolios,  $T$  is the length of time series,  $F_t$  is a time-series factor,  $\alpha_p$  is intercept and  $\beta_p$  is risk coefficient of a factor. The equation can also be written in the following vector transformation:

$$R_t = \alpha + \beta f_t + \varepsilon_t \quad E(\varepsilon_t) = 0 \text{ and } cov(f_t, \varepsilon_t) = 0 \quad t=1, \dots, T \dots\dots\dots(5)$$

Where,  $R_t = \begin{bmatrix} R_{1,t} \\ \vdots \\ R_{10,t} \end{bmatrix}$  is 10x1 dimension matrix of excess return decile portfolios,  $\alpha = \begin{bmatrix} \alpha_1 \\ \vdots \\ \alpha_{10} \end{bmatrix}$  is 10x1 dimension intercepts of the model,  $\beta = \begin{bmatrix} \beta_{1,1} & \dots & \beta_{1,k} \\ \vdots & \ddots & \vdots \\ \beta_{10,1} & \dots & \beta_{10,k} \end{bmatrix}$  is 10xk dimension matrix of regression coefficient of risk factors,  $f_t = \begin{bmatrix} f_{1,t} \\ \vdots \\ f_{k,t} \end{bmatrix}$  is kx1 dimension matrix of risk factors and  $\varepsilon_t = \begin{bmatrix} \varepsilon_{1,t} \\ \vdots \\ \varepsilon_{10,t} \end{bmatrix}$  is 10x1 dimension matrix of stochastic disturbance terms. So, the equation (5) can be written as:

$$\begin{bmatrix} R_{1,t} \\ \vdots \\ R_{10,t} \end{bmatrix} = \begin{bmatrix} \alpha_1 \\ \vdots \\ \alpha_{10} \end{bmatrix} + \begin{bmatrix} \beta_{1,1} & \dots & \beta_{1,k} \\ \vdots & \ddots & \vdots \\ \beta_{10,1} & \dots & \beta_{10,k} \end{bmatrix} \begin{bmatrix} f_{1,t} \\ \vdots \\ f_{k,t} \end{bmatrix} + \begin{bmatrix} \varepsilon_{1,t} \\ \vdots \\ \varepsilon_{10,t} \end{bmatrix} \dots\dots\dots(6)$$

$$\text{Where, } E(\varepsilon_t) = 0 \text{ and } cov(f_t, \varepsilon_t) = 0 \dots\dots\dots(7)$$

Let  $\phi$  denote set of the unknown parameters  $[\alpha, \beta]$ . The GMM estimator of  $\phi$  minimizes the following quadratic form:

$$g(\phi)^T Wg(\phi), \text{ where } g(\phi) = \frac{1}{T} \sum_{t=1}^T Z_t(\phi) \dots\dots\dots(8)$$

Where,  $W$  is a consistent estimator of weighting matrix. The GMM moment's conditions are defined at the true values of  $\alpha$  and  $\beta$  as:

$$Z_t(\phi) = \begin{bmatrix} (R_t - \alpha - \beta f_t) \\ (R_t - \alpha - \beta f_t) \otimes [f_t] \end{bmatrix} \dots\dots\dots(9)$$

Furthermore, the study uses Wald-Test of equivalency of the parameters to inference the equality of intercepts.

*Empirical Results*

*Preliminary Findings*

In this section, we present the preliminary descriptive statistics of our decile portfolios. The study constructed equally-weighted and value-weighted portfolios on the basis of both liquidity risk proxies. Our decile portfolios are from P1 to P10. Where, P1 portfolio includes stocks with lowest SDTV and P10 portfolio includes the stocks with highest SDTV. Portfolio with low SDTV is also associated with low portfolio returns and portfolio with high SDTV is also associated with high portfolio returns (see table 1). Therefore, the study uses the spread of P10-P1 and the significance of spread was tested by the equation (9) :

$$t\text{-statistic} = \frac{\frac{1}{n} \sum_{t=1}^n (Spread P10 - P1)}{\frac{S.D.(Spread P10 - P1)}{\sqrt{n}}} \dots\dots\dots(10)$$

The study also presents the preliminary findings of market value and CAPM beta of all decile portfolios. The study uses the following equation for computing CAPM beta:

$$CAPM\ beta = \frac{cov(P_n, R_m)}{var(P_n)} \dots\dots\dots(11)$$

**Table 1**  
*Performance of Decile Portfolios (On the basis of SDTV)*

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P10-P1	t-test
<b>Sample: January 2007 to December 2015</b>												
Avg. SDTV	226	1258	3407	7554	16337	37012	86713	255254	993504	4399068	4398842	13.901
EW Returns % p.a.	0.36	31.02	25.91	34.35	13.03	15.71	21.01	58.2	9.73	9.57	9.21	0.7483
VW Returns % p.a.	3.29	19.45	14.41	25.85	15.62	13.27	23.1	23.28	24.41	22.96	19.67	1.2895
MV (million)	5355.26	2873.66	2733.86	2989.14	3904.89	5184.73	7110.11	11857.59	23963.88	46176.59	40821.33	13.354
CAPM Beta	0.59	0.78	0.66	0.73	0.81	0.91	0.82	0.89	1.15	0.97	0.38	16.28

**Table 2**  
*Performance of Decile Portfolios (On the basis of SDTN)*

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P10-P1	t-test
<b>Sample: January 2007 to December 2015</b>												
Avg. SDTN	0.02	0.07	0.14	0.26	0.46	0.78	1.41	2.73	6.3	20.12	20.11	14.4409
EW Returns % p.a.	5.17	18.91	27.44	18.42	17.2	23.57	24.78	19.18	50.89	10.54	5.37	0.4716
VW Returns % p.a.	7.27	10.77	20.16	15.88	11.92	23.8	28.84	31.58	17.28	12.56	5.29	0.4127
MV (million)	8493.67	5810.89	7052.71	6782.89	8152.78	11126.67	14461.82	15915.8	18198.19	14330.05	5836.38	2.9487
CAPM Beta	0.76	0.72	0.86	0.84	0.82	0.89	0.79	0.98	0.99	0.97	0.22	28.52

Where,  $\alpha$  is excess return on value-weighted decile portfolio and  $\beta$  is excess return on market. According to the preliminary evidences, the market risk is highly associated with both liquidity risk proxies (see table 1 & table 2).

The preliminary findings of our second liquidity proxy, SDTN, are also similar with first proxy (see table 2). The study uses P10-P1 spread because the portfolio P1 produces low excess returns than portfolio P10. Furthermore, our equally-weighted and value-weighted annualized returns are insignificant. So, it can be concluded with respect to preliminary findings that SDTV and SDTN does not explain the risk sensitivity in our decile portfolios.

#### *Risk-Adjusted Performance*

We discuss the risk adjusted performance of our decile portfolios with the help of alphas (intercepts) of all regression equations on the basis of equally-weighted and value-weighted portfolios

in this section. After the over-all results and findings, the summarized discussion of the results of all regression models is in the favor of rejection of portfolio strategies formulated on the basis of SDTV and SDTN. We studied some significant results but our data, in majority cases, rejects the significance of these portfolio strategies in CAPM, Fama-French three-factor and five-factor models (see tables 3 & table 4).

We studied weak evidence of performance of SDTV based equally-weighted portfolio strategy in CAPM (see table 3). But there was no significant evidence studied in Fama-French three-factor and five-factor model. The value-weighted portfolios constructed on the basis of SDTV did not explain the significance in any of the asset pricing model. The same scenario would be continued with our second liquidity proxy. The results were insignificant in CAPM, Fama-French three-factor and five-factor models. We made equally-weighted and value-weighted portfolios but the strategies were inconsistent with both portfolio formations.

Table 3  
*Alphas of Decile Portfolios (On the basis of SDTV)*

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P1-P10	Chi-sq.
<b>Sample period from January 2007 to December 2015</b>												
<b>Alphas of equally-weighted portfolios</b>												
CAPM Alpha	-0.00509 (-0.71)	0.01954 (2.65)***	0.01502 (2.69)***	0.02134 (3.46)***	0.00352 (0.57)	0.00528 (0.86)	0.00957 (1.51)	0.03658 (1.13)	-0.00072 (-0.13)	-0.00015 (-0.27)	-0.00359 (-0.35)	18.84 (0.03)**
FF 3 Factor Alpha	0.00415 (0.31)	0.03426 (2.82)***	0.02254 (2.72)***	0.03466 (3.77)***	0.01895 (1.96)**	0.01269 (1.38)	0.01948 (1.97)**	0.06092 (1.24)	0.00028 (0.03)	-0.0018 (-0.16)	0.00594 (0.28)	14.26 (0.11)
FF 5 Factor Alpha	0.00181 (0.13)	0.03337 (2.62)***	0.02118 (2.4)**	0.03545 (3.59)***	0.01714 (1.68)*	0.01282 (1.31)	0.01893 (1.83)*	0.07221 (1.36)	0.00177 (0.18)	0.00104 (0.1)	0.00076 (0.03)	12.54 (0.18)
<b>Alphas of value-weighted portfolios</b>												
CAPM Alpha	-0.00282 (-0.31)	0.0088 (1.14)	0.00578 (0.96)	0.01463 (2.55)**	0.00538 (0.94)	0.00249 (0.44)	0.01145 (1.84)*	0.01099 (2.1)**	0.00941 (1.38)	0.00999 (1.97)*	-0.01281 (-1.00)	4.88 (0.84)
FF 3 Factor Alpha	0.00296 (0.18)	0.0179 (1.34)	0.00341 (0.36)	0.02289 (2.39)	0.00691 (0.74)	0.008 (0.88)	0.01007 (1.00)	0.0121 (1.38)	0.00939 (0.89)	0.00135 (0.15)	0.00161 (0.07)	2.25 (0.99)
FF 5 Factor Alpha	-0.00105 (-0.06)	0.01284 (0.95)	0.00388 (0.39)	0.02249 (2.21)**	0.00672 (0.68)	0.0089 (0.91)	0.00875 (0.81)	0.0156 (1.69)*	0.01259 (1.06)	0.00588 (0.65)	-0.00693 (-0.28)	2.66 (0.98)

\* Significant at the level of 10%

\*\* Significant at the level of 5%

\*\*\* Significant at the level of 1%

Table 4  
*Alphas of Decile Portfolios (On the basis of SDTN)*

	P1	P2	P3	P4	P5	P6	P7	P8	P9	P10	P1-P10	Chi-sq.
<b>Sample: January 2007 to December 2015</b>												
<b>Alphas of equally-weighted portfolios</b>												
CAPM Alpha	-0.00193 (-0.28)	0.00913 (1.61)	0.01448 (2.04)**	0.00901 (1.70)*	0.00658 (1.18)	0.01215 (1.89)*	0.01246 (1.86)*	0.00827 (1.21)	0.03045 (0.92)	0.00102 (0.14)	-0.00296 (-0.30)	5.4 (0.79)
FF 3 Factor Alpha	0.00806 (0.63)	0.01637 (1.66)*	0.03108 (2.64)***	0.01609 (2.01)**	0.01862 (2.25)**	0.02119 (2.18)**	0.02941 (3.12)***	0.01011 (0.78)	0.05635 (1.12)	0.0028 (0.20)	0.00526 (0.23)	5.62 (0.78)
FF 5 Factor Alpha	0.00545 (0.41)	0.01545 (1.48)	0.03012 (2.42)**	0.01706 (1.96)*	0.01797 (2.03)**	0.02238 (2.13)**	0.02806 (2.84)***	0.01077 (0.83)	0.06955 (1.28)	0.00373 (0.27)	0.00172 (0.08)	5.42 (0.79)
<b>Alphas of value-weighted portfolios</b>												
CAPM Alpha	-0.00112 (-0.16)	0.00212 (0.4)	0.00862 (1.61)	0.00533 (1.14)	0.0022 (0.48)	0.0114 (1.78)*	0.01654 (2.36)**	0.017 (2.32)**	0.00504 (0.86)	0.00123 (0.2)	-0.00235 (-0.21)	8.34 (0.5)
FF 3 Factor Alpha	0.00409 (0.31)	0.00724 (0.82)	0.01076 (1.16)	0.00923 (1.2)	0.00608 (0.8)	0.0104 (0.99)	0.01244 (0.99)	0.00877 (0.67)	0.00305 (0.27)	-0.00926 (-0.7)	0.01335 (0.56)	2.25 (0.99)
FF 5 Factor Alpha	0.00176 (0.13)	0.00789 (0.84)	0.01113 (1.13)	0.01075 (1.3)	0.0067 (0.84)	0.01061 (0.9)	0.01508 (1.13)	0.01682 (1.33)	0.00873 (0.76)	-0.0077 (-0.58)	0.00946 (0.4)	2.66 (0.98)

\* Significant at the level of 10%

\*\* Significant at the level of 5%

\*\*\* Significant at the level of 1%

Most of the investment strategies that yield abnormal return in the short run and against the EMH in the asset pricing literature. The proponent EMH says these strategies are short lived and as the new set of information strikes the market for a financial asset, it immediately reflects in the asset prices. So, there is no characteristic, stale information and variable that yield on average above market returns (Fama & French, 1993).

### Conclusion

Liquidity of Stocks must be the main consideration for investors and fund managers unless the investment is for strategic reasons. The investors and strategist are always anxious about the investment strategies. Specially in the construction of portfolios and choosing among the alternative portfolio strategies. There are many factors priced in asset pricing on equity markets and they all have their independent importance. This work is done in same contrast by using liquidity factor and its importance in portfolio selection on Karachi Stock Exchange. The liquidity is priced on the equity exchanges and the liquidity also plays an important role while making portfolio strategies (Amihud & Mandelson, 1986). In this work, we priced liquidity risk with three asset pricing models. The study incorporates two proxies to capture liquidity. Conversely, the study uses two methods of construction

of decile portfolios. The study constructs 40 portfolios by capturing the patterns from KSE-All index for nine years from January 2007 to December 2015. The study uses time-series analysis in GMM moment-based framework.

Both liquidity-based portfolio strategies failed to explain the excess returns on Karachi Stock Exchange. So, it can be concluded from the results that the SDTV and SDTN based proxies cannot capture risk sensitivity on Karachi Stock Exchange. These proxies performed on NYSE and AMEX, the evidence from the work of Chordia et al. (2001). But NYSE and AMEX are the developed stock markets therefore, we cannot generalize their findings in the emerging market like Karachi Stock Exchange. The liquidity risk also depends on whether the country is integrated or segmented as well as pricing the liquidity also depends on local factors (Bekaert et al., 2007). The study helps the strategist and equity analyst in their investment decisions because our study explains the precaution of these two liquidity proxies in portfolio strategy formulation on Karachi Stock Exchange. The insignificant results of our liquidity proxies clearly conclude that the standard deviation-based proxies of liquidity are not suitable in Pakistani context.

### References

- Amihud, Y. (2002). Illiquidity and stock returns: cross-section and time-series effects. *Journal of Financial Markets*, 5(1), 31-56.
- Amihud, Y., & Mendelson, H. (1986). Asset pricing and the bid-ask spread. *Journal of financial Economics*, 17(2), 223-249.
- Avramov, D., Chordia, T., & Goyal, A. (2006). Liquidity and autocorrelations in individual stock returns. *The Journal of Finance*, 61(5), 2365-2394.
- Bekaert, G., Harvey, C. R., & Lundblad, C. (2007). Liquidity and expected returns: Lessons from emerging markets. *The Review of Financial Studies*, 20(6), 1783-1831.
- Black, F., Jensen, M. C., & Scholes, M. (1972). The capital asset pricing model: Some empirical tests. *Studies in the theory of capital markets*, 81(3), 79-121.
- Brennan, M. J., & Subrahmanyam, A. (1996). Market microstructure and asset pricing: On the compensation for illiquidity in stock returns. *Journal of financial economics*, 41(3), 441-464.
- Campbell, J. Y., Champbell, J. J., Campbell, J. W., Lo, A. W., Lo, A. W., & MacKinlay, A. C. (1997). *The econometrics of financial markets*. Princeton University press.
- Chan, H. W., & Faff, R. W. (2005). Asset pricing and the illiquidity premium. *Financial Review*, 40(4), 429-458.
- Chang, Y. Y., Faff, R., & Hwang, C. Y. (2010). Liquidity and stock returns in Japan: New evidence. *Pacific-Basin Finance Journal*, 18(1), 90-115.
- Chen, N. F., & Kan, R. (1989). *Expected return and the bid-ask spread*. Center for Research in Security Prices, Graduate School of Business, University of Chicago.
- Chordia, T., Subrahmanyam, A., & Anshuman, V. R. (2001). Trading activity and expected stock returns. *Journal of Financial Economics*, 59(1), 3-32.

- Dater, V. T., Naik, N.Y., & Radcliffe, R. (1998). Liquidity and Stock Returns: An Alternative Test. *Journal of Financial Markets*, 1(2), 203-219.
- Eleswarapu, V., & Reinganum, M. (1993). The seasonal behavior of liquidity premium in asset pricing. *Journal of Financial Economics*, 34(3), 373-386.
- Fama, E. F., & French, K. R. (1993). Common risk factors in the returns on stocks and bonds. *Journal of Financial Economics*, 33(1), 3-56.
- Fama, E. F., & French, K. R. (2015). A five-factor asset pricing model. *Journal of Financial Economics*, 116(1), 1-22.
- Hu, S. Y. (1997). Trading turnover and expected stock returns: The trading frequency hypothesis and evidence from the Tokyo Stock Exchange. *Available at SSRN 15133*.
- Jun, S. G., Marathe, A., & Shawky, H. A. (2003). Liquidity and stock returns in emerging equity markets. *Emerging Markets Review*, 4(1), 1-24.
- Keim, D. B. (1989). Trading patterns, bid-ask spreads, and estimated security returns: The case of common stocks at calendar turning points. *Journal of Financial Economics*, 25(1), 75-97.
- Kostakis, A., Muhammad, K., & Siganos, A. (2012). Higher co-moments and asset pricing on London Stock Exchange. *Journal of Banking & Finance*, 36(3), 913-922.
- Lam, K. S., & Tam, L. H. (2011). Liquidity and asset pricing: Evidence from the Hong Kong stock market. *Journal of Banking & Finance*, 35(9), 2217-2230.
- Lesmond, D. A. (2005). Liquidity of emerging markets. *Journal of Financial Economics*, 77(2), 411-452.
- Liang, S. X., & Wei, J. K. (2012). Liquidity risk and stock returns around the world. *Journal of Banking & Finance*, 36(12), 3274-3288.
- Marshall, B. R., & Young, M. (2003). Liquidity and stock returns in pure order-driven markets: evidence from the Australian stock market. *International Review of Financial Analysis*, 12(2), 173-188.
- Rouwenhorst, K. G. (1999). Local return factors and turnover in emerging stock markets. *The Journal of Finance*, 54(4), 1439-1464.
- Sharpe, W. F. (1964). Capital asset prices: A theory of market equilibrium under conditions of risk\*. *The Journal of Finance*, 19(3), 425-442.



# IDENTIFYING THE OPPORTUNITIES AND CHALLENGES IN POTENTIAL CULTURAL HERITAGE TOURISM DESTINATION- A CASE OF SINDH, PAKISTAN

Dr. Sadia Shaikh<sup>1</sup>, Muhammad Faisal Sultan<sup>2</sup> and Waqar Akbar<sup>3</sup>

## Abstract

*This empirical study was conducted to provide a structural context for deliberating the potential of the Upper Sindh region, in Pakistan, as a vibrant tourism destination, on the grounds of its rustic natural beauty, rich and resplendent history, and its archaeological, cultural heritage. The strong historical background of Sindh dates to the Indus Civilization, which has evidenced the royal regimes and dynasties and have left their historical marks on the sands of time. These landmarks are not only of interest to historians and archaeologists but also can be of immense interest to modern day tourists. The need is to develop the infrastructure to support tourism, which must not be left only to government tourism departments but should be taken up by private entrepreneurs. The study is focused on evaluating the appropriateness of this area, based on key determinants of such a prospect available in the literature on cultural tourism. In the process, an effort was also made to identify opportunities available to be tapped, and challenges to be addressed, in order to meet the expectations as well as satisfy the needs of potential tourists, both national and international. The primary data was collected in this regard through a closed-ended questionnaire adapted from prior studies associated with the theme and sample has been collected through convenience sampling from urban areas of Sindh. The results of the study indicated that cultural tourism has a definite impact on the heritage and increases the probability of profit for the destination through enforcing cultural associations. This study will help policymakers to devise appropriate policies to promote Sindh as a prospect cultural tourism destination.*

**Keywords:** Cultural Heritage, Sindh, Tourism Destination, Exploratory Factor Analysis.

**JEL Classification:** Z000

---

<sup>1</sup>Assistant Professor, Benazir School of Business, Benazir Bhutto Shaheed University, BBSUL, Karachi.  
Email: [sadiakhurram@live.com](mailto:sadiakhurram@live.com)

<sup>2</sup>Assistant Professor, Faculty of Management Sciences, KASBIT, Karachi, Pakistan. Email: [mfaisal@kasbit.edu.pk](mailto:mfaisal@kasbit.edu.pk)

<sup>3</sup>Assistant Professor, Department of Business Administration, SZABIST, Karachi, Pakistan.  
Email: [waqar.akbar@szabist.edu.pk](mailto:waqar.akbar@szabist.edu.pk)

### Introduction

Tourism industry holds an essential value in the development process of a country’s economy. It plays a significant role in creating job opportunities and fostering the economic development of a country (Popescu, 2016a). The tourism industry has seen tremendous expansion around the globe as many countries are endeavoring to expand their tourism industry in order to derive benefit in the shape of enhanced economic output (Popescu, 2016b). According to the World Tourism Organization (UNWTO, 2019), the tourism industry has witnessed continued expansion and diversification worldwide, making it one of the largest and rapidly developing economic sectors in the world. Various new destinations have emerged, reviving, and challenging the traditional ones. According to the UNWTO annual report 2019, international tourist arrivals grew by 6% in 2018 to reach 1.4 billion tourists worldwide.

The statistical figures for South Asia show that the region has also seen tremendous growth in terms of international tourists’ arrivals. The overall increase in tourist arrivals is estimated at about 6% for the year 2018. However, the market share of Pakistan tourism is extremely limited, representing about 0.1% share of the total Asian market, but the data shows that the country has experienced an increase in tourism activities throughout past years. The number of tourist arrivals increased to 1.75 million in 2017 alone, resulting in the direct contribution of tourism to Pakistan’s GDP of US\$19.4 billion in 2018.

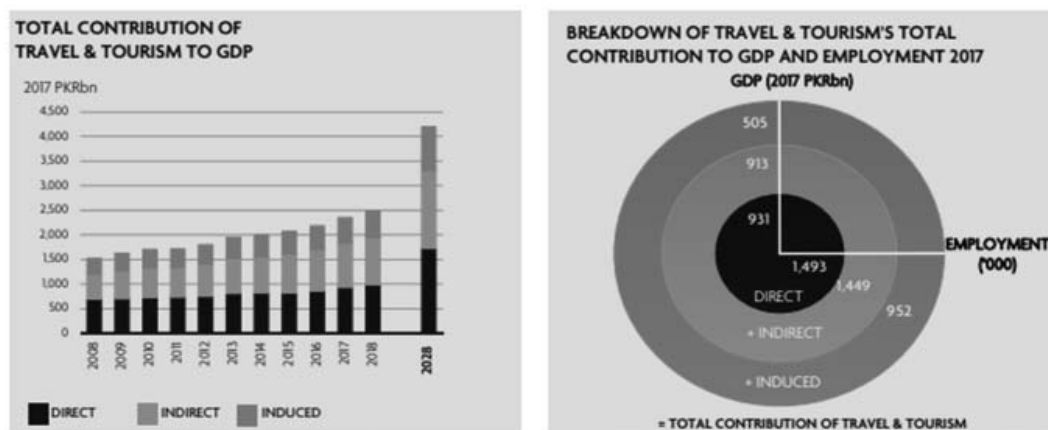


Figure 1: Contribution of travel & tourism in GDP and Employment  
 Source: World Travel and Tourism Council (WTTC) 2018.

As postulated by Tindeche, Mărcuță and Honțuș (2018), the tourism industry is usually backed and upheld by the Governments and treated as an important macroeconomic impetus to generate

employment opportunities. Similarly, the private sector investments dominate the tourism sector in Pakistan whereas the public sector merely plays the role of a facilitator only (Planning Commission, 2011). However, in Pakistan, this sector is not very actively involved in promoting different travel destinations in the country. Travel and tourism competitiveness index (TTCI, 2017), indicates that the country ranked 124 among 136 countries around the globe included in the survey. “Pakistan has been confronting multifarious predicaments at the policy formulation as well as execution levels to utilize the natural tourism potential of the country due to many constraints including societal and religious fanaticism, futile promotional strategies, absence of primary infrastructure, and ineffective tourist services” (Planning Commission, 2011).

Even compared to other countries in South Asia the tourism industry in Pakistan has not been able to pick up internally as well as for foreign tourists in competition with other countries in the region, internationally. One of the reasons for weak domestic travel may be related to the overall socio-economic condition prevailing in the country which makes people hesitant to travel anywhere.

Pakistan was positioned as one of the top twenty (25) tourist destinations for its diversity and presence of world heritage sites by the World Economic Forum’s Travel & Tourism Competitiveness Report published in 2009. But the image of Pakistan as an unsafe travel destination has not been helpful and is often wrongly portrayed, particularly in the media. If the socio-economic condition of the leading travel destinations is reviewed it is seen that conditions elsewhere too are not always incredibly positive and favorable, yet tourism activity is on the rise there. All this is because of the positive image of these countries which is presented in order to promote the tourism industry (San Martín, Herrero, & García de los Salmones, 2018; Kazmi, 2008). It is emphasized in the available literature that a destination’s attractiveness is derived largely from its image (Tarlow, 2002). A number of local tourists in Pakistan go abroad to spend their vacations, or for other tourism-related activities. These local tourists could be attracted towards domestic tourism destinations given the right incentive.

#### *Tourism Potential of Sindh*

Pakistan is home to some of the world’s oldest civilizations. It is a populous country with deep-rooted traditions. The subsistence of Indus Civilization relics in the South, the remarkable heritage of Mughal Emperors in the Punjab, and the remnants of Gandharan Civilization in the North and are incomparable examples of Pakistan’s cultural assets (Planning Commission, 2011).

Among the four provinces, Sindh particularly has a strong historical background. Its history dates back to some four thousand years. The area is widely recognized as one of the oldest cradles of civilization in the world. Sindh’s historical background is reflected in the traditions and customs of the people who live here – the region’s past has left a profound impression on the existing social norms. Any tourist visiting the area cannot avoid experiencing its cultural essence and feeling its vibrancy. Interestingly enough, there is still great diversity in the customs, culture, and cuisine savored by the

people living in the area - that could come as a surprise to foreign tourists who normally expect more homogeneity in a region's culture. A major reason for this diversity is that numerous tribes and armies of people have arrived here over centuries from distant lands and settled here to become its naturalized citizens (Dawn, 2019).

The promotion of this area's culture and heritage would not only help earn much needed foreign exchange, but it will also create sources of income for the people, improve their living standards and perhaps help preserve Sindh's heritage assets with greater commitment and in a more positive manner. There are numerous tourist attractions in Sindh for all classes of tourists, such as locales endowed with natural scenic beauty, areas carrying the marks of colorful and eventful history, and also truly ancient sites. From rich heritage landmarks to amazing crafts nurtured over the years, Sindh offers a unique blend of art and culture to enjoy and carry lasting memories of, for the serious traveler (Dawn, 2019).

#### *Unique Destination Experience- The Sindhi Culture*

The economy of Pakistan has been supplemented with \$ 283 million due to two main elements i.e. natural beauty and sacred places. In fact, Pakistan is the country which has holy places not only associated with Muslims but also with Sikh, Hindu and Christians and others (Rasul, Fatima, & Sohail, 2016). Although research work conducted in this regard has been very limited especially, very few studies were found which highlighted tourism for the economic development or poverty alleviation. Within the limited literature available, Mangan and Lohano (2015); and Rasul, Fatima and Sohail (2016), have conducted studies on tourism related to the Sindh province and theorized that Sindh province has a variety of sources which might enhance revenue streams through fostering tourism. Therefore, the essence of this paper is not based only on nature-based tourism nor only on religious tourism and hence through this study authors want to highlight the impact of cultural heritage of Sindh on the tourism development. The finding of the study will add to the existing body of literature as there are very few studies available on the subject. Moreover, this study attempts to validate the tourism potential and tourists demands for Sindh tourism which will contribute to propose the sector-specific policy implications.

#### **Research Objectives**

The research undertaken as part of this study was designed to unravel concrete evidence to back the development of the Upper Sindh region, from the point of view of potential tourists, as a favorable travel destination that would attract visitor traffic from within the country; other countries in the region; and the rest of the world. The focus of this research is primarily to understand the importance of nineteen (19) elements, identified through literature, on tourism destination development and to match the presence of these facilities in Sindh, as a cultural heritage tourism destination. These nineteen infrastructural elements include accommodation, regional cuisines, low

cost affordable packages, high-cost luxurious packages, interesting day trip activities, availability of transport facilities, accessibility of location, cleanliness of destination, authenticity of heritage sites, diverse cultural attractions, favorable climate conditions, nightlife entertainment, sports and recreational activities, arrangement of cultural festivals, religious events, and availability of unique opportunities to relax.

### **Literature Review**

The tourism industry has been experiencing rapid growth worldwide over the last few decades and is considered as the third largest industry after oil and automobile (Haller, 2016). The emerging competencies within the industry have further stimulated the yearning to explore new frontiers and develop distinctive and innovative ways to market tourism destinations (Fyall, 2019). The spread of globalization has aroused the need among the custodians of the industry to compete and offer unique tourism products to circumvent the competitive clash (Tribe, 2016).

Every likely destination has been gearing up to compete globally and the yields driven by the tourism industry in terms of revenue generation have generally moved upwards adding to the progress and economic betterment of populations across the world (Adu-Ampong, 2018). This observation presents considerable motivation and rationale for countries to advance in the right direction, to stimulate better strategy development and to attract more tourists to further advance their tourism industry (Hall & Jenkins, 2003).

Wallace and Pierce (1996), categorized traditional tourist destinations based on five considerations: attraction, transport, accommodation, supporting facilities and infrastructure. Attraction, according to them was the main factor which drives a tourist towards his travel destination. The other considerations are expected to be available in order to complete the journey to the traveler's satisfaction.

Tourism has become far more competitive today, requiring tourist destinations to provide an array of services and facilities for the more discerning customer or traveler. In addition, it must deliver unique expectations in terms of distinctiveness and exclusivity in the tourism experience it creates. This experience may be described in terms of adventure tourism, cultural heritage tourism, ecotourism, or even cyber-tourism. The underlying features of the tourism experiences have been theorized as four realms: education, esthetics, escapism and entertainment (Gilmore & Pine, 2002; Stamboulis & Skayannis, 2003), however only circumstantial evidence exist to support this notion.

In the cultural context it has been said that: "Distinctiveness refers to the way a particular cultural product distinguishes itself in the cultural market place; the attributes encompass its scale of being spectacular - authenticity & preservation, unusual, time-bound (seasonality & availability), and prestige or a combination of these attributes" (Lindberg, 2009).

Alternative tourism, a recent phenomenon, has taken various forms in its recent history. It is said that alternative tourism has focused on the protection of the natural and cultural environment (Shin, 2010). But it also tends to cater to other niche markets, where tourists choose a destination with specific tourism products and places, apart from the conventional tourism elements like sun, sand, and beach. Russo and Van Der Borg (2002), refer to the subject of tourist's easiness and comfort towards cultural destinations and state that investments in cultural infrastructure, resources, and events, could be a means of securing a niche position in the destination's marketplace. Destinations need to manage and promote their cultural and heritage resources by building strong infrastructures based on their unique cultural themes, promote traditional cultural resources, arrange cultural events, and continuously reinvigorate their historical and cultural heritage.

### *Cultural Tourism*

With a rapid increase in tourism development, the industry has witnessed the emergence of cultural tourism as a major form of alternative tourism. The discerning tourist has demonstrated a keen interest in diversified cultures and heritage of diverse locations. Cultural resources have provided the means to meet tourists' psychological needs, enabling them to touch the true essence of history and origin of values. With cultural tourism, the vibrancy of culture and adventuring of tourism come together to satisfy the specific needs and concerns of tourists whose main inspiration of travel stretches from activities including experiencing the performing arts, visual arts, crafts, museums and cultural centers, historic sites and interpretive centers, cultural industries and cultural events. (Lindberg, 2009). Richards (1997), defined cultural tourism as, "all movements of a person related to precise cultural attractions, such as sites related to national legacies, artistic and cultural exhibitions, arts and drama presentations, beyond their usual residence place or environment".

The time period from the late 1980s has been an era wherein increased attention has been paid to cultural tourism, with a focus on extensive research (Balcar & Pearce, 1996). Cultural tourism is determined towards conservation and restoration of the domestic culture (Nusser, 2005). The preservation of heritage and promotion of cultural aspects are the key features for cultural tourism development. Developments of villages based on their cultural origins create cultural villages.

Cultural heritage tourism can generate substantial economic benefits on economies and local regions owing to cultural tourism local traditional jobs are maintained or revived (MacDonald & Jolliffe, 2003). The Nordic World Heritage Foundation (NWHF) highlighted, that although culture heritage establishes the basis for tourism development, tourism has the influence to create incomes that make preservation and maintenance of cultural resources possible (Lindberg, 2009).

Promoting cultural and heritage tourism products create new opportunities for tourists to acquire knowledge about the diversified cultures, customs, values, and traditional lifeways of the destination. Pakistan has a vast potential for tourism due to its rich culture and heritage (Arshad, Iqbal,

& Shahbaz, 2018). However, Ullah, Khan and Haq (2018), assert that, due to lack of unified planning and management strategies, the tourism industry in Pakistan has not been promoted significantly and lagging behind. Similarly, Arshad, Iqbal, and Shahbaz (2018) suggest that due to many vacuums and loopholes in the system, the tourism potential of the country has not been exploited and issues need to be genuinely addressed.

#### *Research Hypothesis*

The following hypothesis were established on the basis of research objectives of this study:

- H1A:* There is no difference in the availability of proper accommodation facilities in Sindh as a cultural tourism destination.
- H2A:* There is no difference in the availability of authentic regional cuisine facilities in Sindh as a cultural tourism destination.
- H3A:* There a no difference in the availability of low-cost tourism packages in Sindh as a cultural tourism destination.
- H4A:* There is no difference in the prevalence of high-cost luxurious packages in Sindh as a cultural tourism destination.
- H5A:* There is no difference in the occurrence of interesting day trip activities in Sindh as a cultural tourism destination.
- H6A:* There is no difference in accessibility to transport facilities in Sindh as a cultural tourism destination.
- H7A:* There is no difference in the accessibility of tour locations in Sindh as a cultural tourism destination.
- H8A:* There is no difference in the availability of shopping facilities in Sindh as a cultural tourism destination.
- H9A:* There is no difference in the requirements of safety and security measures in Sindh as a cultural tourism destination.
- H10A:* There is no difference in the requisite for the cleanliness of location, in Sindh as a cultural tourism destination.
- H11A:* There is no difference in the presence of the unspoiled nature in Sindh as a cultural tourism destination.
- H12A:* There is no difference in the presence of authentic heritage sites in Sindh as a cultural tourism destination.
- H13A:* There is no difference in the presence of diverse cultural attractions in Sindh as a cultural tourism destination.
- H14A:* There is no difference in the expected and preferred climate conditions in Sindh as a cultural tourism destination.
- H15A:* There is no difference in the occurrence of nightlife entertainment in Sindh as a cultural tourism destination.

*H16A*: There is no difference in the presence of sports and recreational activities in Sindh as a cultural tourism destination.

*H17A*: There is no difference in the arrangements of cultural events in Sindh as a cultural tourism destination.

*H18A*: There is no difference in the arrangement of religious events in Sindh as a cultural tourism destination.

*H19A*: There is no difference in the availability of a unique opportunity to relax in Sindh as a cultural tourism destination.

### **Research Methodology**

This paper has used both descriptive and inferential statistics, following the footsteps of Rasul et al. (2016), and Mangan and Lohano (2015), in order to provide a thorough analysis of variables and parameters used in the study. Both reference papers have used descriptive as well as inferential statistical techniques in order to highlight the reliability of data and inference of data on entire population on the bases of sample derived. The data is collected through close-ended questionnaire from 264 households through stratified random sampling technique. According to Ali and Bhaskar (2016), descriptive statistics are effective to generate summary of all the variables associated with the data, while the inferential statistics are used for the purpose of inference on the bases of sample deducted from the population.

Survey research techniques have been used to identify and investigate the prospect of leveraging the rich cultural heritage of Sindh to convert it into a cultural heritage tourist destination. The data for the study was collected from the target sample from three cities namely Karachi, Sukkur and Khairpur. While Sukkur and Khairpur are part of the research area, Karachi is Pakistan's largest metropolis with a diverse population base and a higher proportion of experts and regular travelers. Moreover, the population of this study is all the Non-Sindh residents who visit various tourist places of Sindh Province of Pakistan.

#### *Research Area*

The focus of this research is on the Upper Sindh area comprising three districts: Khairpur, Sukkur and Larkana. Each of these districts is rich and diverse in its cultural heritage and offers unique tourism opportunities. The three districts form a geographical triangle and are connected to each other through road, rail, and airways.

#### *Sukkur*

Sukkur is at a distance of about 400 km from Karachi, from where it is accessible by air, by road or by train. The district consists of rich cultural and architectural resources including the magnificent Sukkur Barrage, rare wildlife attraction of blind dolphin, the Lansdowne Bridge, the



temple of *Sadh Belo* built on *Bukkar Island*, the Minaret of *Mir Masum Shah*, the tomb of seven sisters *Sateen Jo Aastan*, the Paleolithic *Aror* hill site, and the *Seeraj-ji-Takri* - a Buddhist archaeological site, as well as many other such sites.

#### *Khairpur*

Khairpur district is located in the southeastern part of Sindh, at a distance of about 380 km from Karachi, and is accessible by road and rail. The city is famous for its date palms and has an array of tourist attractions including *Faiz Mahal*, a remnant of the *Talpur* dynasty, the magnificent Kot Diji Fort, and *Sachal Sarmast* shrine. Other than numerous historical and ancient sites Khairpur district is the gateway to the *Nara* desert comprising many ancient sites, temples, natural lakes with fish to catch and the stopping point for migratory Siberian birds in the winter season.

#### *Larkana*

The city of Larkana is the fourth largest in Sindh, and the nearest city to the famous tourist site of Mohenjo-Daro a magnificent archaeological site that dates back to 2600 BC. The site has been a great attraction for historians and archaeologists all over the globe.

#### *Tool and Techniques*

The approach used in this research is quantitative in nature. SPSS software was used for the analysis of statistical data. The survey tool was adopted from the study of Rasul et al. (2006) and in framing the questions, research variables were drawn from Crouch and Ritchie (2000), Destination Competitiveness Model. Nineteen (19) infrastructural elements for a competitive cultural tourism destination were identified and incorporated in the study. The questionnaire mainly consisted of three parts, the first one comprising of questions related to respondents' profile and demographics; the second part contained questions with respect to tourist satisfaction related to the infrastructure of a competitive destination; whereas the third part consisted of questions related to the availability of facilities and the satisfaction level of tourist regarding Sindh as a cultural tourism destination. The survey was conducted during the summer months of 2018. The field teams approached the respondents face-to-face at the key tourists' places, hotels, bus terminals and airports at the cities mentioned above. In total 500 tourists were contacted in person, of them 426 agreed to participate in the survey indicating the response rate of 85.20 percent. Empirical data was collected to understand the market potential for tourism development, to know customers' preferences and expectations from a vibrant tourist destination – comprising one or more destinations - especially rich in terms of culture and heritage.

The data was tabulated, summarized, and analyzed with descriptive statistics in coherence with McGill and Dombrowski (2017), exploratory factor analysis (EFA) was conducted. Moreover, in

order to check the proportion of variance in variables that might be caused by underlying factors, the Kaiser Mayer Olkin (KMO) test and Bartlett's test of sphericity were also run. Lastly, the pair sample test was done to compare the paired means with a t-test to see which hypotheses are accepted and what are real factors and opportunities to develop cultural tourism in Sindh.

### Data Analysis and Results

Table 1 summarizes the demographic information of the respondents. The table illustrates that the majority (66.2%) of the respondents were male. As far as the age distribution of sample respondents is concerned, the majority (45.07%) was in the age group of 31-40 years and only 1.41% were senior citizens. This sample shows that male, university graduates (78.87%) of the age bracket of 31-40 clearly dominated the sample.

Table 1  
*Respondents' Profile*

Demographic Factor	% of Total Respondents
<b>Gender:</b>	
Male	66.20
Female	33.80
<b>Total %</b>	100
<b>Age:</b>	
21-30	15.49
31-40	45.07
41-50	26.76
51-60	4.23
61-65	7.04
65+	<b>1.41</b>
<b>Total %</b>	100
<b>Education:</b>	
Secondary School	1.41
Intermediate	16.90
University	78.87
Others	<b>2.82</b>
<b>Total %</b>	100

*Factor Analysis*

The factor analyses approach is used to configure the multivariate data. An extensive review of literature derived nineteen (19) infrastructural elements for a competitive cultural tourism destination. Furthermore, the exploratory factor analysis has been employed to validate the association of each construct with the items taken for the study.

Table 2  
*KMO and Bartlett's Test*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.779
Bartlett's Test of Sphericity	Approx. Chi-Square	4111.137
	df	171
	Sig.	.000

The results of exploratory factor analysis in table 2 show the KMO statistics of 0.779 which validates that the study sample size is adequate enough to run the factor analysis on the data. The Bartlett test of Sphericity test generates the chi-square value of 4111.137 which is highly significant at  $p < 0.05$  suggesting that there is no identity matrix in the variables used in the factor analysis.

Table 3  
*Variance Explained*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.398	33.672	33.672	6.398	33.672	33.672	3.443	18.123	18.123
2	2.523	13.281	46.953	2.523	13.281	46.953	3.117	16.407	34.531
3	1.365	7.186	54.139	1.365	7.186	54.139	2.768	14.566	49.097
4	1.140	6.001	60.139	1.140	6.001	60.139	1.770	9.317	58.414
5	1.065	5.605	65.744	1.065	5.605	65.744	1.393	7.330	65.744
6	.890	4.686	70.429						
7	.785	4.132	74.561						
8	.772	4.065	78.626						
9	.684	3.597	82.223						
10	.606	3.190	85.413						
11	.544	2.865	88.278						
12	.463	2.435	90.713						

(Table Continued...)

13	.422	2.220	92.933
14	.325	1.713	94.646
15	.317	1.666	96.313
16	.233	1.225	97.537
17	.204	1.071	98.608
18	.149	.785	99.394
19	.115	.606	100.000

Extraction Method: Principal Component Analysis.

For factor analysis to produce appropriate results it is essential that there should be a sound relationship among the items of the construct and for that Bartlett test of Sphericity has to be significant. The statistics in table 4. the Total Variance Explained show that 19 infrastructural elements should be reasonably grouped into five categories which cumulatively explained 65.274% of the variation in destination competitiveness variable.

Table 4  
*Total Variance Explained*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.398	33.672	33.672	6.398	33.672	33.672	3.443	18.123	18.123
2	2.523	13.281	46.953	2.523	13.281	46.953	3.117	16.407	34.531
3	1.365	7.186	54.139	1.365	7.186	54.139	2.768	14.566	40.097
4	1.140	6.001	60.139	1.140	6.001	60.139	1.770	9.317	58.414
5	1.065	5.605	65.744	1.065	5.605	65.744	1.393	7.330	65.744
6	.890	4.686	70.429						

The five factors have been extracted on the basis of their eigenvalues in which a factor is chosen if it has an eigenvalue 1 and above. The exploratory factor analysis (EFA) results in table 5 show that all factor loadings are greater than 0.5 cutoff value which means that all constructs are significantly related to the study items. Moreover, the Cronbach's alpha as a measure of internal consistency illustrates that all values are higher than 0.7 which determines the close relationship of each set of items in their respective group.

Table 5  
*Exploratory Factor Analysis (EFA)*

<b>Factors</b>	<b>Exploratory Factor loadings</b>	<b>Cronbach Alpha</b>
INF#1	.866	.774
INF#2	.644	
DSTUT#2	.841	.873
DSTUT#4	.816	
DSTUT#1	.679	
DSTUT#3	.564	
ATTR#2	.848	.856
ATTR#3	.767	
ATTR#1	.594	
ACVT#2	.848	.807
ACVT#3	.749	
ACVT#4	.665	
ACVT#1	.590	
PHENT#4	.804	.884
PHENT#1	.789	
PHENT#5	.716	
PHENT#3	.634	
PHENT#6	.547	
PHENT#2	.504	

Furthermore, the Cronbach's alpha as a measure of internal consistency illustrates all values are higher than 0.7 which determines the close relationship of each set of items in their respective group. Table 5 indicated that values for EFA are lesser than 0.7 for some elements associated with constructs which need to be evaluated. However, the value of Cronbach Alpha for all the constructs is more than 0.75 which legitimates the use for these constructs.

The pair sample test in table 6 illustrates that the difference in means of all the pairs except pair 5<sup>th</sup> and pair 18<sup>th</sup> are statistically significant with all p values  $p < 0.05$  in the two-tailed test, so except for H<sub>5A</sub> and H<sub>19A</sub>, all hypotheses are accepted. In the next section, the statistical results for all hypotheses are discussed in detail.

Table 6  
Paired Sample t-test

Perceived Importance of tourist infrastructure- TI VS actual satisfaction level with TI	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Proper Accommodation Facility (Hotel) – No Proper Accommodation Facility (Hotel)	3.638	1.2149	.05884	1.4946	1.814	27.76	425	.000
Pair 2 Local Cuisine- No Local Cuisine	3.339	1.0480	.05081	1.3252	.83227	14.413	425	.000
Pair 3 Low Cost Packages – No Low-Cost Packages	2.996	1.1004	.05331	1.3818	2.5974	9.248	425	.000
Pair 4 High Cost Luxurious Packages- No High Cost Luxurious Packages	4.380	1.6902	.08192	1.7481	2.4779	7.737	425	.000
Pair 5 Interesting Day Trip Activities – No Interesting Day Trip Activities	1.217	1.2347	.05981	.08939	0.1473	0.471	425	.638
Pair 6 Transport Facilities - No Proper Transport Facilities	2.212	1.2332	.05978	1.0937	1.2877	20.26	425	.000
Pair 7 Accessibility- Inaccessibility	3.437	1.2734	.06172	.27305	.51569	6.389	425	.000
Pair 8 Shopping- No Shopping	3.141	1.2811	.06208	.77938	1.0244	14.519	425	.000
Pair 9 Safety & Security- Lack of Safety & Security	3.352	1.2871	.06238	.13090	.37614	4.064	425	.000
Pair 10 Overall Cleanliness- Insufficient Cleanliness	3.126	.97328	.04716	-2.536	2.0199	4.80	425	.000
Pair 11 Unspoiled Nature- Lack of Unspoiled Nature	3.003	1.1130	.05397	-.4411	-.23195	6.263	425	.000
Pair 12 Authentic Heritage Sites- Lack of Authentic Heritage Sites	3.155	1.2067	.05847	.47663	.70647	5.117	425	.000
Pair 13 Diversity of Cultural/Historical Attractions- No Diversity of Cultural/Historical Attractions	2.963	1.1696	.05668	.49422	.71705	10.684	425	.000
Pair 14 Climatic Conditions-Unsuitable Climatic Conditions	3.955	1.1210	.05436	.48471	.69839	6.883	425	.000
Pair 15 Night Life & Entertainment- No Nightlife & Entertainment	3.462	1.2544	.06078	.31716	.55608	5.184	425	.000
Pair 16 Sport & Recreational Activities- No Sport & Recreational Activities	4.530	1.2737	.06189	.67094	.4265	5.876	425	.000
Pair 17 Cultural Events- No Cultural Events	5.914	1.1831	.05733	.57745	.8083	1.038	425	.000
Pair 18 Religious Events & Festivals- No Religious Events & Festivals	4.108	1.3444	.06538	.88558	1.459	2.511	425	.000
Pair 19 Opportunity to Relax- No Opportunity to Relax	2.051	1.3509	.06551	.04425	.21327	1.290	425	.198

---

### Research Findings and Conclusions

On the bases of the result achieved through statistical inferences the following assertions have been established:

- *H1A is accepted which indicate that there is no difference in the availability of proper accommodation facilities in Sindh as a cultural tourism destination.*
- *H2A is accepted which asserts there is no significant difference in the availability of authentic regional cuisine facilities in Sindh as a cultural tourism destination.*
- *H3A is accepted which demonstrate that there is no difference in the availability of low-cost tourism packages in Sindh as a cultural tourism destination.*
- *H4A is accepted which signifies that there is no difference in offered high-cost luxurious packages in Sindh as a cultural tourism destination.*
- *H5A is rejected which indicates that there is a significant difference in the occurrence of interesting day trip activities in Sindh as a cultural tourism destination.*
- *H6A is accepted that there is no difference in accessibility to transport facilities in Sindh as a cultural tourism destination.*
- *H7A is accepted reflecting that there is no significant difference in the accessibility of tour locations in Sindh as a cultural tourism destination.*
- *H8A is accepted signifying that there is no difference in the availability of shopping facilities in Sindh as a cultural tourism destination.*
- *H9A is accepted suggesting that there is no difference in requirements of safety and security measures in Sindh as a cultural tourism destination.*
- *H10A is accepted indicating that there is no difference in the requisite for the cleanliness of location, in Sindh as a cultural tourism destination.*
- *H11A is accepted indicating that there is no difference in the presence of the unspoiled nature in Sindh as a cultural tourism destination.*
- *H12A is accepted asserting that there is no difference in the presence of authentic heritage sites in Sindh as a cultural tourism destination.*
- *H13A is accepted demonstrating that there is no difference in the presence of diverse cultural attractions in Sindh as a cultural tourism destination.*
- *H14A is accepted reflecting that there is no difference in the expected and preferred climate conditions in Sindh as a cultural tourism destination.*
- *H15A is accepted suggesting that there is no difference in the occurrence of nightlife*

*entertainment in Sindh as a cultural tourism destination.*

- *H16A is accepted indicating that there is no difference in the presence of sports and recreational activities in Sindh as a cultural tourism destination.*
- *H17A is accepted representing that there is no difference in the arrangements of cultural events in Sindh as a cultural tourism destination.*
- *H18A is accepted indicating that there is no difference in the arrangement of religious events in Sindh as a cultural tourism destination.*
- *H19A is rejected demonstrating that there is a significant difference in the availability of unique opportunity to relax in Sindh as a cultural tourism destination.*

Based on the above hypothesis results, it can be concluded that the perception of local residents is indicating betterment in the facilities associated with tourism in Sindh and thus they indicate a potent change in the difference of these facilities in the development of Sindh as a tourism destination. Moreover, on the bases of findings obtained following inferences have been made:

Sindh has a vast reservoir of heritage sites, including two World Heritage Sites of Mohenjodaro and Makli Necropolis, along with innumerable heritage centers such as Khairpur, Rohri, Sukkur, Larkana, Shikarpur in Upper Sindh and Hyderabad and its surrounding areas in Lower Sindh. Once restored and properly marketed, these sites could become incredibly attractive tourism destinations. Serious implementation and measures are needed to preserve authentic sites and prevent misuse or harm being caused. Proper protocol must be assured for those visiting these sites, and the presence of guides with the right orientation and training is essential to turn every trip into a rich experience. The province is culturally, archaeologically, and geographically rich in all aspects and capable of providing diverse experiences. Hence, the market should not only be limited to local tourists but should be strongly focused on foreign tourists as well.

Regardless of the security concerns and deteriorating law and order situation, there is a continuous increase in tourist traffic in Pakistan. The results revealed that the facilities associated with tourism in Sindh Province are also increasing and perception of respondents also indicated that their improvement is significant in the destination development to foster tourism-related activities. Moreover, through gauging knowledge about the main facets of tourism, the presence of day trip activities related to heritage and cultural tourism may also have an effective impact which may aid in increasing tourism activity.

Factors like accommodation, authentic cuisine, heritage monuments, cultural sites, religious and cultural events, sports facilities, and shopping elements are all present in Sindh, providing evidence of a strong base for the development of a tourism destination. Moreover, climate conditions also not expressively impact the preference of visitors. Therefore, it is assumed that there is no difference



due to the change in the atmosphere of Sindh and the visitor's enjoyment remains constant. Overall, the tourism industry in Pakistan faces many challenges and competition from destinations across borders, but proper planning and promotion on the basis that all heritage sites are unique will pay rich dividends.

#### *Recommendations and Area for Future Research*

On the bases of the detailed conclusions drawn from results, it is suggested that officials associated with the tourism industry should take a keen interest in developing tourism in Sindh, as majority of the respondents approved the region's potential as a cultural tourism destination. These recommendations are important as Sindh is supplemented with the immense heritage of natural, cultural, and regional heritage and improvement in opportunities of tourism in the location will obviously improve visit rate and aid in economic development.

Moreover, in contrast to the international tourist destinations, it is recommended that the private-sector corporations must also start taking interest in tourism activities of Sindh to target the foreign and domestic tourists as well. Presence of day trip activities and unique opportunities to relax elements were found missing in the proposed region. Contribution by the public as well as private sector may help resolve these concerns.

Lastly, there is a stern requirement of undertaking similar research studies on Pakistan tourism, in general, and on Sindh particularly, as there is a dearth of relevant studies on cultural, heritage, and alternate tourism in Pakistan. Studies can be conducted to identify and document the heritage sites of Sindh Province and meaningful insights could also be provided for the conservation of these sites to market them as unique tourism products.

### **References**

- Adu-Ampong, E. A. (2018). Tourism and national economic development planning in Ghana, 1964–2014. *International Development Planning Review*, 40(1), 75-95.
- Ali, Z., & Bhaskar, S. B. (2016). Basic statistical tools in research and data analysis. *Indian journal of anaesthesia*, 60(9), 662-669
- Arshad, M. I., Iqbal, M. A., & Shahbaz, M. (2018). Pakistan tourism industry and challenges: a review. *Asia Pacific Journal of Tourism Research*, 23(2), 121-132.
- Balcar, M. J., & Pearce, D. G. (1996). Heritage tourism on the west coast of New Zealand. *Tourism Management*, 17(3), 203-212.
- Crouch, G. I., & Ritchie, J. B. (2000). The competitive destination: A sustainability perspective. *Tourism Management*, 21(1), 1-7.
- Dawn. (2019, February 13<sup>th</sup>). Sindh has great potential to attract tourists, Retrieved from <https://www.>

- dawn.com/news/1463435
- Fyall, A. (2019). Tourism Destination Re-positioning and Strategies. In *The Future of Tourism* (pp. 271-283). Springer, Cham.
- Gilmore, J. H., & Pine, B. J. (2002). Differentiating hospitality operations via experiences: Why selling services is not enough. *Cornell Hotel and Restaurant Administration Quarterly*, 43(3), 87-96.
- Hall, C. M., & Jenkins, J. M. (2003). *Tourism and public policy*. Cengage Learning EMEA.
- Haller, A. P. (2016). Tourism industry development in the emerging economies of Central and Eastern Europe (Hungary, Bulgaria, Romania). *Sea-Practical Application of Science*, 4(11), 181-187.
- Kazmi, A. (2008). *Factors Affecting Tourism in Pakistan*. Retrieved from Travel Current Affairs: www.chowrangi.com
- Lindberg, K. (1999). Sustainable tourism and cultural heritage: A review of development assistance and its potential to promote sustainability.
- MacDonald, R., & Jolliffe, L. (2003). Cultural rural tourism: Evidence from Canada. *Annals of tourism research*, 30(2), 307-322.
- Mangan, T., & Lohano, H. D. (2015). Impact of Nature-based Tourism on Local Livelihoods: Evidence from Keenjhar Lake in Pakistan. 54(4), 963-976
- McGill, R. J., & Dombrowski, S. C. (2017). School psychologists as consumers of research: What school psychologists need to know about factor analysis. *Communiqué*, 46(1), 16-18.
- Nusser, B. (2005). Rural Tourism in Morocco The Community-Based Project in the South-Moroccan Village of Timidarte.
- Planning Commission. (2011). *The Framework for Economic Growth*. Planning Commission, Government of Pakistan. International Growth Centre.
- Popescu, A. (2016a). Research on the Concentration of Tourist Arrivals in Romania. *Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development*, 16(1), 417-424.
- Popescu, A. (2016b). The correlation between tourism accommodation capacity and tourist inflow by micro-region of development in Romania. *Scientific Papers: Management, Economic Engineering in Agriculture & Rural Development*, 16(4).
- Rasul, F., Fatima, U., & Sohail, S. (2016). Religion Tourism and Entrepreneurial Development (A Case Study Hazrat Data Ganj Bakhsh Shrine). *South Asian Studies (1026-678X)*, 31(1).275-289
- Richards, G. (1997). Cultural Tourism in Europe: The Social Context of Cultural Tourism. *Wallingford: CAB International*.
- Russo, A. P., & Van Der Borg, J. (2002). Planning considerations for cultural tourism: a case study of four European cities. *Tourism Management*, 23(6), 631-637.
- San Martín, H., Herrero, A., & García de los Salmones, M. D. M. (2018). An integrative model of destination brand equity and tourist satisfaction. *Current Issues in Tourism*, 22(16), 1992-2013.

- Shin, Y. (2010). Residents' perceptions of the impact of cultural tourism on urban development: The case of Gwangju, Korea. *Asia Pacific Journal of Tourism Research*, 15(4), 405-416.
- Stamboulis, Y., & Skayannis, P. (2003). Innovation strategies and technology for experience-based tourism. *Tourism Management*, 24(1), 35-43.
- Tarlow, P. (2002). Event risk management and safety. *John Wiley & Sons, New York*, 6.
- Taylor, J. P. (2001). Authenticity and sincerity in tourism. *Annals of tourism research*, 28(1), 7-26.
- Tindeche, C., Mărcuță, A. G., & Honțuș, A. C. (2018). Evolution of Tourism in the World and National Context. *Evolution*, 18(1).
- Tribe, J. (2016). *Strategy for tourism* (No. Ed. 2). Goodfellow Publisher Limited.
- Ullah, Z., Khan, J., & Haq, Z. U. (2018). Coastal Tourism & CPEC: Opportunities and Challenges in Pakistan. *Journal of Political Studies*, 25(2), 261-272.
- UNWTO. (2019, January). World Tourism Barometer and Statistical Annex, *UNWTO World Tourism Barometer*, 17(1), 1-40.
- Wallace, G. N., & Pierce, S. M. (1996). An evaluation of ecotourism in Amazonas, Brazil. *Annals of tourism research*, 23(4), 843-873.
- WTTC. (2018). Travel & Tourism Economic Impact Pakistan. *World Travel and Tourism Council*.

---

# CAN INCIDENCE OF WORKPLACE BULLYING REALLY BE REDUCED? APPLICATION OF THE TRANSTHEORETICAL MODEL AS TERTIARY STAGE ANTI-BULLYING INTERVENTION

Muhammad Munir<sup>1</sup>, Saman Attiq<sup>2</sup> and Muhammad Zeeshan Zafar<sup>3</sup>

## Abstract

*Current study was aimed at analyzing the phenomenon of bullying, identifying the bullies and victims involved in its incidence and reducing the incidence by implementing anti-bullying interventions at tertiary stage through training and coaching. Individual level and group level anti-bullying interventions of training and coaching were implemented at tertiary stage. Out of 266 respondents in pretest, 25 were identified as bullies from which 22 participated as the subjects in anti-bullying intervention implementation at tertiary stage. Previous studies suggested to use tertiary stage anti-bullying interventions to reduce the incidence of workplace bullying. With respect to medium, use of training followed by coaching of bullies were suggested to implement anti-bullying interventions. Results revealed significant reduction in bullying behaviors of subject bullies in posttest stage with a large effect size. Academia and practitioners can take guidance from the findings of current study to reduce the incidence of workplace bullying. Current study utilized individual level and group level anti-bullying interventions. However, policy level and organizational level interventions should also be tested to broaden the magnitude of anti-bullying intervention's effect.*

**Keywords:** Anti-Bullying Interventions, The Transtheoretical Model, Training, Coaching, Individual Level Interventions, Group Level Interventions.

**JEL Classification:** M120, C910

---

<sup>1</sup>PhD Scholar, University Institute of Management Sciences, PMAS-Arid Agriculture University, Rawalpindi, Pakistan. Email: munir.uaar@gmail.com

<sup>2</sup>Associate Professor, Air University, Islamabad, Pakistan. Email: saman.attiq@mail.au.edu.pk

<sup>3</sup>Assistant Professor, University of Central Punjab, Lahore, Pakistan. Email: zzafarmirza@gmail.com

## Introduction

Organizations strive hard to optimize performance of their resources to accomplish organizational goals and objectives. Studies (Attiq, Rasool, & Iqbal, 2017; DeCelles, DeVoe, Rafaeli, & Agasi, 2019; Hendy, Can, & Black, 2019; Van Vianen, 2018) recommended organizations to elude stressors and provide motivating workplace environment so that achievement of organizational goals and objectives could be made possible. Field (2014) recommended the global poll of Gemini Consulting (1999) as guidelines to tap five most desired workplace characteristics. The poll revealed that workers desired to have better work-life balance, enjoyable work tasks, job security, fair level of remuneration, and co-workers who are enjoyable to be around. On the contrary, workplace stressors deteriorate motivating workplace environment (Hendy et al., 2019). Hence, provision of motivating environment and elimination of stressors become fundamental concern for the scholars and practitioners.

Workplace bullying is an important type of workplace stressor (Paciello, Fida, Tramontano, Ghezzi, & Barbaranelli, 2019) that not only deteriorates motivating workplace environment but also causes a decline in performance. Its incidence occurs through the exhibition of consistent negative behaviors by the organizational members to harass, offend, retaliate, and isolate target employees (Glambek, Skogstad, & Einarsen, 2018). Hence, its incidence needs to be countered (Paciello et al., 2019). Although negative effects of bullying may be mitigated by developing emotional intelligence among victims (Munir & Azam, 2017) in one way, but aggressors also ought to be targeted to reduce bullying incidence on the other hand (Munir, 2019). Previous studies guided to use anti-bullying interventions at primary (Vartia & Tehrani, 2012), secondary (Meloni & Austin, 2011), or tertiary stage (Schwickerath & Zapf, 2011). With respect to medium, the use of training was recommended by Fox and Stallworth (2009) and coaching of bullies was recommended by Walsh (2018) to implement anti-bullying interventions. Hence, the current study implemented anti-bullying TTM interventions implemented at tertiary stage to reduce the incidence of workplace bullying by using training and coaching as the mediums of intervention.

### *Objectives*

The following objectives were set for the study:

- i. To identify bullies and victims in workplace bullying incidence.
- ii. To reduce bullying behaviors of bullies by implementing tertiary stage anti-bullying interventions developed by using The Transtheoretical Model (TTM).
- iii. To evaluate the effectiveness of anti-bullying interventions implementation at posttest settings.

---

## Literature Review

### *Workplace Bullying*

According to Einarsen, Hoel, Zapf, and Cooper (2011), workplace bullying includes repeatedly and regularly exhibited negative behaviors aimed at targeting some other employees where the target employees remain defenseless due to their lower power positions. Furthermore, such negative behaviors bring significant adverse effect on the targets (Einarsen, Hoel, & Notelaers, 2009). It is a systematic process that starts with minor incivility and ends up in bullying. Bullying construct covers various negative behaviors like creating threats, spreading rumors, attacking someone physically or verbally, and excluding someone from a group on purpose (Einarsen et al., 2009). Moreover, contrary to commonly held perceptions, bullying incidence was reported more frequently prevailed at workplace (Nielsen, Glasø, & Einarsen, 2017).

### *Types of Workplace Bullying*

There are three major types of workplace bullying including work-related bullying, personal bullying, and physical bullying (Bartlett & Bartlett, 2011). As personal and physical bullying are oriented towards a person, we discussed the phenomenon in work-related bullying and personal bullying. In work-related bullying, work load is increased to unrealistic levels for disrupting the target, major responsibilities are removed and menial tasks are assigned (Samnani & Singh, 2016). Moreover, exploitation of work process is done to bully others (Foster & Scott, 2015) such as withholding important information (Baillien, De Cuyper, & De Witte, 2011), unjustly controlling organizational resources (Hutchinson, 2013) and stopping career advancement (Clark, Barbosa-Leiker, Gill, & Nguyen, 2015). In personal bullying, direct and indirect ways are used to attack the target (Bartlett & Bartlett, 2011) to bring psychological harms for the target (Baillien et al., 2011) such as ignoring the target (Clark et al., 2015), responding in an inappropriate way (Beach, 2015), spreading gossips, false accusations, lies about the target, excluding and isolating the target (Fox & Stallworth, 2006).

### *Facets of Workplace Bullying*

Agervold (2007) brought a substantial advancement in the literature of bullying phenomenon by combining together four most important facets coming under the umbrella of bullying. He labelled those facets as frequency, duration, intensity and power disparity. He argued that bullying behaviors were exhibited at least once in a week (Mikkelsen & Einarsen, 2002), continued, for a minimum time period of six months (Hoel, Cooper, & Faragher, 2001), brought significant behavioral changes in the targets (Einarsen et al., 2009), and real/perceived power disparity between the bully and the victim prevailed (Hodson, Roscigno, & Lopez, 2006). Therefore, negative behaviors covering these facets are included in workplace bullying.

### *Causes of Workplace Bullying*

There are three most common sources of bullying that include characteristics of bully, victim and work environment (Bowling & Beehr, 2006). All subsequent reasons that explain why people bully others are adjusted in those categories. First reason to bully others cover persuading personality traits of bullies that push him/her to bully others (Clark et al., 2015). Second reason covers personality traits of victims (Pallesen, Nielsen, Magerøy, Andreassen, & Einarsen, 2017). Third reason includes work characteristics and contextual factors which invite occurrence of workplace bullying incidence (Hershcovis et al., 2012). Studies found that professional jealousy, anger issues, desire for vengeance, anxiety (Hershcovis, Reich, Parker, & Bozeman, 2012), superiority complex, and sense of authority/power (Tepper, Duffy, Henle, & Lambert, 2006) encouraged bullies to bully others. According to Ferris, Spence, Brown, and Heller (2012) people bully others because they remained target of bullying that had affected their self-esteem and created inferiority complex for them. Therefore, they bully others to overcome their psychological pressures. Bullies had extroversion and neuroticism (Pallesen et al., 2017). On the contrary, victims had traits of introversion and agreeableness (Pallesen et al., 2017). Third category of work characteristics and contextual factors includes reasons of low performance by the victims (Tepper et al., 2006), toxic working relations (Hershcovis et al., 2012), organizational injustice (Hershcovis et al., 2012), low job autonomy & security (Baillien et al., 2011), and weak organizational culture (Kwan, Tuckey, & Dollard, 2016).

### *Consequences of Workplace Bullying*

Negative effects of workplace bullying range from individual level to organizational level. Some of the most critical individual effects of workplace bullying on victim employee include decreased creativity (Maiuro, 2015), adverse physical and psychological health (Einarsen & Nielsen, 2015), drug addictions (Baker & Pelfrey, 2016), reduced cooperation (Agervold, 2007), suicidal attempts (Lutgen-Sandvik, Tracy, & Alberts, 2007), decreased employee performance (Hansen & Søndergaard, 2018), and increased task errors (Baillien et al., 2009). On the other hand, some of the most critical organizational effects of workplace bullying include financial costs due to high rate of absenteeism, sick leave, payouts, counseling and rehiring (Speedy, 2006), recruitment, selection, retaining, and retraining (Einarsen & Nielsen, 2015), non-achievement of financial goals (Beach, 2015), increased training costs (Foster & Scott, 2015), and increased legal costs (McGee & Byington, 2016). On the other hand non-financial organizational effects include employee turnover (McGee & Byington, 2016), lack of healthy workplace environment (Schutte & Loi, 2014), and decreased organizational productivity (Kwan, Tuckey, & Dollard, 2016).

### *Anti-Bullying Interventions*

Workplace bullying deteriorates workplace environment by creating negative emotional results (Hutchinson, 2013). Hence, its incidence needs to be countered through appropriate

interventions. Nordic Bullying Network Group (2011) provided important guidelines regarding development or implementation anti-bullying interventions. The report provided suggestions for improving physical and psychosocial work environment, improving leadership effectiveness, setting procedures for conflict management and setting fair complaints procedures that work as stimulating factors while intervention implementation.

According to the stage, anti-bullying interventions might be in pre-bullying stage (Vartia & Tehrani, 2012), bullying episodic stage (Meloni & Austin, 2011), and post-bullying stage (Salin, Tenhiälä, Roberge, & Berdahl, 2014). They are also termed as primary, secondary and tertiary interventions respectively. In primary interventions, happening of workplace bullying incidence is prevented in proactive mechanisms such as behavior training, stress management, and policy communication (Hoel, Giga, & Faragher, 2006). However, they are costly, difficult to design & implement and no sufficient empirical evidence is available to justify their effectiveness (Vartia & Tehrani, 2012). In secondary interventions (during bullying attacks), training of emotions is helpful but validity of secondary interventions is questioned (Niven, Sprigg, & Armitage, 2013). Tertiary interventions are effective where after-effects of bullying incidents are focused to be minimized (Schwickerath & Zapf, 2011). Hence, researchers concluded that tertiary stage anti-bullying interventions using ethical infrastructure were appropriate to reduce the incidence of workplace bullying.

#### *The Transtheoretical Model*

The Transtheoretical model assesses a person's readiness to adopt a new healthier behavior by quitting the negative behavior. Willingness to change and readiness to change are prerequisite propositions in the model. It proposes various strategies of change by using theories, constructs and strategies of behavior modification (Prochaska, DiClemente, & Norcross, 1992). It postulates that individuals provoking intentional change have to move through six adjacent stages of change termed as precontemplation (individuals have no intentions to change within the next 6 months), contemplation (individuals have intentions to change within the next 6 months), preparation (individuals are ready to change within the next 30 days), action (individuals successfully change and continue to keep new behaviour for the next 6 months), maintenance (individuals successfully sustain new behaviour for the next 6 months), and termination (individuals have no intentions to return back to old behaviour at any cost) stages. Interestingly, each stage of change uses different strategies for moving to next stage. Here, researcher concludes that willingness to change and readiness to change are the basic propositions of TTM. Therefore, TTM is known as "Stages of Change Model" due to its effectiveness to change various types of negative behaviours by enabling people to quit those behaviours on their own. TTM uses behavioural theories, constructs, and principles & processes of change from leading theories of counselling and behavior change. Hence, researchers believed that bullying incidence could also be effectively reduced by this model. Hence, the following was hypothesized:



*Hypothesis:* Bullying behaviors of the bullies can be reduced by implementing TTM interventions at tertiary stage.

### **Methodology**

According to the objectives of current study, one group pretest-posttest experimental design was used to evaluate the effectiveness of implementing tertiary stage TTM anti-bullying interventions (See Table 1 in Appendix).

During pretest, bullies were identified. In interventions stage, TTM was used as tertiary level anti-bullying interventions through training and coaching. In posttest stage, bullying behaviors were again measured after implementation of interventions. In pretest stage, 346 respondents were taken as sample size required (Krejcie & Morgan, 1970). Responses of 266 respondents were collected by using simple random sampling. As this study was falling within the domain of phenomenology because it explored experiences encountered by the bullies, findings of Creswell (1998) and Morse (1994) were utilized. 25 bullies were taken as sample from which 22 agreed and participated in tertiary stage anti-bullying interventions.

MS Excel and Statistical Package for Social Sciences (SPSS) were used to analyze data. Descriptive statistics and normality analysis were used to describe the data and to decide about appropriate parametric or non-parametric inferential statistics tests to measure differences in bullying behaviors of bullies at two time lags.

#### *Compliance with Ethical Standards*

Researchers complied with the following ethical standards/procedures:

- i. Researchers had no real/perceived and direct/indirect conflict of interest.
- ii. Institutional ethical standards and APA's ethical codes were observed as mentioned in "Ethics in Research with Human Participants" (Sales & Folkman, 2000).
- iii. Informed consents were on "Consent Form".

#### *Training Intervention*

TTM anti-bullying interventions were used at tertiary stage for six months. The interventions were used by conducting weekly training sessions of one hour on individual basis and, sometimes, on group basis. Details are provided below:

- i. Anti-bullying training intervention developed through TTM was implemented on tertiary stage.
- ii. 19 bullies were falling in precontemplation stage whereas three bullies were falling in contemplation stage.
- iii. 19 bullies were trained to make positive “decisional balance” about terminating bullying behaviors.
- iv. 19 bullies were added with second group of 3 bullies to form a homogenous group.
- v. The group of 22 bullies was briefed about decisional balance and provided five major processes of environmental re-evaluation (consider others), dramatic relief (increasing emotional awareness), consciousness raising (becoming more informed), self-re-evaluation, and self-liberation (making a commitment).

Details for training intervention are as in Table 2 (See Table 2 in Appendix).

Group “A” was not ready to change bullying behaviors nor does it has intention to change within next six months. They perceived that pros of ceasing their bullying behaviors were much lower than pros of involvement in bullying. After breaking their incorrect perceptions through empathy by avoiding lectures and confrontations, we engaged them in the process of change. Decisional balance along with consciousness raising and social liberation were used to make them believed that pros of ceasing bullying behaviors were more than cons. In training sessions, they were asked to generate a list of pros, add some more pros in existing list and to triple the number of pros. Then, they were asked to list top three pros for themselves according to their importance (i. Not important, ii. Little important, iii. Moderately important, iv. Very important, v. Extremely important). On the contrary, they were also asked to list top three best cons according their importance. Consequently, detailed discussions were carried with the subjects who showed willingness to move further in TTM training intervention with a sigh of relief from perceived stress.

During contemplation, five major processes of change that included environmental re-evaluation, dramatic relief, consciousness raising, self-re-evaluation and self-liberation were used. They were exposed to consciousness raising, dramatic relief, environmental re-evaluation, self-re-evaluation, and social liberation processes for moving from contemplation stage to preparation stage of change. During preparation, bullies were exposed to experiential processes and behavioral processes of change with a special focus on self-liberation (making strong commitments) to cease bullying. In experiential processes, they were asked to note their experiences and experiential tendencies towards involvement vs. quitting bullying behaviors to raise consciousness about disadvantages of exhibiting bullying. In behavioral processes, they were asked remain committed and go through planned actions, get social support and use perceived positive rewards as motivating inducements to cease bullying.

During action stage, bullies were provided counselling services about helping relationships (getting support), counter conditioning (using substitute behaviors of workplace bullying), reinforcement management (using financial or non-financial rewards), and stimulus control (managing the environment). In maintenance stage, they showed good commitment for ceasing bullying behaviors. Whereas termination stage that required observation of five was left due to limitations of access, time and financial resources.

#### *Coaching Intervention*

Face-to-face coaching sessions were conducted with the participants where different aspects and benefits of TTM were discussed by inviting questions, queries and feelings. During coaching, appropriate pieces of advice, interpretations, and instructions were provided to impart knowledge about negative aspects of workplace bullying and positive aspects of ceasing bullying behaviors. The bullies were provided effective feedback to raise their level of consciousness. They were induced to explore their own covert feelings as if they had experienced bullying behaviors by others. As a complementary step, they were appreciated for making efforts to acknowledge and reduce their bullying behaviors. Coaching intervention ended with an appreciation to the participants.

#### *Measurements*

Researchers used bi-lingual (English and Urdu) version of NAQ-R–Negative Acts Questionnaire-Revised by Einarsen, Hoel and Notelaers, (2009) to assess bullying.

### **Results and Discussion**

Results of descriptive statistics and inferential statistics are provided as per the objectives of the study in the section given below.

#### *Pretest Stage*

In pretest stage, workplace bullying incidence was measured and bullies were identified by using NAQ-R of Einarsen et al. (2009). Respondents indicated frequency of their experience and/or involvement in bullying behaviors during last six months (1. Never, 2. Now and Then, 3. Monthly, 4. Weekly, 5. Daily). A cut of point of 2 (now and then) was utilized to identify. Hence, 25 employees were identified as bullies.

#### *Post-test Stage*

For posttest stage, researchers checked basic assumptions as whether to use parametric tests

or non-parametric tests to measure effectiveness of anti-bullying intervention.

#### *Normality Analysis*

There were two data sets i.e. pretest and posttest. In order to evaluate normality of the data set, researchers used Kolmogorov-Smirnova and Shapiro-Wilk test. Results are as under (See Table 3 in Appendix):

Results of Kolmogorov-Smirnov and Shapiro-Wilk tests revealed that both the data sets were not normally distributed because both the tests were significant.

Hence, Wilcoxon Signed Rank Test (an equivalent non-parametric test against T-Test) was used to measure effectiveness of anti-bullying intervention.

#### *Wilcoxon Signed Ranks Test*

The table 4 shows the results of Wilcoxon Signed Ranks Test (See Table 4 in Appendix).

The results showed that there was a sufficient decrease ( $2.0855 - 1.4459 = 0.6396$ ) in the mean value of bullying behaviors after implementation of anti-bullying TTM intervention. Mean score was 2.0855 when anti-bullying, tertiary level, TTM intervention was not implemented to the subjects. This means that the bullying incidence was reduced to large extent. The results of signed tanks and test statistics to statistically authenticate these results are shown in the tables 5 and 6 (See Table 5 and 6 in Appendix):

Results showed in Table 5 that bullying behaviors of 21 participants were reduced. However, only 1 participant had increased bullying behaviors. This means that the bullies had reduced bullying incidence after implementation of tertiary level TTM anti-bullying intervention.

Results of test statistic in Table 6 are based on the negative ranks. Z-score was negative with significant p-value. Hence, it was concluded that when the bullies were provided anti-bullying TTM intervention, their bullying behavior was significantly decreased.

With respect to evaluate effect size, following details are relevant:

$$\text{Effect size (Cohen's D)} = \frac{z - \text{score}}{\sqrt{\text{number of observations}}}$$

$$r_{\text{TTM}} = \frac{-4.048}{\sqrt{22}} = -0.8630365$$

The value of Cohen's D was more than bench mark value of 0.5 for intervention's effect. Hence, large effect size was concluded as the result of anti-bullying TTM intervention applied at tertiary level that had successfully reduced workplace bullying incidence of subject bullies.

### Discussions

The current study found the evidence of the prevalence of workplace bullying incidence in health care sector of Pakistan. This finding is similar to the findings of Knapp, Vangelisti, and Caughlin (2014) who found a common prevalence of bullying incidence in health care sector. Current study found that provision of TTM as anti-bullying intervention in tertiary (post-bullying) stage had significantly reduced workplace bullying incidence with a large effect size. This finding authenticates the claim of Prochaska et al. (1992) who posed TTM as a remedial intervention against negative behaviors. This finding fills the gap of using TTM as anti-bullying intervention as desired (Evers, Prochaska, Van Marter, Johnson, & Prochaska, 2007). The current study found that the provision of individual TTM anti-bullying intervention used in post-bullying stage had significantly reduced bullying incidence. This finding is coherent with the notion of Salin et al. (2014) who recommended to use anti-bullying interventions at post-bullying stage to effectively counter that problem. The academic discussion in this aspect could possibly lead towards crafting a better conceptualization of workplace bullying phenomenon.

The findings addressed the important concern of developing individual level and group level anti-bullying interventions and implementing them at tertiary stage to reduce workplace bullying incidence. TTM interventions used attribution theory to explain that bullies assigned internal reasons such as pleasure, power, dominance and some external reasons such as toxic workplace environment to justify their bullying behaviors. The bullies explained their perceived benefits of bullying that could be linked to social capital theory. Hence, the interventions effectively reduced bullying behaviors of bullies. These findings showed that the bullies tended to learn new healthy behavior by training and coaching when they recognized bullying a negative activity and ceased bullying to reap positive rewards. These findings are directly linked to theory of planned behavior and theory of reasoned action and expectancy theory respectively. Current study authenticated that TTM model can also be used to cease workplace bullying behaviors. This implies that this model can be converted into a theory of negative behavior modification.

Findings are beneficial for employers, practitioners, and human resource managers. This study guides employers to effectively reduce bullying behaviors by applying individual level and group level post-bullying TTM interventions. Practitioners and human resource managers may utilize conceptualization of training and coaching as effective strategies to reduce bullying incidence. This study guides them to effectively reduce bullying behaviors through training and coaching of bullies. Hence, they would create motivating work environment to achieve organizational goals.

### *Limitations and Future Research Directions*

The current study took individual level and group level anti-bullying interventions rather than using broader levels such as policy level and organizational level due to limitations of time, human and financial resources. This might have limited magnitude of anti-bullying intervention's effect as higher levels of interventions implementation could result such as organizational level (Rayner & Lewis, 2011), country level and/or policy level (Vartia, Lahtinen, Joki, & Soini, 2008). Secondly, current study applied intervention into post-bullying stage. However, interventions might also be implemented at pre-bullying stage (Vartia & Tehrani, 2012) and bullying episodic stage (Meloni & Austin, 2011). Hence, a comparative study of applying TTM in anti-bullying interventions at primary, secondary and tertiary stage or a combination of two or three stages would create an in-depth understanding. Further investigations are required to verify and validate effectiveness of TTM in other occupational sectors, cultures and contexts. Lastly, one group pretest-posttest experimental design was used that might have created issues of generalizability. Moreover, internal validity can be enhanced by future studies by using a parallel control group against experimental group. In spite of these limitations, researchers published results due to the strengths least mortality rate was present and statistical regression also shows an appropriate level of internal validity by getting non-extreme scores.

### **References**

- Agervold, M. (2007). Bullying at work: A discussion of definitions and prevalence, based on an empirical study. *Scandinavian Journal of Psychology*, 48(2), 161-172.
- Attiq, S., Rasool, H., & Iqbal, S. (2017). The impact of supportive work environment, trust, and self-efficacy on organizational learning and its effectiveness: A stimulus-organism response approach. *Business & Economic Review*, 9(2), 73-100.
- Baillien, E., De Cuyper, N., & De Witte, H. (2011). Job autonomy and workload as antecedents of workplace bullying: A two-wave test of Karasek's job demand control model for targets and perpetrators. *Journal of occupational and Organizational Psychology*, 84(1), 191-208.
- Baker, T., & Pelfrey Jr, W. V. (2016). Bullying victimization, social network usage, and delinquent coping in a sample of urban youth: Examining the predictions of general strain theory. *Violence and Victims*, 31(6), 1021-1043.
- Bartlett, J. E., & Bartlett, M. E. (2011). Workplace bullying: An integrative literature review. *Advances in Developing Human Resources*, 13(1), 69-84.
- Beach, L. R. (2015). *The human element: Understanding and managing employee behavior*: Routledge.
- Bowling, N. A., & Beehr, T. A. (2006). Workplace harassment from the victim's perspective: a theoretical model and meta-analysis. *Journal of Applied Psychology*, 91(5), 998-1012.
- Clark, C. M., Barbosa-Leiker, C., Gill, L. M., & Nguyen, D. (2015). Revision and psychometric testing of the incivility in nursing education (INE) survey: introducing the INE-R. *Journal of Nursing Education*, 54(6), 306-315.

- Creswell, J. (1998). *Qualitative inquiry and research design: Choosing among five traditions*. Thousand Oaks, CA: Sage.
- DeCelles, K. A., DeVoe, S. E., Rafaeli, A., & Agasi, S. (2019). Helping to reduce fights before flights: How environmental stressors in organizations shape customer emotions and customer-employee interactions. *Personnel Psychology*, 72(1), 49-80.
- Einarsen S, Hoel H, Zapf D., & Cooper C. L. (2011). *Bullying and Harassment in the Workplace: Developments in Theory, Research and Practice*. (2nd Ed.) London and New York: Taylor & Francis.
- Einarsen, S., & Nielsen, M. B. (2015). Workplace bullying as an antecedent of mental health problems: a five-year prospective and representative study. *International Archives of Occupational and Environmental Health*, 88(2), 131-142.
- Einarsen, S., Hoel, H., & Notelaers, G. (2009). Measuring exposure to bullying and harassment at work: Validity, factor structure and psychometric properties of the Negative Acts Questionnaire-Revised. *Work and Stress: An International Journal of Work, Health & Organisations*, 23(1), 24-44.
- Evers, K. E., Prochaska, J. O., Van Marter, D. F., Johnson, J. L., & Prochaska, J. M. (2007). Transtheoretical-based bullying prevention effectiveness trials in middle schools and high schools. *Educational Research*, 49(4), 397-414.
- Ferris, D. L., Spence, J. R., Brown, D. J., & Heller, D. (2012). Interpersonal injustice and workplace deviance: The role of esteem threat. *Journal of Management*, 38(6), 1788-1811.
- Field, T. (2014). *Toxic Work Environment. Mental Illness in the Workplace: Psychological Disability Management* (pp. 207-234). Gower Publishing Limited, UK.
- Foster, D., & Scott, P. (2015). Nobody's responsibility: the precarious position of disabled employees in the UK workplace. *Industrial Relations Journal*, 46(4), 328-343.
- Fox, S., & Stallworth, L. E. (2006). How effective is an apology in resolving workplace bullying disputes? *Dispute Resolution Journal*, 61(2), 54-63.
- Glabek, M., Skogstad, A., & Einarsen, S. (2018). Workplace bullying, the development of job insecurity and the role of laissez-faire leadership: A two-wave moderated mediation study. *Work & Stress*, 32(3), 297-312.
- Hansen, H. R., & Søndergaard, D. M. (2018). Bullying: A socially enacted phenomenon with individual effects. *Nordic Studies in Education*, 1-25.
- Hendy, H. M., Can, S. H., & Black, P. (2019). Workplace Deviance as a Possible "Maladaptive Coping" Behavior Displayed in Association with Workplace Stressors. *Deviant Behavior*, 40(7), 791-798.
- Hershcovis, M. S., Reich, T. C., Parker, S. K., & Bozeman, J. (2012). The relationship between workplace aggression and target deviant behaviour: The moderating roles of power and task interdependence. *Work and Stress: An International Journal of Work, Health & Organisations*, 26(1), 1-20.
- Hodson, R., Roscigno, V. J., & Lopez, S. H. (2006). Chaos and the abuse of power: Workplace bullying in organizational and interactional context. *Work and Occupations*, 33(4), 382-416.

- Hoel, H., Cooper, C. L., & Faragher, B. (2001). The experience of bullying in Great Britain: The impact of organizational status. *European Journal of Work and Organizational Psychology, 10*(4), 443-465.
- Hoel, H., Giga, S. I., & Faragher, B. (2006). *Destructive interpersonal conflict in the workplace: The effectiveness of management interventions*. Research project funded by the British Occupational Health Research Foundation (BOHRF): Manchester Business School, The University of Manchester.
- Hutchinson, M. (2013). Bullying as workgroup manipulation: A model for understanding patterns of victimization and contagion within the workgroup. *Journal of Nursing Management, 21*(3), 563-571.
- Knapp, M. L., Vangelisti, A. L., & Caughlin, J. P. (2014). *Interpersonal communication and human relationships* (7th Ed.). Pearson Higher Ed.
- Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement, 30*(3), 607-610.
- Kwan, S. S. M., Tuckey, M. R., & Dollard, M. F. (2016). The role of the psychosocial safety climate in coping with workplace bullying: A grounded theory and sequential tree analysis. *European Journal of Work and Organizational Psychology, 25*(1), 133-148.
- Lutgen-Sandvik, P., Tracy, S. J., & Alberts, J. K. (2007). Burned by bullying in the American workplace: Prevalence, perception, degree and impact. *Journal of Management Studies, 44*(6), 837-862.
- Maiuro, R. Ed. (2015). *Perspectives on Bullying: Research on Childhood, Workplace, and Cyberbullying*. New York: Springer Publishing Company.
- McGee, J. A., & Byington, J. R. (2016). M&A Due Diligence: Consideration of Fraudulent Financial Statements. *Journal of Corporate Accounting & Finance, 27*(2), 17-21.
- Meloni, M., & Austin, M. (2011). Implementation and outcomes of a zero tolerance of bullying and harassment program. *Australian Health Review, 35*(1), 92-94.
- Mikkelsen, E. G. E., & Einarsen, S. (2002). Basic assumptions and symptoms of post-traumatic stress among victims of bullying at work. *European Journal of Work and Organizational Psychology, 11*(1), 87-111.
- Morse, J. M. (1994). Designing qualitative research. In N. K. Denzin and Y. S. Lincoln (Eds.), *Handbook of Qualitative Inquiry* (pp. 220-235). Thousand Oaks, CA: Sage.
- Munir, M. (2019). Reducing the incidence of workplace bullying and mitigating its impact on employee performance. (Published doctoral dissertation). University Institute of Management Sciences, PMAS-Arid Agriculture University Rawalpindi, Pakistan.
- Munir, M., & Azam, R. I. (2017). Emotional Intelligence and Employee Performance: An Intervention Based Experimental Study. *Journal of Business & Economics 9*(2), 1-19.
- Nielsen, M. B., Glasø, L., & Einarsen, S. (2017). Exposure to workplace harassment and the Five Factor Model of personality: A meta-analysis. *Personality and Individual Differences, 104*(2017), 195-206.
- Niven, K., Sprigg, C. A., & Armitage, C. J. (2013). Does emotion regulation protect employees from the negative effects of workplace aggression? *European Journal of Work and Organizational*



- Psychology*, 22(1), 88-106.
- Nordic Bullying Network Group (2011). *State of the art report on bullying at the workplace in the Nordic countries*. Nordic Council of Ministers.
- Paciello, M., Fida, R., Tramontano, C., Ghezzi, V., & Barbaranelli, C. (2019). Phenomenological configurations of workplace bullying: A cluster approach. *Personality and Individual Differences*, 151(2019).
- Pallesen, S., Nielsen, M.B., Magerøy, N., Andreassen, C.S. & Einarsen, S. (2017). An experimental study on the attribution of personality traits to bullies and targets in a workplace setting. *Frontiers in psychology*, 8(2017), pp.1-7.
- Prochaska, J. O., DiClemente, C. C., & Norcross, J. C. (1992). In search of how people change: Applications to addictive behaviors. *American Psychologist*, 47(9), 1102-1114.
- Rayner, C. & Lewis, D. (2011). Managing Workplace Bullying: The Role of Policies. In S. Einarsen, H. Hoel, D. Zapf & C. Cooper (Eds.), *Bullying and Harassment in the Workplace: Developments in Theory, Research, and Practice* (2nd ed., pp. 327-340).
- Sales, B. D., & Folkman, S. E. (2000). Ethics in research with human participants. *American Psychological Association*.
- Salin, D., Tenhiälä, A., Roberge, M. É., & Berdahl, J. L. (2014). 'I wish I had.....': Target reflections on responses to workplace mistreatment. *Human Relations*, 67(10), 1189-1211.
- Samnani, A. K., & Singh, P. (2016). Workplace bullying: Considering the interaction between individual and work environment. *Journal of Business Ethics*, 139(3), 537-549.
- Schutte, N. S., & Loi, N. M. (2014). Connections between emotional intelligence and workplace flourishing. *Personality and Individual Differences*, 66(2014), 134-139.
- Schwickerath J, Zapf D. (2011). Impatient treatment of bullying victims. In Einarsen S, Hoel H, Zapf D, Cooper CL, (Eds.), *Workplace Bullying: Developments in Theory, Research and Practice* (pp. 397-421). London & New York: Taylor & Francis.
- Speedy, S. (2006). Workplace violence: the dark side of organisational life. *Contemporary Nurse*, 21(2), 239-250.
- Tepper, B. J., Duffy, M. K., Henle, C. A., & Lambert, L. S. (2006). Procedural injustice, victim precipitation, and abusive supervision. *Personnel Psychology*, 59(1), 101-123.
- Van Vianen, A. E. (2018). Person-Environment Fit: A Review of Its Basic Tenets. *Annual Review of Organizational Psychology and Organizational Behavior*, 5(1), 75-101.
- Vartia M, Tehrani N. (2012). Addressing bullying in the workplace. In: Tehrani N, editor. *Workplace Bullying: Symptoms and Solutions* (pp. 213-229). New York, NY: Routledge/Taylor & Francis Group.
- Vartia, M., Lahtinen, M., Joki, M., & Soini, S. (2008). *Stop the torment. Investigation and settling of bullying cases at the workplace*. Helsinki: Finnish Institute of Occupational Health.
- Walsh, B. M. (2018). Best practices in coaching for aggressors and offenders in workplace bullying and mobbing. In M. Duffy & D. C. Yamada (Eds.), *Workplace Bullying and Mobbing in the United States* (pp. 335-356). Santa Barbara, CA: Praeger/ABC-CLIO.

## Appendix

Table 1

*One Group Pretest-Posttest Design*

Variables	i. Pre-test	ii. Interventions	iii. Post-test
Bullying	Y1	X1	Y2

Table 2

*Bully Group and Stages of Change*

Group	Stage No.	Name of Stage	Participants
A		Pre-contemplation	19
B		Contemplation	3
C		Preparation	-
D		Action	-
E		Maintenance	-
F		Termination	-
Total Participants			22

Table 3

*Tests of Normality*

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Pretest_Bullying	.304	22	.000	.804	22	.001
Posttest_Bullying	.298	22	.000	.716	22	.000

a. Lilliefors Significance Correction

Table 4

*Descriptive Statistics*

	N	Mean	Std. Deviation	Minimum	Maximum
Pretest_Bullying	22	2.0855	.12905	1.92	2.40
Posttest_Bullying	22	1.4459	.20593	1.16	2.12

Table 5  
*Signed Ranks*

		<b>N</b>	<b>Mean Rank</b>	<b>Sum of Ranks</b>
Posttest_Bullying - Pretest_Bullying	Negative Ranks	21a	11.95	251.00
	Positive Ranks	1b	2.00	2.00
	Ties	0c		
	Total	22		

a. Posttest\_Bullying < Pretest\_Bullying

b. Posttest\_Bullying > Pretest\_Bullying

c. Posttest\_Bullying = Pretest\_Bullying

Table 6  
*Test Statistics*

<b>Posttest_Bullying - Pretest_Bullying</b>	
Z	-4.048b
Asymp. Sig. (2-tailed)	.000

a. Wilcoxon Signed Ranks Test

b. Based on positive ranks.

# DISSIMILARITIES BETWEEN AAOIFI AND BNM SHARIAH STANDARDS: ANALYSIS ON MURABAHA FINANCING

Muhammad Shujaat Saleem<sup>1</sup> and Dr. Fadillah Mansor<sup>2</sup>

## Abstract

*The Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Bank Negara Malaysia (BNM) are the two standard setting bodies which develop Shariah standards for Islamic financial institutions pertaining to different products of the contemporary Islamic banks. This paper aims to explore the dissimilarities between the Shariah standards issued by the AAOIFI and BNM on Murabaha financing. The qualitative method of data collection from the archival sources was used for content analysis. We find that there exist dissimilarities in the seven (7) clauses between the two standards. The study helps AAOIFI and BNM to minimize the gap between the two Shariah standards to attain a comprehensive standardized financial system worldwide.*

**Keywords:** Murabaha financing, Islamic banks, AAOIFI Shariah Standards, Standardized Financial System.

**JEL Classification:** E400, G210

## Introduction

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)<sup>3</sup>, the Bahrain based organization, was established in the year 1991 with an objective to develop and to issue the Accounting, Auditing and Shariah Standards which do not only comply with the Islamic Shariah rulings but also aim to achieve the harmonization in the Islamic banking and finance industry in the global arena. As of 3<sup>rd</sup> March 2019, AAOIFI has developed and issued fifty seven (57)<sup>4</sup> Shariah Standards pertaining to almost each and every product being practiced by the contemporary Islamic banks worldwide.

<sup>1</sup>Ph.D. Islamic Banking & Finance (candidate), University of Malaya, Kuala Lumpur, Malaysia.  
Email: salaemmshujaat@gmail.com

<sup>2</sup>Senior Lecturer & HOD, Department of Shariah & Management, University of Malaya, Kuala Lumpur, Malaysia.  
Email: fadillah@um.edu.my

<sup>3</sup> In AAOIFI, there is a presence of Islamic Scholars from all the four (4) schools of thoughts across the world.

<sup>4</sup> Please log on to <http://aaoifi.com/issued-standards-4/?lang=en>

However, Bank Negara Malaysia (BNM) was given authority by the Islamic Financial Services Act (IFSA) to develop and issue Shariah Standards for the Islamic banks in Malaysia. As of now, BNM has already issued twelve (12) Shariah Standards including Murabaha which was issued by BNM on 23<sup>rd</sup> December, 2013.

Unlike Islamic banking industry of Malaysia, Islamic banks in the entire world including GCC countries either adopted or adapted the Shariah standards developed and issued by the AAOIFI<sup>5</sup> the non-compliance of which is subject to penal action by the central banking authorities of the respective countries. Islamic Banking Division of the SBP<sup>6</sup> made it compulsory for the Islamic Banks in Pakistan to adopt AAOIFI Shariah Standard No:(8)<sup>7</sup> on Murabaha financing failing which subject to penal action under the provisions of Banking Companies Ordinance, 1962.

However, to follow the AAOIFI Shariah standards is not compulsory for Islamic banks in Malaysia as Islamic banking industry in Malaysia is governed by the rulings of the Shariah standards set by SAC<sup>8</sup> of the BNM<sup>9</sup>.

The objective of this paper is to explore and/or analyze the dissimilarities between the Shariah standards issued by the AAOIFI and BNM on Murabaha financing i.e. the clauses of AAOIFI Shariah Standard No: 8 titled, “Murabaha To The Purchase Orderer” are compared and analyzed with the clauses of the Shariah standard on Murabaha financing issued by BNM to answer the research question as to what are the dissimilarities that exist between the AAOIFI and BNM Shariah standards on Murabaha financing?. The study helps AAOIFI and BNM to minimize the gap between the two Shariah standards to attain a comprehensive standardized financial system worldwide.

### *Problem Statement*

Islamic banking products in the entire world have now emerged as not only viable but also competitive mode of financing against conventional interest based financial system, nevertheless numerous impediments still exist on the way forward to the growth of Islamic banking (Ouerghi, 2014). Among these lack of standardization in the legal documentation and Shariah interpretation of the products of Islamic banking also coexist which becomes one of the main sources to make people not only skeptic and hence they opt for the conventional interest based financing but also make investor feel reluctant to invest in Islamic banking products (Islamic Finance Outlook, 2019).

---

<sup>5</sup> Accounting and Auditing Organization for Islamic Financial Institutions

<sup>6</sup> State Bank of Pakistan

<sup>7</sup> (“IBD Circular- State Bank of Pakistan,” 2010)

<sup>8</sup> Shariah Advisory Council

<sup>9</sup> Bank Negara Malaysia

In this regard, with an objective to make standardization in the contracts of Islamic banks across different countries, the study aims to explore the dissimilarities between the AAOIFI and BNM Shariah standards that pertains to Murabaha financing so that the objective of standardization may be achieved. Therefore, the study answers the question: What are the dissimilarities that exist between the AAOIFI and BNM Shariah standards on Murabaha financing?

### **Shariah Standards on Murabaha**

#### *AAOIFI on Murabaha*

Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) in its meeting held in Madina al-Munawwarah on May 11-16, 2002 developed the Shariah Standard No: 8 on Murabaha financing with the title, "Murabaha to the Purchase Orderer". This standard is comprehensively divided into five (5) sections and each section is further divided into different sub-sections which encompass the important aspects of Murabaha transaction and its various steps in detail. Securities before the execution of Murabaha to the purchase orderer such as Promise, Hamish Jiddiyah and their details are also covered. However, to secure the debt arises under Murabaha transaction such as collateral and guarantees etc. are discussed in brief. This standard is applicable to both Murabahah transactions whether it is on the spot payment basis or the deferred payment basis. The concept of sukuk based on Murabahah transaction is not discussed in this standard as it is covered in a separate standard with the name Investment Sukuk- Shariah Standard No: 17. Murabaha to the Purchase Orderer also does not cover the procedure as to how the relationship between the Institution and Client is created {see table 1.1 (a) in Appendix-A}.

#### *BNM on Murabaha*

The Shariah Standard on Murabaha financing by Bank Negara Malaysia (BNM) is broadly divided into three (3) parts. Part (A) introduces the standard and followed by policy objectives, scope of policy document, applicability, legal provisions, effective date, policy superseded, interpretation & related legal and policy documents. Whereas Part (B) of the standard outlines the Shariah requirements that contain nine (9) sections comprises of ninety eight (98) sub-sections which discusses (1) definition and nature of Murabaha (2) components of Murabaha (3) asset (4) price (5) arrangement of Murabaha with wa'ad (Murabaha to the purchase orderer), (6) arrangement of Murabaha to the purchase orderer with Wakalah (7) incorporation of rebate (ibra') in Murabaha contract and (8) arrangement of Murabaha with ta'widh and/or gharamah. Finally, Part (C) discusses the operational requirements such as oversight functions, documentations, internal policies & procedures, information disclosure and risk management which is followed by five (5) appendices on legitimacy of Murabaha contract, glossary, general parameter on underlying assets, general guidance on the components of acquisition costs and related legal & policy documents.

Moreover, clauses under Part (B) & (C) are categorized as either Standard (S), the non-compliance of which is subject to penal action, or Guidance (G) which contains the information, advice and/or recommendation that help Islamic financial institution in Malaysia for the implementation of sound industry practices. Table 1.1 (b) of appendix (A) summarizes the clause-wise categorization of the BNM standard on Murabaha financing.

### Methodology and Data Collection

The main intent of the study is to explore the dissimilarities between the AAOIFI and BNM Shariah standards through content analysis of the archival data from both the AAOIFI and BNM Shariah standards on Murabaha financing, hence the study is qualitative in its nature which uses archival research strategy.

Furthermore, the study's main intent along with research question had never been inquired before thus, the study is exploratory also. Furthermore, this study collects archival data from the AAOIFI and BNM Shariah standards as prescribed by (Bryman, 2012).

The rationale as to why this study uses archival research strategy is that, to answer the question of the study, the researcher collects data from the AAOIFI and BNM Shariah standards on Murabaha financing as (Lee, 2012) suggests that the archival data includes but not limited to data collected from textual documents, emails, blogs, letters, administrative records, calendars, manuals, policy documents, standard operating procedures of companies, agreements, contracts, minutes of meetings and press releases.

The following table shows the list of sources from where we have gathered the archival data.

Table 1  
*List of Archival Data Sources*

Bank/Institution	Document	Source	Year of access
AAOIFI	Murabaha to the Purchase Orderer	Bank Personnel	2018
Bank Negara Malaysia	Shariah Standard on Murabaha	Bank Website	2019

This table is constructed by the researcher which reveals the secondary sources of data collection.

### Data Analysis, Discussion and Findings

After having done a rigorous content analysis and comparison between the clauses of the AAOIFI Shariah Standard and BNM Shariah Standard on Murabaha financing, it reveals that the clauses covered in all the five (5) sections of Murabaha to the purchase orderer framed by AAOIFI are also comprehensively covered in the BNM Shariah Standard on Murabaha in its nine (9) sections.

However, certain dissimilarities (See Appendix- B) in the contents of the clauses of both the standards are observed; the details of which are as follows.

*AAOIFI Clauses: 4/8, 5/6 & 5/8 on Late Payment Penalty*

Murabaha price can be paid on the spot in case of spot Murabaha, or it can also be paid in different installments in case of deferred payment Murabaha in which case every installment is the part of selling price. In principle, when the buying and selling is done on credit then both the buyer and seller become debtor and creditor respectively; and the selling price becomes the debt. Charging extra amount against the unpaid debt is Riba according to the Islamic jurisprudence (Abdel-Bagi, 2018; Al-Jassas, 1980; Siddiqui, 2005). Therefore, it is strictly not allowed for the bank to charge extra amount if the customer delays in payment with or without reason. Moreover, it is also not allowed for the bank to charge extra amount against unpaid debt by giving extra time to the customer (clauses: 4/8 & 5/8). However, in order to safeguard the Islamic banks from the willful deception by solvent debtors, clause 5/6 of the standard permits Islamic banks to incorporate the undertaking in the Murabaha contract whereby, customer is asked to pay certain amount to charity provided that, non-payment or delay in payment by the customer is without a good reason acceptable to Shariah.

*BNM Clauses: 19.1 & 19.2 on Late Payment Penalty*

According to the BNM standard, Islamic banks may charge late payment charges to an extent of actual loss borne by the bank and recognize the same as income of the bank (clause 19.1 and 19.2 a). However, late payment charges which are over and above the actual loss shall be donated in charity (clause 19.2 b) which is similar to the self-imposed penalty mentioned in the clause 5/6 of the AAOIFI Shariah standard.

*Difference between AAOIFI & BNM on Late Payment Penalty*

Aforementioned clauses of the AAOIFI Shariah standard and the respective clauses of the BNM standard show the distinction between the two standards pertain to Shariah rulings regarding late payment penalty.

*AAOIFI Clause: 5/7 on Rescheduling*

Irrespective of the fact that the customer is solvent or insolvent, Islamic banks in case of rescheduling must not increase the debt arising from Murabaha contract i.e. it is not allowed for the bank to charge extra amount on rescheduling (Kahf, 2006; Taqi, 2000). Islamic banks can only extend the time but cannot charge extra amount (clause: 5/7).



---

*BNM Clauses: 14.13 & 14.14 on Rescheduling*

According to the clauses: 14.13 & 14.14 of the BNM standard on rescheduling, Islamic banks are permitted to increase the amount of unpaid debt arising from Murabaha contract by executing the new contract with revised debt obligation.

*Difference between AAOIFI & BNM on Rescheduling*

After having analyzed the clauses of both the AAOIFI and BNM Shariah standard on Murabaha financing pertaining to rescheduling, it is revealed that there is a significant difference between the two standards on rescheduling of Murabaha debt i.e. AAOIFI does not allow charging extra amount on scheduling unlike BNM.

*AAOIFI Clause: 5/9 on Rebate*

In case of deferred payment Murabaha, if the customer wants to pay the debt before the maturity date then it is at the option of the bank to give rebate to customer or not. Customer cannot claim the bank for rebate as the same is not a part of contract (Usmani, 2002). The reason as to why does rebate (on spot discount) cannot become the part of contract is that, in Shariah viewpoint, rebate (on spot discount) is ehsaan (benevolent act) and if it becomes the part of contract then it would become obligatory on the seller to give rebate, however ehsaan (benevolent act) cannot become obligatory, rather it is at the sole discretion of the party who does ehsaan (benevolent act). Secondly, if rebate becomes the part of the contract of Murabaha then it would tantamount to having two prices of Murabaha goods that would create ambiguity regarding the selling price. In Shariah viewpoint, if the sale contract is executed, the selling price should be certain leaving no ambiguity to avoid Gharar e Kaseer<sup>10</sup>. Thirdly, if rebate becomes the part of contract then it may lead to Riba.

*BNM Clauses: 18.1, 18.2 & 18.3 on Rebate*

According to the clauses 18.1, 18.2 and 18.3 of the BNM Shariah standard on Murabaha financing pertaining to rebate, it is allowed for the Islamic banks to incorporate the rebate clause in the Murabaha contract.

*Difference between AAOIFI & BNM on Rebate*

Aforementioned clauses of both the AAOIFI and BNM standards show that, there is a dissimilarity exists between the two standards pertaining to Shariah rulings regarding rebate. AAOIFI does not allow rebate to be the part of Murabaha contract whereas, BNM standard permits to do so.

---

<sup>10</sup> Major uncertainty within the clauses of transaction

*AAOIFI Clause 5/10 on Different Currency*

If the customer wants to pay off the Murabaha debt in a currency different from what has been agreed upon, then the following conditions must be met according to the clause 5/10 of the AAOIFI Shariah standard.

- It should not be pre-agreed between the contracting parties.
- Amount of debt in a different currency has to be paid in full.
- Exchange should take place on the spot rate prevailing at the time of exchange

*BNM Clause: 14.12 on Different Currency*

In accordance with clause 14.12 of the BNM Shariah standard on Murabaha financing, it is not necessary for the Islamic banks that the amount of debt in a different currency be paid in full i.e. partial payment of debt in a different currency is also allowed by BNM.

*Difference between AAOIFI & BNM on Different Currency*

The dissimilarity between the AAOIFI and BNM Shariah standards pertaining to this clause is that, according to the AAOIFI Shariah Standard, it is compulsory that the Murabaha debt in a different currency is paid in full. However, according to BNM Standard, Murabaha debt in a different currency can also be paid partially.

*AAOIFI Clause 2/3/2 on Promise*

There is every probability that the customer after requesting the bank to purchase an item not interested in buying the requested item in which case the bank would be exposed to risk of loss. To mitigate this risk, a customer may be asked to sign promise document in which he undertakes to purchase an item after the bank's purchase. In the absence of promise, the bank cannot sue the customer in the court of law for the enforcement of rights. Nevertheless, it is not mandatory for the bank to ask the customer to make promise in all Murabaha transactions. It is a tool to mitigate business risk and according to the AAOIFI, an institution is advised not to take promise in the following cases.

- If the credibility of the customer is such where it is certain that the customer will buy the goods from the bank.
- If the bank has bought the goods from the supplier on *khayar e Shart (Sale on return basis)*
- If the nature of goods is such that the goods may be sold easily in the market without discounting the price.

---

*BNM Clause 15.1 on Promise*

After having done the analysis of the BNM clause 15.1 on promise, it reveals that BNM Shariah standard does not require Islamic banks to see as to whether or not there are other opportunities to sell the item i.e. BNM standard allows Islamic banks to take promise from the customer in every Murabaha transaction regardless of the fact that, there are other opportunities to sell the item or not.

*Difference between AAOIFI & BNM on Promise*

According to the aforementioned clause of the AAOIFI Shariah Standard, bank is advised not to take promise from the customer when there are other opportunities to sell the item whereas, in BNM Shariah Standard, this provision of not taking promise from the customer has not been incorporated i.e. according to the BNM standard, bank may ask customer to make promise in each and every Murabaha transaction which is the point of distinction between the two standards.

*AAOIFI Clause 3/1/3 on Agency*

According to the aforementioned clause, Islamic banks must buy the subject matter of Murabaha directly from the vendor or the bank may appoint a third party (other than customer) as an agent to purchase. Nevertheless, if it is not possible for the bank to buy the goods directly from the supplier or appoint a third party as its agent then it is also allowed for the bank to appoint the customer as its agent to buy goods provided that, there is a dire need of the same.

*BNM Clause 16.1 on Agency*

The agency clause: 16.1 of the BNM Shariah standard on Murabaha financing permits Islamic banks to sign an agency contract with the customer in all the Murabaha transactions irrespective of the fact that there is a dire need or not.

*Difference between AAOIFI & BNM on Agency*

According to the AAOIFI Shariah standard, customer should not be appointed as the bank's agent except in case of dire need which is not mentioned in the respective clause of the BNM Shariah standard i.e. in accordance with the BNM standard, bank may not take into account as to whether or not there is a dire need and it is permitted to appoint the prospective customer as the bank's agent in each and every Murabaha transaction.

*AAOIFI Clauses: 3/1/6 and 3/1/7 on Documentation*

According to the aforementioned clauses of the AAOIFI Shariah standard on Murabaha financing, documents pertaining to purchase of goods must be in the name of the bank even if the customer acts as an agent of the bank i.e. in case of disclosed agency between the bank and the customer, it is necessary that each and every document pertains to the acquisition of an item must be in the name of the bank being a buyer. However, in case of undisclosed agency agreement between the bank and the customer, the two parties may appoint a third party as agent to purchase the item from the supplier. In which case, the customer plays the following two roles.

- Acts as principal to the third party
- Acts as agent to the bank

By undergoing aforementioned arrangements, documents pertain to the acquisition of an item may be in the name of the customer provided that, the risk relating to the acquisition of an item should be borne by the bank being the principal and a buyer. Although, the best practice prescribed by the standard is to have disclosed agency arrangement.

*BNM Clauses: 16.4 & 16.5 on Documentation*

The clauses 16.4 & 16.5 of the BNM Shariah standard on Murabaha financing do not make it compulsory that the documents pertaining to purchase of goods must be in the name of Islamic bank i.e. BNM Shariah standard permits Islamic banks to incorporate the prospective customer's name in all the documents relating to purchase of goods.

*Difference between AAOIFI & BNM on Documentation*

According to the clauses 3/1/6 & 3/1/7 of the AAOIFI Shariah standard, documents pertaining to purchase of goods must be in the name of the bank even if the customer acts as bank's agent. However, in the respective clauses 16.4 & 16.5 of the BNM Standard, it is not a compulsory requirement.

**Conclusion & Recommendations**

After having done a rigorous comparative analysis of the clause-wise dissimilarities between the AAOIFI and BNM Shariah standards on Murabaha financing, it is found that, there are four (4) major and three (3) minor dissimilarities exist between the two Murabaha standards. In Murabaha contract of both the AAOIFI and BNM Shariah standards, the clauses in which major dissimilarities were analyzed includes the clauses pertaining to (1) late payment penalty (2) rescheduling (3) rebate

and (4) use of different currency whereas, minor dissimilarities exist in the clauses pertaining to (1) promise (2) agency and (3) documentation.

On the basis of the findings of the study, we recommend to competent authorities of both the AAOIFI and BNM to minimize, if not eliminate, the gap between AAOIFI and BNM Shariah Standards which is also recommended by the Islamic Finance Outlook Report-2019 edition by Standard & Poor's (S&P) Global Ratings<sup>11</sup> as the plurality in the Shariah contracts and its interpretation across different regions may reap benefits in the short run by designing innovative state of the art products. However, in order to meet the objectives of Maqasid e Shariah across the globe and to attain a comprehensive financial system in the long run, standardization in the Islamic banking contracts along with its interpretation are of utmost importance. Furthermore, standardization in the contracts of Islamic banking industry of Malaysia with the AAOIFI Shariah Standards also help resolve the problem to not only operate globally but also make integrated financial deals with the regions that follow AAOIFI Shariah Standards.

### References

- Abdel-Bagi, A.-A. H. (2018). Bibliography about Islamic Studies. *Tafakkur*, 5(1).
- Al-Jassas, A. A. (1980). *Ahkam ul Quran*. Lahore: Sohail Academy.
- Bryman, A. (2012). *Social research methods*: OUP Oxford.
- IBD Circular- State Bank of Pakistan, Circular No:1 C.F.R. § Paragraph No: 2 & 3 (2010). *Islamic Finance Outlook*. (2019). Retrieved from
- Kahf, M. (2006, August). Maqasid al Shari'ah in the Prohibition of Riba and their Implications for Modern Islamic Finance. In *Presented Paper at IIUM International Conference on Maqasid Al-Shari'ah*.
- Lee, B. (2012). Using documents in organizational research. *The practice of qualitative organizational research: Core methods and current challenges*, 389-407.
- Ouerghi, F. (2014). Are Islamic banks more resilient to global financial crisis than conventional banks? *Asian Economic and Financial Review*, 4(7), 941.
- Siddiqui, S. A. (2005). Understanding and Eliminating Riba: Can Islamic Financial Instruments Be Meaningfully Implemented?. *Journal of Management and social sciences*, 1(2), 187-203.
- Taqi, U. M. M. (2000). *An Introduction to Islamic Finance*, Idaratul Maarif. Karachi, Pakistan.
- Usmani, M. I. A. (2002). *Meezanbank's Guide to Islamic Banking*. Karachi, Pakistan: Darul-Ishaat.

<sup>11</sup> Despite the growth of Islamic banking industry worldwide has been phenomenal however, one should not ignore the fact that, according to the Islamic Finance Outlook Report-2019 Edition by S&P Global Rating, the pace of Islamic banking industry worldwide would be steady and slow in 2019, due to weak economic conditions in the core Islamic finance markets. Nonetheless, Malaysia is given exception by the GIFR-2018 to have adversely effected by the sluggish economic growth in the core Islamic finance markets but still, Islamic banking industry in Malaysia cannot operate in an isolated world especially when the problem of lack of standardization in the contracts of Islamic banking industry in general and debt based contract in particular coexist.

## APPENDIX- A

Table 1.1 (a)  
AAOIFI: Murabaha to the Purchase Orderer

AAOIFI Clause	Title of Clause	Total
1.0	Scope of the standard	1
2	Procedure prior to contract of Murabaha	
2/1/1-2/1/4	The customer's expression of his wish to acquire an item through the Institution	4
2/2/1-2/2/6	The position of the institution in respect to the application of the customer for Murabaha to the purchase orderer	6
2/3/1-2/3/5	The promise from the customer	5
2/4/1-2/4/5	Commissions and expenses	5
2/5/1-2/5/6	Guarantees related to the commencement of the transaction	6
3	Acquisition of title to , and possession of, the asset by the institution or its agent	
3/1/1-3/1/7	The acquisition of the asset or good by the institution prior to its sale by means of Murabaha to the purchase orderer	7
3/2/1-3/2/7	The institution's taking possession of the asset or good, prior to its sale by Murabaha to the purchase orderer	7
4/1-4/11	Conclusion of a Murabaha contract	11
5/1-5/10	Guarantees and treatment of Murabaha receivables	10
6	Issue date	1
Total		63

This table is constructed with the help of AAOIFI Shariah Standard No: 8 titled, "Murabaha To The Purchase Orderer"

Table 1.1 (b)  
BNM: Murabaha Standard

Part A <sup>12</sup> : Overview				
BNM Clause No	Title of Clause	Standard	Guidance	Total
1.1 – 1.6	Introduction	N/A	N/A	6
2.1	Policy objectives	N/A	N/A	1
3.1 -3.2	Scope of policy document	N/A	N/A	2
4.1	Applicability	N/A	N/A	1
5.1	Legal provisions	N/A	N/A	1
6.1	Effective date	N/A	N/A	1
7.1	Policy superseded	N/A	N/A	1

(Table Continued...)

<sup>12</sup> Sixteen (16) clauses under Part A of the standard are neither classified as "S" nor categorized as "G".

8.1 – 8.2	Interpretation	N/A	N/A	2
9.1	Related legal and policy documents	N/A	N/A	1
Sub-total (A)		N/A	N/A	16
<b>Part B: Shariah Requirements</b>				
<b>BNM Clause No</b>	<b>Title of Clause</b>	<b>Standard</b>	<b>Guidance</b>	<b>Total</b>
10.1	Definition	1	0	1
11.1 -11.2	Nature	2	0	2
12.1-12.7	Contracting Parties	4	3	7
13.1 – 13.18	Asset	12	6	18
14.1 – 14.19	Price	6	13	19
15.1 – 15.19	Arrangement of Murabaha with Wa'ad ( Murabaha to the purchase orderer	12	7	19
16.1 – 16.10	Arrangement of Murabaha to the purchase orderer with Wakalah	5	5	10
17.1 – 17.5	Arrangement of Murabaha with Assurances such as Kafalah, takaful coverage, rahn, Hamish jiddiyah and urboon.	6	11	17
18.1 -18.3	Incorporation of rebate in Murabaha contract	1	2	3
19.1 -19.3	Arrangement of Murabaha with ta'widh and/or gharamah	1	1	2
20.1 -20.3	Dissolution of Murabaha contract	3	0	3
21.1 – 21.2	Completion of Murabaha contract	2	0	2
Sub-total (B)		55	48	103
<b>Part C: Operational Requirements</b>				
<b>BNM Clause No</b>	<b>Title of Clause</b>	<b>Standard</b>	<b>Guidance</b>	<b>Total</b>
22.1 -22.3	Oversight functions	3	0	3
23.1 – 23.9	Documentary requirements	9	0	9
23.10 – 23.16	Acquisition of asset	4	3	7
23.17 – 23.20	Sale of asset	4	0	4
23.21	Inventory management	1	0	1
24.1 – 24.3	Information disclosure	1	2	3
25.1	Risk management policies	1	0	1
25.2 – 25.4	Risk Identification	2	1	3
25.5 – 25.7	Risk measurement	2	1	3
25.8 – 25.12	Risk controls and mitigation	3	2	5
25.13 – 25.15	Risk monitoring and reporting	3	0	3
Sub-total (C)		33	9	42
Total (A+B+C)		88	57	161 <sup>13</sup>

This table is constructed after taking into account the Shariah standard on Murabaha issued by Bank Negara Malaysia.

<sup>13</sup> Includes sixteen (16) clauses pertains to Part A.

---

**APPENDIX- B***Late Payment Penalty**AAOIFI Clause: 4/8*

It is permissible to agree on the payment of the price of the item under Murabaha to the purchase orderer either by short or long term installments, and the selling price of the asset becomes a debt that the customer is obligated to pay at the time agreed upon. It is not permitted subsequently to demand any extra payment either in consideration of extra time given for payment or for delay in payment that may be for a reason or no reason.

*AAOIFI Clause: 5/6*

It is permissible that the contract of Murabaha consist of an undertaking from the customer to pay an amount of money or a percentage of the debt, to be donated to charitable causes in the event of a delay on his part in paying installments on their due date. The Shariah supervisory board of the institution must have full knowledge that any such amount is indeed spent on charitable causes. And not for the benefit of the institution itself.

*AAOIFI Clause: 5/8*

When there is default in payment by the customer with regard to installments of the selling price that are due, the amount due is just the amount of the unpaid selling price. It is not permissible for the institution to impose any additional payment on the customer for the institution's benefit. This provision, however, subject to item 5/6.

*Respective Clauses in the BNM standard**BNM Clause: 19.1*

The contracting parties may agree to include a clause in the murabaha contract stipulating late payment charges as determined by the relevant authorities.

*BNM Clause: 19.2*

Pursuant to paragraph 19.2, the late payment charges shall consist of

- a. Tawidh (compensation) for actual loss borne by the seller , which may be recognized as income to the seller; and/or
- b. Gharamah (penalty), which shall not be recognized as income. Instead, it shall be channeled



to charitable bodies.

*Rescheduling*

*AAOIFI Clause: 5/7*

It is not permissible to extend the date of payment of the debt in exchange for an additional payment in case of rescheduling, irrespectively of whether the debtor is solvent or insolvent.

*Respective Clauses in the BNM standard*

*BNM Clause: 14.13*

The contracting parties may agree to extend or reschedule the payment period of the remaining debt without any increase in amount to the remaining debt.

*BNM Clause: 14.14*

Notwithstanding paragraph 14.13, the contracting parties may agree to settle the outstanding debt obligation by entering into a new contract that may results in a new debt obligation.

*Rebate*

*AAOIFI Clause: 5/9*

It is permissible for the institution to give up part of the selling price if the customer pays early, provided this was not part of the contractual agreement.

*Respective Clauses in the BNM standard*

*BNM Clause: 18.1*

The seller may consider waiving part of the outstanding debt in the form of a discount to the purchase upon pre-payment and/or early settlement.

*BNM Clause: 18.2*

A rebate clause shall be incorporated in the murabaha contract provided that it is a requirement imposed by the authority.

*BNM Clause: 18.3*

In the event that the murabaha contract involves payment of the deferred price in installment, the seller may provide periodic ibra based on certain benchmark agreed by the contracting parties.

*Different Currency*

*AAOIFI Clause: 5/10*

It is permissible for the institution and the customer to agree, on the due date, that payment of the debt due on account of Murabaha to the purchase orderer may be made in a currency different from that in which the debt is denominated, provided any such payment is made based on the exchange rate of the day of the settlement. It is also a condition that either the settlement of the debt is completed in full or that the amount agreed be paid in the different currency is paid in full. So that there remains no balance owing in that different currency.

*Respective Clause in BNM standard*

*BNM Clause: 14.13*

The contracting parties may agree to make payment of the instalments or full settlement in a currency different from the currency specified in the contract at the agreed prevailing exchange rate on the payment or settlement date respectively.

*Promise*

*AAOIFI Clause: 2/3/2*

The customer's promise to purchase, and the related contractual framework, are not integral to a Murabaha transaction, but are intended to provide assurance that the customer will complete the transaction after the item has been acquired by the institution. If the institution has other opportunities to sell the item, then it may not need such a promise or contractual framework.

*Respective Clause in the BNM standard*

*BNM Clause: 15.1*

Murabaha to the purchase orderer (MPO) refers to an arrangement whereby the purchase orderer (purchaser) (waad) to purchase an identified and specified asset from a seller on murabaha terms upon the latter's acquisition of the asset.

*Agency*<sup>14</sup>*AAOIFI Clause: 3/1/3*

The original principle is that the institution itself purchases the item directly from the supplier. However, it is permissible for the institution to carry out the purchase by authorizing an agent, other than the purchase orderer, to make the purchase; and the customer (the purchase orderer) should not be appointed to act as an agent except in a situation of dire need. Furthermore, the agent must not sell the item to himself. Rather, the institution must first acquire title of the item and then sell it to the agent. In such a case, the provisions of item 3/1/5 should be observed.

*Respective Clause in the BNM Standard**BNM Clause: 16.1*

The seller may appoint the purchase orderer as its agent (purchasing agent) to purchase the asset from the supplier on behalf of the seller as the principal (mawakkil).

*Documentation**AAOIFI Clause: 3/1/6*

The original principle is that all the documents and contracts concerned with the execution of the sale of the item must be in the name of the Institution and not in that of the customer, even if the latter acts as the institution's agent in acquiring the item.

*AAOIFI Clause: 3/1/7*

It is permissible, at the time when the institution appoints someone as its agent for the acquisition of the item, that the two parties agree to authorize the agent to carry out the acquisition of the item as agent, without disclosing the existence of the agency agreement. In this case, the agent will act as principal in dealing with other parties, and will undertake the purchase directly in his name but on behalf of the Institution as principal. However, it is preferable that the agent's role be disclosed.

*Respective Clauses in the BNM standard**BNM Clause: 16.4*

The name of the principal in the agency (wakalah) contract may be disclosed in all documents related to the sale contract between the supplier and the principal that are executed by the purchasing

---

<sup>14</sup> The word "Agency" in the study is referred to the "Contract of Agency" which may be executed between the Islamic bank and the prospective customer whereby; Islamic bank becomes the "Principal" and prospective customer becomes the "Agent".

agent on behalf of the principal.

*BNM Clause: 16.5*

Notwithstanding paragraph 16.4, the purchasing agent and the principal may agree that only the name of the purchasing agent may be disclosed in all documents related to the sale contract between the supplier and the purchasing agent.

# THE EXCHANGE RATE EXPOSURE AND STOCK PERFORMANCE OF PAKISTAN BANKING INSTITUTION

Dr. Muhammad Zia ur Rehman<sup>1</sup>, Muhammad Mohsin<sup>2</sup> and Sajjad Ahmad Baig<sup>3</sup>

## Abstract

*The stock market plays a central role to uplift the financial status of the corporations, and there are direct influences of the stock exchange fluctuation on the stock market for performing multiple business activities. The main objective of this study is to scrutinize the exchange rate disclosure, along with the financial returns of Pakistani banking institutes. The global investment community adds value to the new existing markets; that's why the fluctuation of market and capitalization returns were increased speedily as it is discussed in this paper. The amplified market model is directly linked with such kinds of relationships. In this study, approximately, top ten banks from the private and public sectors are selected, which are both kinds of banks, Islamic and conventional banking systems. It is estimated that there would be high market returns of banks with the continuous change in return benchmarks as well as the exchange rates. As in the view of the short and long run, the performances of the banking sector in the KSE 100 Index have impacts upon the antecedents. In this paper, all results of every bank are discussed separately. All these results display the diverse kinds of tendencies towards the returns of the bank in the long and short term. Not even every currency is exposed to the highest exchange rate for all of the banks; conversely, JPY, GBP, and USD are indicators of the performance of the stock exchange. The market members like financial specialists, merchants, intermediaries, and controllers give their viewpoints about the high unpredictability in the stock exchange. The members not only consider the unpredictability of stock exchange as the mega proportion of the risks but they are also worried about intemperate instability which shows variance in stock returns, having no specific earmarks for joining any significant news about the market basics or firm.*

**Keywords:** Banking Sectors, Exchange Rate, Stock Performance, Return Benchmarks.

**JEL Classification:** C220, G210

<sup>1</sup> Assistant Professor, Department of Management Sciences, National Textile University, Faisalabad, Pakistan.  
Email: zia.msfin@iiu.edu.pk

<sup>2</sup> PhD Scholar, College of Business Administration, Liaoning Technical University, Liaoning, China.  
Email: mohsinlatifntu@gmail.com

<sup>3</sup> Associate Professor, Department of Management Sciences, National Textile University, Faisalabad, Pakistan.  
Email: sajjad.baig@gmail.com

## Introduction

Banking sector has fundamental risks that may cause failure in operations of the bank. In 1974, the failure of Franklin National Bank and Bankhaus (ID) Herstatt forced the regulators to reconsider the exchange rate risks as these two megabanks were collapsed due to the exchange rate transactions in which they were directly or indirectly involved. The regulators launched some measures of decreasing the potential risks which were linked with the operations of foreign currency by monitoring all transactions of foreign currency with cumulative open positions.

During the finalizing time of transaction and period for initiating transaction of the foreign currency, the cash flow of the firm may cause risks of foreign exchange in the short run. Following the previous scenario, the banking sectors deal with the global business as well as investment activities, tending more towards foreign exchange. This study would highlight all exchange rate risks, encountered by the leading Pakistani banks along with its influences upon the performance of the banking sector in the stock exchange markets. This study would also present all statistical data analysis at the individualistic and collective levels of the exchange rate. Obadan (2006) explained that exchange rate plays the role of a bridge among the prices of divergent countries which enable traders to compare the prices directly. The exchange rate fluctuation seriously affects the import and export of any country via exchange rate or relative price of goods.

This paper is divided into different sections. Section I demonstrates a short introduction about the topic by highlighting the implication of the study. Section II would elaborate on all the previous studies in the context of the exchange rate risks for the banks. Section III is the methodology part to discuss all methods of a statistical analysis, based on the foreign exchange risks for the banks. Section IV represents the results.

## Literature Review

Several studies corroborate the association of fluctuations in the exchange rate and multinational companies. But there are no specific experimental findings, about hazardous exchange rate, encountered by all banks, superficially, the banks of Pakistan. The research works are inadequate to authenticate this connection, but there are some studies which show the validity of the empirical findings, related to the exchange rate risks. The most quoted companies of developing countries are import dependent which affect the stock market negatively and intensively affect the foreign exchange rate on stock market (Alaba, 2002). Grammatikos et al. (1986) Ayub and Masih (2013) evaluated the positions of the foreign currency for the US banks in setting up a portfolio in accordance with the foreign exchange rate risks and interest rate. The US banks adopted monthly positions in five key currencies (the Canadian Dollar, British Pound, the US Dollar, Japanese Yen, German Mark, and Swiss Franc) for trading, spanning time period of 1976-1981. The analyzers utilize these monthly positions (Shapiro, 1975; Butt et al., 2010). They concluded that foreign currency position might have

impacts on safety and smoothness of operating system of banks, the US Banks may mitigate the issues considerably by choosing the optimum locations for the foreign currencies. In the viewpoints of the researchers, the distinct banks are taken as outliers, encountering the financial crisis, such banks prone more towards high risks by speculating the foreign currency in the market.

The exposure of the US multinational firm is estimated by Jorion (1990) as a foreign exchange hazards. The conclusion shows that there is an excellent difference among exchange rate and stock returns systematically when the association between multinationals is displayed. He concentrated on exposing the determinants of the exchange rate. Moreover, he also found that the value of the dollar and stock returns are positively correlated. Without international operations, the exposure had no specific difference across the domestic firms. In the viewpoint of Jorion (1990), according to the Arbitrage Pricing Theory, there would be the value of exchange rate conceptually. Hedging transactions of foreign currency influence the cost of capital in domestic firms with minimum exposure to risks. Choi et al. (1992) designated the different multifactor model to evaluate the banks for risk disclosure. Primarily, they introduced three components of the model in the literature which have an influential impact on the banking institutions; such elements include the market return, exchange rate, and interest rate. A considerable alternative way used for the calculation of the coefficient of the factors is an optimized behavior model of the global banking institution. The regression model implementation use two dummies, dummy variable of money-center bank and post-October 1979-time dummy variable.

They presented the standardized results for an interest rate as well as market returns along with the new results of the exchange rate, which are entirely dependent on the observations during the specific time period. Afterward, Leahy (1994) utilized the data of five foremost financial institutes for the foreign exchange position in order to calculate the exchange rate for the bank position and forecast movement, particularly; they employed logit and multinational logit valuation models. Later on, they suggested that logit assessment is far superior to unsystematic forecasting, providing evidence to substantiate premium risk, varying according to the time, it is closely associated with the position, assumed by the active participants. Particular corporations of the US and Japan are clenched by banks, following the present flow of study which explored the exchange rate influences on those corporations by using cross-sectional data analysis techniques on a daily basis Kasman et al. (2011).

The gathering information from March 1997 to February 2001 was accomplished. Observational consequences of GARCH-M model uncovered the market hazard is a necessary factor for the unpredictability of the bank return and loan cost in long as well as short run. They demonstrated that there is no impact of long haul loan fees and swapping scale on the arrangement of bank returns Ryan and Worthington (2002). At the end of the day, this examination demonstrated no particular proof to relate the swapping scale varieties with the arrangement of bank returns. Alternately, the greater part of the examinations substantiates the impressive connection between bank returns and swapping scale, which are alluded in this paper. As it is examined in the previous examinations, related

to the conversion scale presentation on banks give the opposite outcomes, which should be mindful fastidiously. In this specific circumstance, Hahm (2004) and Yao et al.(2018) considered the effect of the conversion standard alongside the loan cost on the financial organizations of Korea before the emergency timeframe tentatively. This examination was led specially to assess the Korean financial foundations for the hazard presentation in the immediate just as an aberrant way Abdalla and Murinde (1997). They researched the affectability of Korean banks in correspondence with the arrangement of profits, trade rates, and loan costs by utilizing three elements model. Ostensible spot conversion scale was utilized in this examination paper to compute the estimation of the nearby cash as indicated by the estimation of outside money. This examination explored the sensitivities of previously mentioned three elements with the utilization of qualities every month for assessing the profits of the banks for time spreading over from 1990 to 1997 Levine and Zervos (1998).

They additionally demonstrated that there is an immediate presentation of the vendor and business banking foundations to the outside trade and financing cost dangers. Similarly, the trader and business banking establishments demonstrated introduction to the outside trade and loan fee chances in various sub-timespans adversely. In a nutshell, they closed their important discoveries that erratic development in remote swapping scale and loan fees effects which affect Korean financial foundations in the immediate and roundabout way as the devaluation of the Korean financial organizations realized the money related emergency in Korea by presenting higher loan fees (Ahmad & Jan, 2017). The coefficients are increasingly significant measurably and negative swapping scale, in 7 of the 14 cases, OLS results likewise demonstrated that the bank's all out to return was emphatically identified with comprehensive market execution and trade rates. The aftereffects of the GARCH model recommended that the normal contingent yield had a negative and considerable relationship with the presentation to the swapping scale in 5 of the 14 cases. What's more, they contended that flightiness in financing costs and remote capriciousness is the most significant deciding component for the unconventionality of contingent bank yields.

According to our survey reports, this facet of research was not investigated extensively in the 1990s, although some have empirical evidence. Some studies have suggested the risk of changing interest rates for banks, precisely for the US and other advanced countries. Though other research emphasizes the interest rate risks and exchange rate in companies or multinational companies in the developed economies, but in developing countries, there is the risk of foreign exchange. The degree of change in banks as the only variable which is discussed in some studies, but this study has a great contribution in the specific literature with the additional dimension, especially in the case of Pakistan; it also provides strong grounds for the future studies in this particular domain.

#### *Hypothesis Development*

*H1*: There is a significant relationship between exchange rate exposure and bank stock prices.



### *Material and Methods*

The data sampling consists of 9 top listed banks of Pakistan. The values of all banks are taken for almost 6 years from 2012 to 2017 (monthly data). The sample of the enlisted banks are given in below table.

Table1  
*Listed Banks Sample*

<b>Name of Bank</b>	<b>Abbreviation</b>
Allied Bank Limited	ABL
Bank AL-Habib Limited	HBL
Bank Alfalah Limited	BAL
United Bank Limited	UBL
Faisal Bank Limited	FBL
National Bank of Pakistan Limited	NBP
Meezan Bank Limited	MBL
The Bank of Punjab Limited	BOP
Muslim Commercial Bank Limited	MCB

The rate of exchange risk is fundamental determinants to expect banks to return as a result of short and long-run impacts. For this reason, we have connected with a technique, known as Augmented Market Model, which is utilized by Merikas (1999). We additionally utilized the KSE 100 files as a substitute for market return in AMM (Chamberlain, 1997; Jorion, 1998; Maigua & Moun, 2016; Mohsin et al., 2017; Naseem et al., 2018). In this paper, the profits of the financial business are talked about as an autonomous controlled variable to sectorial wellsprings' inconsistency in the particular bank yields. To appraise the introduction to the swapping scale, four respective trade rates were utilized in an immediate statement and a general conversion standard.

$$S0 = NEER$$

$$S1 = RS/US\$$$

$$S2 = RS/GBP$$

$$S3 = RS/EURO$$

$$S4 = RS/JPY$$

In this study, we assume that all fluctuations in expected exchange rates in stock prices are reflected, so changes in stocks are not affected by this change. Concerning unforeseen changes as demonstrated by Ahmad and Jan (2017) in this study would estimate the real modification in the exchange rate as a measure of the unexpected variation in it (Qayyum & Kemal, 2006).

*Model*

To calculate the change in return of exchange rate due to rate of exchange’s fluctuations, we indicate every bank return  $R_{i,t}$ , as, market yield as, bank yields as and rate of exchange as  $S(0,1,2,3)$ . We will calculate the predictable constraints through reducing return of the different banks in the remaining of the dependent variables. In order to elucidate this, we have assumed the following links.

$$R_{i,t} = \beta_0 + \beta_1 R_{mar,t} + \beta_2 R_{sec,t} + \beta_3 S_{0,t} + \beta_4 S_{1,t} + \beta_5 S_{2,t} + \beta_6 S_{3,t} + \beta_7 S_{4,t} + e \dots(1)$$

$$R_{i,t} = \beta_0 + \beta_1 R_{mar,t-1} + \beta_2 R_{i,t-1} + \beta_3 R_{sec,t-1} + \beta_4 S_{0,t-1} + \beta_5 S_{1,t-1} + \beta_6 S_{2,t-1} + \beta_7 S_{3,t-1} + \beta_8 S_{4,t-1} + e \dots(2)$$

*Test for Stationary (Augmented Dickey-Fuller)*

In this study ADF test is used to check stationary of time series data for which this study is much concerned. This version of stationary is known as expanded version of stationary test Aydemir and Demirhan (2009). The increased (ADF) statistic, the more negative and there would be more probability of refutation of the supposition that unit root exists in the data is in form of time series (Raza et al., 2017). The most of the variables are static and unified to the level, as shown below in table 1. We use the OLS regression technique to measure the mandatory coefficients.

Table 2  
*Results of Augmented Dick-Fuller Test (ADF)*

Variables	t- statistics	Variables	t- statistics
NEER	-7.84*	HBL	-8.92*
US\$	-5.4*	BOP	-7.78*
GBP	-6.28*	FBL	-7.84*
EURO	-6.27*	MCB	-7.18*
JPY	-6.5	MBL	-7.06*
Bank index	6.23	NBP	-7.22*
KSE100	-6.92*	UBL	-6.55*
BAL	-7.73*	ABL	-7.28*

The significant level at 1%,5% and 10% Indicate \*,\*\*,\*\*\* respectively.

In table 3, we analyzed the overview of the statistics for the bank trial, the KSE100 index to determine the return of exchange rate. The overview of the statistics shows that the unpredictability (measured via the standard deviation) is greater for NEER. The average yield is greater r for the Punjab bank, but with a negative value with low figures for NEER. The remaining indicators have

revealed that the data is assorted because the normality is due to the fact that the most of variables are negative.

Table 3  
*Results of Descriptive Statistics*

Variables	Average	Std-Dev	skewness	kurtosis	Jarque- Bera	Prob.
NEER	0.14	1.41	-0.16	3.19	0.37	0.829
US\$	0.58	1.37	2.61	9.51	180.65	0
GBP	0.17	2.76	-0.42	5.23	14.69	0
EURO	0.49	2.56	-0.16	2.86	0.34	0.842
JPY	0.85	2.91	0.81	4.05	9.76	0.007
KSE 100	0.53	9.32	-2.16	10.8	205.79	0
UBL	-0.32	14.4	-1.27	6.73	92.95	0
MBL	0.05	12.12	0.44	6.25	29.44	0
MCB	0.98	14.94	-1.19	5.97	37.48	0
BAL	-2.76	15.03	-0.91	5.57	25.9	0
HBL	0.69	12.15	-1.02	4.07	13.74	0.001
BOP	0.78	18.61	-0.59	4	6.21	0.044
NBP	-0.82	14.51	-0.36	2.93	1.42	0.491
FBL	2.25	12.38	-1.19	5.21	27.49	0
ABL	0.29	13.89	-0.17	3.37	0.66	0.717
Bank Index	1.55	8.84	-0.91	4.36	13.45	0.001

### *Results*

In the results section, we are going to accomplish the result of the banks for the return of market which is perceived by the fluctuation of return set of benchmarks and exchange rate. Results of all banks are explained below individually. The table#4 explained the results of short run regression analysis and the table#5 defined the results of long run regression analysis.

#### *Allied Bank Limited*

The momentary reliance of ABL offers long run significant measurably for coefficients of -2.110 while the short run effect of Euro is inconsequential. The momentary effect of the is -4.140, and is 1.480, equally are extensively huge. The satisfactory symbol of two betas is fascinating in light of the fact that is all banks productivity normal for two money-related measures. The alternative hypothesis

is accepted that ABL stock prices and exchange rate are related to each other. The estimation of bank returns is additionally assessed by the presentation of the financial file with the estimation of 1.175.

#### *Bank Alfalah Ltd*

The transient position of is *GBP 1.153*, which indicates that a rate power point score in *GBP* will expand the bank's arrival by 1.150%. Accordingly, bank has a nearly high hold in *GBP*. The long haul evaluation of the bank's presentation is proficient with the beta estimation of - 3.490. The beta demonstrates that the energy about the USD against the nearby cash can lessen the arrival of the bank's offers. In the long haul, the KSE 100 files decidedly predicts the bank's arrival and, for the time being, both the KSE100 file and the financial record are the bank's yields with the measurement estimation of 0.593 and - 0.4092 separately. The deleterious estimation of the financial list offers speculators multifaceted chances to adapt to the generally safe portfolio.

Table 4  
*Results of Short Run Regression Analysis*

	<b>C</b>	<b>NEER</b>	<b>US\$</b>	<b>GBP</b>	<b>EURO</b>	<b>JPY</b>	<b>KSE100</b>	<b>Bank Index</b>
ABL	4.035 (2510)	-0.362 (-0.235)	-4.140 (-3.414)	0.247 (0.355)	-1.278 (-1.544)	1.486 (2.556)	-0.235 (-1.081)	1.175 (4.959)
BAL	-3.109 (-2.3364)	1.665 (1.3338)	0.208 (0.2053)	1.153 (1.9380)	0.086 (0.1213)	0.534 (1.0793)	0.676 (3.711)	0.825 (4.1076)
HBL	-0.499 (-0.3466)	2.279 (1.6684)	1.134 (1.0250)	1.857 (2.853)	-2.255 (-2.9007)	1.572 (2.9015)	-0.046 (-0.2314)	1.098 (4.9951)
BOP	-0.819 (-0.3374)	-0.155 (-0.0675)	-0.750 (-0.4024)	1.944 (1.7717)	-0.283 (-0.2161)	-0.956 (-1.0469)	0.053 (0.1581)	0.888 (2.3966)
FBL	-1.8286 (-1.098)	2.0968 (1.327)	-0.134 (-0.105)	0.2435 (0.3234)	-0.576 (-0.635)	1.4708 (2.3477)	0.4138 (1.7957)	0.6695 (2.6327)
MCB	2.264 (2.1299)	1.076 (1.0665)	-0.5573 (-0.6821)	-0.475 (-0.9881)	0.0308 (0.0537)	0.1757 (0.4392)	0.6472 (4.3983)	0.8724 (5.3718)
NBP	-1.5054 (-1.2369)	3.3409 (2.8920)	-0.2864 (-0.3062)	0.6672 (1.2120)	-0.4397 (-0.6688)	1.6765 (3.6600)	0.8054 (4.7799)	0.7585 (4.0790)
UBL	0.08665 (0.0653)	0.7414 (0.5906)	0.6649 (0.6602)	0.1595 (0.2781)	-0.7441 (-1.0831)	0.4108 (0.8512)	0.6667 (3.7515)	0.8547 (4.4166)
MBL	1.2607 (0.9295)	-1.3061 (-1.0101)	-0.6494 (-0.6203)	1.2687 (2.0591)	-0.7637 (-1.0380)	-0.2734 (-0.5333)	0.1303 (0.6912)	0.704 (3.3826)

Parentheses shows the value of t-statistic.

Table 5  
*Results of Long Run Regression Analysis*

	C	NEER(-1)	US\$(-1)	GBP(-1)	EURO(-1)	JPY(-1)	KSE100(-1)	Bank Index(-1)
ABL	1.5897 (0.7166)	-2.0524 (-0.9824)	-1.0465 (-0.6245)	0.0810 (0.0828)	-2.1160 (-1.8018)	0.4573 (0.5604)	-0.0575 (-0.1778)	0.5188 (1.7544)
BAL	1.2502 (0.5547)	-1.5173 (-0.7136)	-3.4965 (-2.0312)	0.2900 (0.2794)	-0.5690 (-0.4572)	-0.0188 (-0.0219)	0.5936 (1.727)	-0.4092 (-1.3196)
HBL	0.2245 (0.1116)	0.0492 (0.0259)	-0.2728 (-0.1776)	0.3157 (0.3411)	-0.5096 (-0.4591)	-0.2091 (-0.2739)	0.0321 (0.1047)	-0.2206 (-0.7978)
BOP	1.1039 (0.4607)	-1.8931 (-0.8375)	-5.1863 (-2.834)	0.1313 (0.119)	-1.9691 (-1.4884)	1.8593 (2.043)	1.0303 (2.8194)	0.0131 (0.0396)
FBL	2.3028 (1.1483)	-1.4935 (-0.7893)	-1.8240 (-1.1907)	1.7967 (1.9453)	-3.1665 (-2.8593)	0.4955 (0.6504)	0.6957 (2.2745)	-0.5697 (-2.0645)
MCB	5.0933 (2.3161)	-1.7724 (-0.8541)	-4.3810 (-2.6079)	0.7363 (0.7269)	-2.1850 (-1.7991)	0.0795 (0.0951)	-0.0190 (-0.0565)	0.0828 (0.2736)
NBP	3.22371 (1.4338)	-2.8340 (-1.3303)	-0.5245 (-0.304)	-0.7803 (-0.7504)	-2.3805 (-1.9092)	0.0822 (0.0958)	0.7578 (2.20026)	-0.4514 (-1.4528)
UBL	2.0170 (0.8549)	0.1892 (0.0852)	-3.1874 (-1.7852)	1.1366 (1.091)	-1.5707 (-1.2569)	0.7756 (0.892)	0.3396 (0.9851)	-0.1777 (-0.5649)
MBL	1.4024 (0.8124)	-0.6538 (-0.4014)	-0.3813 (-0.2891)	-0.2831 (-0.356)	-0.2428 (-0.2254)	-1.1657 (-1.7776)	0.2469 (0.9377)	0.1111 (0.4676)

Parentheses shows the value of t-statistic.

#### *Bank AL-Habib Limited*

The momentary reliance of Al Habib offers significant measurably for *GBP*, *EURO* and *JPY* with coefficients of *1.850*, *- 2.250* and *1.570* correspondingly. The yields of the banks will increment, at whatever point the pound devalues, *EURO* the rises and the *JPY* deteriorates and the other way around. These outcomes uncovered that the banks have differing sorts of liabilities and resources for these monetary forms. Furthermore, the estimation of these monetary forms will be high and low, the remainder of the pointers will change, and the presentation of the securities exchange can be one of them. The estimation of bank returns is additionally assessed by the presentation of the financial file with the estimation of *1.098*.

#### *The Bank of Punjab Limited*

The momentary reliance of BOP offers significant measurably for *USD* and *JPY* with beta

values of  $1.850$  and  $-5.180$  correspondingly. The yields of the banks will increment, at whatever point the pound devalues, the *USD* rises and the *JPY* deteriorates and the other way around. These outcomes uncovered that the banks have differing sorts of liabilities and resources for these monetary forms. In the points of view of the present moment, the influence of *GBP* is critical with a coefficient estimation of  $1.940$ , proposing that the overflowing in *GBP* achieve the addition in bank's benefits. The arrival of the bank is foreseen via extended run effect of KSE 100 Index; in any case, the bank record is adding to the bank returns in the present moment with a beta estimation of  $0.880$ .

#### *Faisal Bank Limited*

The transient introduction of the bank in *JPY* is  $1.470$ , which demonstrates that 1% expansion of significant worth in the *JPY*, a high hold *JPY*. In the possibility of long haul, the *GBP* Euro is  $-3.160$  and beta value estimation of  $1.790$ . The coefficients are delineating that the expansion of significant worth in *GBP* and Euro against neighborhood cash possibly will reduce and enlarge the stock returns of bank. As time goes on, KSE 100 and bank list is meaningfully determining the arrival of saves money with the beta value regard  $0.690$  and  $-.560$  exclusively. The negative estimation bank file is giving an upgraded opportunity to the financial specialists to bargain portfolio with generally safe. In the short run, both bank list and KSE100 is envisioning the arrival of manages an account with a coefficient estimation of  $0.410$  and  $0.660$  independently. The negative estimation of bank file is giving the financial specialists an extension opportunity to bargain portfolio with generally safe.

#### *Muslim Commercial Bank Limited*

The long-run introduction of the bank in *USD* and *EURO* are  $-4.380$  and  $-2.180$  which implies that 1% expansion of significant worth in the *USD* and would make the profits of bank decay by  $4.380$  and  $2.180\%$  individually. For the momentary skyline, the presentation of swapping scale isn't critical measurably. With regards to the present moment, KSE 100 and bank list is decidedly gauging the arrival of manages an account with beta value regard  $0.640$  and  $0.870$  independently.

#### *National Bank of Pakistan Limited*

The rate of Euro is highly impacted factor for National Bank of Pakistan in long run. The coefficient value of NBP is  $-2.380$  appearing expanded estimation of Euro which is surely affected the executions of banks performance while the momentary influence of NEER and *JPY* are huge measurably. The estimates of coefficient values are  $3.340$  and  $1.670$  and the encouraging sign of the two beta values suggests that the bank's benefits are emphatically depended upon the nominal exchange rate and *JPY* presentation. The KSE 100 and bank file rundown are emphatically adding to the profits of bank in the present moment with beta value regard  $0.80$  and  $0.750$  independently.

### *United Bank Limited*

The long term divulgence of the bank in USD is - 3.180, which recommends that 1% expansion of significant worth in the USD would make the arrival of bank reduction by 3.180%. The transient effect of the bank's benefits is inappreciable. For the time being, KSE 100 and bank return is foreseeing profits of managing an account with a coefficient estimation of 0.660 and independently.

### *Meezan Bank Limited*

The JPY of Meezan Bank limited -1.160 is gone sensitive as time goes on. The stock benefits of Meezan bank minimize due to JPY in juxtaposition to neighborhood referenced coefficients. The GBP is 1.260 which is numerically effective for the bank performance. The benefit of the bank is anticipated by the short-run effect record of bank; in any case, the bank list is decidedly adding to the profits of managing an account with a coefficient estimation of 0.704.

## **Conclusion**

The fundamental target of this examination is to inspect the introduction of the remote swapping scale as far as the profits of Pakistani financial establishments. We have picked those ten banks, including all Islamic and customary financial frameworks which have proprietorship in people in general just as the private part. In the system of short and long haul, the bank's market returns are foreseen in change of profits benchmarks for example KSE100 list, set of trade rates and banking area returns. The Augmented Market Model (AMM) holds to speak to these connections. Table 3 delineates the impact of trade rates, introduction (short run) in like manner Table 4 speaks with the impacts of these factors (long run). We have outlined the consequences of each bank autonomously. The displayed outcomes are blend of short and long run time cloths bank restores that may have a few vulnerabilities and cause to impact the other monetary firms in the typical feeble financial conditions. There isn't discovered solitary cash to the most astounding trade chance presentation in all banks in spite of the fact that, USD, GBP and JPY are explanation of the stock execution of our inspected all bank.

### *Recommendation and Limitation of Study*

In the proposed study, issues of bank returns and trade rates exposures have been talked about, however it isn't altogether encasing all parts of the trade rates exposures. In spite of the fact that there are a few inadequacies to portray the marvel of trade rates and its effect on bank returns. In this investigation, the varieties have been unveiling in short and long run yet it is uncertain whether to dispense it in banking segment's advantages and liabilities structures or the board styles or comprehensive assets. It is recommended in future investigation to be progressively centered around

these specific angles generally.

### References

- Abdalla, I. S., & Murinde, V. (1997). Exchange rate and stock price interactions in emerging financial markets: evidence on India, Korea, Pakistan and the Philippines. *Applied financial economics*, 7(1), 25-35.
- Ahmad, I., & Jan, F. A. (2017). Risk Management: Impact On Financial Institutions In Pakistan. *Journal Of Managerial Sciences* , 20. Ahmed, A., Rehan, R., Chhapra, I. U., & Supro, S. (2018). Interest Rate And Financial Performance Of Banks In Pakistan. *International Journal Of Applied Economics, Finance And Accounting*, 8.
- Alaba, O.B., 2002. Exchange rate uncertainty and foreign direct investment in nigeria. Trade Policy Research and Training Programme (TPRTP); *Department of Economics*, University of Ibadan, Ibadan, Nigeria.
- Aydemir, O., & Demirhan, E. (2009). The relationship between stock prices and exchange rates: Evidence from Turkey. *International Research Journal of Finance and Economics*, 23(2), 207-215.
- Ayub, A., & Masih, M. (2013). Interest Rate, Exchange Rate, And Stock Prices Of Islamic Banks: A Panel Data Analysis. *Munich Personal Repec Archive* , 27.
- Butt, B. Z., ur Rehman, K., Khan, M. A., & Safwan, N. (2010). Do economic factors influence stock returns? A firm and industry level analysis. *African Journal of Business Management*, 4(5), 583-593.
- Chamberlain, S., Howe, J. S., & Popper, H. (1997). The exchange rate exposure of US and Japanese banking institutions. *Journal of banking & finance*, 21(6), 871-892.
- Choi, J. J., Elyasiani, E., & Kopecky, K. J. (1992). The sensitivity of bank stock returns to market, interest and exchange rate risks. *Journal of banking & finance*, 16(5), 983-1004.
- Grammatikos, T., Saunders, A., & Swary, I. (1986). Returns and risks of US bank foreign currency activities. *The Journal of Finance*, 41(3), 671-682.
- Hahm, J. H. (2004). Interest rate and exchange rate exposures of banking institutions in pre-crisis Korea. *Applied Economics*, 36(13), 1409-1419.
- Jorion, P. (1990). The exchange-rate exposure of US multinationals. *Journal of business*, 331-345.
- Kasman, S., Vardar, G., & Tunç, G. (2011). The impact of interest rate and exchange rate volatility on banks' stock returns and volatility: Evidence from Turkey. *Economic Modelling*, 28(3), 1328-1334.
- Leahy, M. P. (1994). *Bank positions and forecasts of exchange rate movements* (No. 486).
- Levine, R., & Zervos, S. (1998). Stock markets, banks, and economic growth. *American economic review*, 537-558.
- Maigwa, C., & Mouni, G. (2016). Influence of interest rates determinants on the performance of commercial banks in Kenya. *International journal of academic research in accounting, finance and management sciences*, 6(2), 121-133.
- Merikas, A. G. (1999). The exchange rate exposure of Greek banking institutions. *Managerial*



- finance*, 25(8), 52-60.
- Mohsin, M., Rehman, M. Z.-U., & Kashif, M. (2017). Association Of Exchange Rate, Interest Rate And Market Risk With Accounting Variables: An analysis of Banking Sector of Pakistan. *Asian Journal of Research*, 12.
- Obadan, M.I., 2006. Overview of exchange rate management in nigeria from 1986-2006 Central Bank of Nigeria Bullion, 30(3), 1-15.
- Qayyum, A., & Kemal, A. R. (2006). *Volatility spillover between the stock market and the foreign market in Pakistan* (No. 22216).
- Raza, N., Ali, S., Ali, A., & Jamaludin, N. B. (2017). Volatility Transmission and Spillover Effects of Interest and Exchange Rate Risk: Evidence from Banking Sector of Pakistan. *The Journal of Internet Banking and Commerce*, 1-19.
- Ryan, S., & Worthington, A. C. (2002). *Time-varying market, interest rate and exchange rate risk in Australian bank portfolio stock returns: a GARCH-M approach* (No. 112). School of Economics and Finance, Queensland University of Technology.
- Salamat, S., Fu, G. L., Mohsin, M., Zia ur Rehman, D., & Baig, S. (2018). The Volatility of Pakistan Stock Market: A Comparison of GARCH Type Models with Five Distribution. *Naseem, S., Mohsin, M., Zia-ur-Rehman, M., & Baig, SA (2018). Volatility of pakistan stock market: A comparison of Garch type models with five distribution. Amazonia Investiga*, 7(17), 486-504.
- Shapiro, A. C. (1975). Exchange rate changes, inflation, and the value of the multinational corporation. *The Journal of Finance*, 30(2), 485-502
- Yao, H., Haris, M., & Tariq, G. (2018). Profitability determinants of financial institutions: evidence from banks in Pakistan. *International Journal of Financial Studies*, 6(2), 53.

# INNOVATIVE BRANDING STRATEGIES, CONSUMER PERCEPTION AND PURCHASE INTENTIONS IN THE INSURANCE SECTOR OF PAKISTAN

Masood Hassan<sup>1</sup> and Muhammad Arsalan Hashmi<sup>2</sup>

## Abstract

*The highly competitive insurance industry of Pakistan requires firms to adopt innovative branding strategies for stimulating consumer perceptions and purchase intentions. Therefore, this paper develops a unique framework consisting of seven direct relationships and one indirect relationship to analyze the interaction between several branding strategies, quality perceptions and purchase intentions. The data was collected through questionnaires distributed among employees working in several leading insurance companies of Pakistan. A total of 374 useable responses were available for statistical analysis with SmartPLS software. The statistical results generated through PLS-SEM corroborate that all branding strategies helped enhance consumer perception of product quality and purchase intentions. Thus, marketing managers are recommended to replicate similar branding approaches in other sectors of the economy for enhancing recognition of their products.*

**Keywords:** Branding Strategies, Brand Awareness, Brand Association, Brand Equity, Brand Loyalty, Perceived Quality, Purchase Intentions, Insurance.

**JEL Classification:** M300, M310.

## Introduction

Innovative branding strategies are important for businesses all over the world (Konuk, 2018). In this regard, the main challenge for insurance companies in Pakistan is to use branding strategies that provide differentiation and recognition to them (Raza, Ahmed, Ali, & Qureshi, 2019). Despite being a customer-driven industry, insurance companies are struggling to create brand differentiation in a saturated market as their products and services are very similar (Gunawardane, Munasinghe, & Dissanayake, 2016). While many brands are focusing on developing strong emotional association with consumers, insurance companies find it considerably difficult to convince consumers that their

<sup>1</sup>Faculty, CBM, Institute of Business Management (IoBM), Karachi, Pakistan. Email: masoodhassan1@hotmail.com

<sup>2</sup>Assistant Professor, College of Management Sciences, Karachi Institute of Economics and Technology, Karachi, Pakistan. Email: arsalan.hashmi@pafkiet.edu.pk

products provide unique features that are not available by others.

The insurance sector in Pakistan is highly segmented where selected companies enjoy the loyalty of consumers (Raza, Ahmed, Ali, & Qureshi, 2019). It has been argued that most consumers tend to have a low emotional attachment with insurance providers and are prepared to switch to rival companies if they find a more attractive product (Chimedtseren & Safari, 2016). Therefore, insurance companies must strive to adopt innovative branding strategies that enhance consumer perception and purchase intentions. Given the importance of strong branding, this study examines the association between several brand strategies, consumer preferences and purchase intentions. Specifically, the conceptual framework analyzes how brand awareness, brand association, perceived quality and brand loyalty affects brand equity. We also investigate how brand equity affects brand preference and purchase intentions. Similarly, the mediating role of brand preference on brand equity-purchase intentions relationship has also been explored.

#### *The Insurance Industry in Pakistan: A Background*

The Insurance Ordinance, 2000 governs insurance companies in Pakistan. The insurance sector comprises of three main aspects i.e. health, general and life insurance. In the year 1948, the Department of Insurance was established within the Ministry of Commerce by the Government of Pakistan. The primary function of the department is to monitor the affairs of the insurance companies operating in Pakistan. The insurance sector makes a reasonable contribution to the GDP of the country.

The Pakistani insurance industry is smaller and less-developed as compared to its regional partners (Raza, Ahmed, Ali, & Qureshi, 2019). The insurance sector has undergone major reforms including the minimum capital requirement leading to the merger of several insurance companies in Pakistan. The minimum capital requirement forced several companies to shut down. Several initiatives have been taken to improve the governance and transparency of insurance companies by the Insurance division of the SECP. The macroeconomic performance of Pakistan has also improved over the past few years in terms of reduction in trade imbalances and a rise in foreign investment. In addition, investment under the China Pakistan Economic Corridor (CPEC) and issue of Sukkuks (Islamic bonds) in the international market has greatly helped Pakistan in stabilizing its foreign exchange reserves.

### **Literature Review & Hypothesis Development**

#### *Brand Association (BA) and Brand Equity (BE)*

Brand association and brand equity are essential facets for developing sustainable relationships with customers (Chinomona & Maziriri, 2017). Besides other aspects of marketing, firms pay close attention to both brand association and brand equity (Girard, Trapp, Pinar, Gulsoy, &

Boyt, 2017). Brand related activities can be internal and external which enhance brand image. Brand equity has different effects on customer cognition (Çifci, Ekinci, Whyatt, Japutra, Molinillo & Siala, 2016). Brand association is an antecedent to brand equity and its uniqueness has a positive association with brand equity and customers' buying attitude (Foroudi, Jin, Gupta, Foroudi, & Kitchen, 2018). Thus, many organizations use consumer brand association and its effect on brand equity (Sinha, Khajuria, & Thakar, 2018). Consumers association towards a brand is their feeling towards it. It acts as a benchmark for assessing the strength of brand equity (Tanveer & Lodhi, 2016). Brand activities such as pricing, packaging and activation not only stimulates brand association but also affect brand equity (Jayswal & Vora, 2019; Rahman & Areni, 2016). Given the above discussion, we may conclude that brand association is not only an essential element of brand equity, but it also plays a significant role in developing brand equity.

*H1: BA and BE are positively associated.*

#### *Brand Awareness (BAs) and Brand Equity (BE)*

Brand name and brand image, *inter alia*, depend on a firm's brand positioning strategy (Barreda, Okumus, Nusair, & Bilgihan, 2016). The brand positioning strategy of a firm not only stimulates brand awareness but has a direct effect on brand awareness and brand equity (Dao, 2017; Çifci et al., 2016). On the other hand, brand positioning also mediates brand awareness and brand equity relationship (Seo & Park, 2018; Godey, Manthiou, Pederzoli, Rokka, Aiello, Donvito & Singh, 2016).

Brand awareness and brand equity relationships enable firms to attract customers towards existing and innovative new products (Abril & Rodriguez-Canovas, 2017). Brand awareness refers to a consumer's ability to remember a brand. A high brand recall by a consumer has both a direct and indirect association with brand equity (Erkan, Gokerik, & Acikgoz, 2019; Sürücü, Öztürk, Okumus & Bilgihan, 2019). Brand awareness not only enhances consumer interest but also their purchase intentions. Consequently, brand awareness will substantially increase brand equity (Świtała, Gamrot, Reformat, & Bilińska-Reformat, 2018; Mohan & Sequeira, 2016).

*H2: BAs and BE are positively associated.*

#### *Perceived Quality (PQ) and Brand Equity (BE)*

Consumer perception about the quality of a brand is known as perceived quality. Generally, consumers who perceive a brand to be of high quality believe that it will substantially effect brand equity (Sierra, Iglesias, Markovic, & Singh, 2017). Therefore, the perception of quality and brand equity helps consumers to differentiate between branded products. Research suggests that customers are eager to pay even high prices for such branded goods (Menon & Barani, 2016; Kao & Lin, 2016). Firms with strong brand equity are able to not only retain existing customers but also attract new ones. In the long run, this retention and attraction cycle may further improve brand equity (Erdem & Swait,

2016). Consumers having a high quality perception of a brand assume that its extended version may also have good quality and are not reluctant to use them (Buzdar, Janjua, & Khurshid, 2016).

Perceived quality has four features which include “intrinsic, extrinsic, appearance and performance”. All the features of perceived quality both individually and collectively affect brand equity. The individual effect of each aspect of perceived quality on brand equity is different. For example, the intrinsic aspect of perceived quality has a stronger effect on brand equity as compared to other features (Liu, Wong, Tseng, Chang, & Phau, 2017). Consequently, firms consider a brand’s perceived quality when developing their marketing strategies for building and enhancing brand equity (Girard, Trapp, Pinar, Gulsoy, & Boyt, 2017; Chow, Ling, Yen, & Hwang, 2017).

*H3: PQ and BE are positively associated.*

#### *Brand Loyalty (BL) and Brand Equity (BE)*

A stable customer-brand relationship is essential for the growth of a branded product. Therefore, many firms focus on consolidating their loyal customer base (Foroudi, Jin, Gupta, Foroudi & Kitchen, 2018). Consistent purchases by loyal customers not only contributes to firm performance but provide a source for augmenting brand equity (Shabbir, Khan, & Khan, 2017). Loyal customers are less vulnerable to good value propositions offered by competitors and are willing to ignore an occasional poor experience (Sinha, Khajuria, & Thakar, 2018). Moreover, the switching behavior of loyal customers is different from disloyal customers. While the former do not switch to other branded goods, the later switches frequently (Sharma & Jain, 2019). Thus, firms should focus on building a sustainable relationship with customers as attracting new customers is more expensive than retaining existing ones (Rather, Sharma, & Itoo, 2018). Additionally, a firm with a broad loyal customer base may have an edge over competitors. Brand loyalty refers to customers’ long term commitment to buy the same brand over time. Many past studies found a positive association between brand loyalty and brand equity (Quan, Chi, Nhung, Ngan, & Phong, 2020; Ahmed & Latif, 2019). However, these studies observed that customer satisfaction is essential for developing brand loyalty. Further, many studies have found that customer satisfaction mediates the brand loyalty and brand equity relationship (Said & Asri, 2019).

*H4: BL and BE are positively associated.*

#### *Brand Equity (BE) and Brand Preference (BP)*

Brand equity is a key intangible asset for a company (Aaker, 1981). A firm with strong brand equity will positively influence its customers’ brand preference (Chang, Che-Hao, & Chung, 2008). Similarly, Hoeffler and Keller (2003) suggest that consumers give consideration to brand equity aspects as it reassures them that the brand with strong equity will deliver what it has promised (Chen

& Chang, 2008). In a comparative study, it was found that consumers despite similar tangible features in two brands, preferred the brand with the better image (Myers, 2003). Similarly, another study examined the association between brand equity and brand preference, in which it used three different brand categories. The study concluded that the brand equity and brand preference relationship is universal and does not vary from one brand category to another (Buil, Martínez, & De-Chernatony, 2013). Given the significance of brand equity and brand preference relationship, many firms spend ample amount of resources on building and maintaining brand equity (Hornig, Liu, Chou, & Tsai, 2012).

*H5: BE and BP are positively associated.*

#### *Brand Equity (BE) and Purchase Intentions (PI)*

Brand equity is a significant predictor of purchase intentions. Many past studies found a positive association between brand equity and purchase intentions. For example, Cobb-Walgren et al. (1995) used two brands in their study. The first brand was related to the service industry (i.e. a hotel) while the other was a fast-moving consumer good (i.e. a household cleaner). The study found that brand equity and purchase intentions association was valid for both types of brands. Similarly, many past studies concluded that the market is glutted with several brands with similar attributes in almost all brand categories (Chang & Liu, 2009). Therefore, a firm must create differentiation for enhancing brand equity (Chen & Tseng, 2010; Pool, Asian, Abareshi, & Mahyari, 2018). Vinh (2016) argues that firms cannot maintain their competitive edge based on physical attributes as they can be easily imitated by competitors. Technological advancement has actually made it easier for firms to imitate competing goods. Thus, firms must focus on intangible aspects like brand equity to remain competitive (Moradi & Zarei, 2011).

*H6: BE and PI are positively associated.*

#### *Brand Preference (BP) and Purchase Intentions (PI)*

The theory of reasoned action postulates that consumer behavior, attitude and intentions are inter-dependent (Madden, Ellen, & Ajzen, 1992). Ebrahim, Ghoneim, Irani, and Fan (2016) argues that consumers' supportive attitude (i.e., brand preference) towards a brand may positively influence its purchase intentions. Brand equity has a strong association with brand preference given that brand preference is a key aspect of brand equity. Therefore, researchers have inferred that brand preference has a direct and indirect association (through brand equity) with purchase intentions (Cobb-Walgren et al., 1995; Chen & Chang, 2008; Chang & Liu, 2009). Similarly, Keller (1993) acknowledges that consumer's brand responses are an essential facet of consumer-related brand equity; therefore, brand preference and purchase intentions have a significant association. Past studies corroborate that brand preference is a significant predictor of purchase intentions (Guzmán, Abimbola, Tolba, & Hassan, 2009; Moradi & Zarei, 2011). Despite the presence of similar value propositions in different brands, consumers purchase those products which arouse their interests and preferences.

*H7: BP and PI are positively associated.*

*Brand Equity (BE), Brand Preference (BP) and Purchase Intentions (PI)*

Despite similar tangible features in branded products, consumers prefer products with a strong brand image (Myers, 2003). Similarly, Buil, Martínez and De-Chernatony (2013) examined the association between brand equity and brand preference using three different brand categories. The study concluded that brand equity and brand preference relationship is universal and does not vary from one brand category to another (Buil, Martínez, & De-Chernatony, 2013). Given the significance of brand equity and brand preference relationship, many firms spend an ample amount of resources on building and maintaining brand equity (Horng, Liu, Chou, & Tsai, 2012).

Brand equity has a strong association with brand preference, whereas brand preference is an aspect of brand equity. Moreover, studies have found that brand preference has a direct and indirect association (through brand equity) with purchase intentions (Cobb-Walgren et al., 1995; Chen & Chang, 2008; Chang & Liu, 2009). Similarly, Keller (1993) indicates that consumer's brand responses are an essential aspect of consumer-related brand equity; therefore, he suggests that brand preference and purchase intention have a significant association. Past studies corroborate that brand preference is a significant predictor of purchase intentions (Guzmán, Abimbola, Tolba, & Hassan, 2009; Moradi & Zarei, 2011).

*H8: BP mediates BE and PI relationship.*

*Conceptual Framework*

In light of the above discussion, we develop a conceptual framework comprising seven direct and one indirect relationship. Figure 1 depicts the conceptual framework of the study.

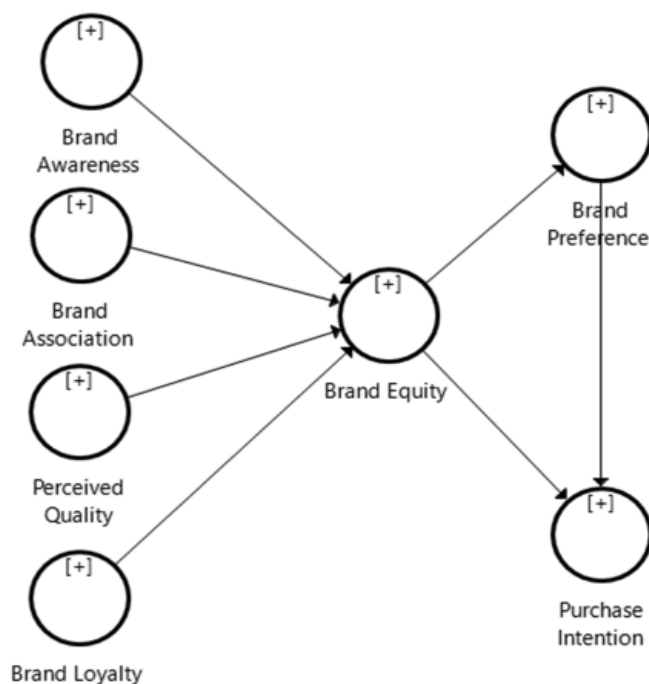


Figure 1: Conceptual Framework

## Methodology

### Data

The study collected data by distributing questionnaires to employees working in conventional insurance and Takaful companies of Pakistan. More specifically, the questionnaires were distributed in 7 life insurance companies, 30 non-life insurance companies, 2 family takaful companies, 3 general takaful companies, 4 window family takaful companies, 4 window general takaful companies and 1 state- owned national reinsurer. A total of 426 filled questionnaires were received out of which a sample of 374 useable responses were available for data analysis purposes.

### Respondents Profile

The respondents of the study were working in prominent insurance companies of Pakistan with the following demographic composition. 73% of the participants were males and 27% were females; 18% of the respondents were in the age group of 24-29 years, 22% in the age group of 30-35 years, 26% in the age group of 36-40 years, and remaining 34% were above 40 years. With respect



to income, 33% of the respondents were in the income group of Rs. 50,000-75,000, 25% were in the income group of Rs. 76,000-100,000, 20% were in the income group of Rs. 101,000-125,000 and the remaining 22% were in the income group above Rs. 125,000. Finally, 20% of the respondents had matriculate education; 30% had intermediate education; 35% had bachelor degrees and the remaining 15% had master degrees.

#### *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 the literature. The items were measured on the five point Likert-scale where 1 represents strongly disagree and 5 represents strongly agree.

#### *Data Analysis*

The SmartPLS software was used for preliminary analysis and empirically testing the hypothesis formulated above using Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach. The PLS-SEM approach is considered superior to the CB-SEM approach for estimating complex statistical relationships between latent variables (Hair, Sarstedt, Ringle, & Mena, 2012).

## **Results**

#### *Descriptive Statistics*

Descriptive statistics were computed to analyze the statistical properties of the research variables. These include the mean, standard deviation, skewness, kurtosis and Cronbach's alpha. The descriptive statistics are presented in Table 1.

Table 1

#### *Descriptive Statistics*

	<b>Cronbach's Alpha</b>	<b>Mean</b>	<b>Std. Dev.</b>	<b>Skewness</b>	<b>Kurtosis</b>
Brand Association	0.728	4.12	1.15	1.98	2.15
Brand Awareness	0.819	3.87	1.23	2.25	2.23
Brand Equity	0.823	3.55	1.14	-1.89	0.98
Brand Loyalty	0.808	3.37	0.87	1.76	0.95
Brand Preference	0.871	3.97	1.06	2.56	1.78
Perceived Quality	0.888	3.77	1.25	2.43	1.87
Purchase Intention	0.826	3.65	1.19	1.87	1.09

The Cronbach's alpha is a measure of the inter-item consistency of the research variables. The highest Cronbach's alpha value is for perceived quality (Mean= 3.77, SD=1.25,  $\alpha=0.888$ ), and the lowest is for brand association (Mean= 4.12, SD=1.15,  $\alpha=0.728$ ). The research variables were considered consistent and reliable as their Cronbach's alpha values are above 0.70. Table 1 also shows that the skewness coefficients lie between the -1.89 and 2.56. Further, the kurtosis coefficients lie between 0.95 and 2.23. As the skewness and kurtosis coefficient values are close to (-1, 1) and (-2,2) respectively, we may conclude that the research variables are approximately normally distributed (Hair, Anderson, Tatham & Black, 1998).

#### *Convergent Validity*

Convergent validity was ascertained to determine the extent to which the constructs are theoretically related with one another. The convergent validity of the constructs was analyzed using the Fornell and Larcker (1981) criterion.

Table 2  
*Convergent Validity*

	<b>Mean</b>	<b>Std. Dev.</b>	<b>Composite Reliability</b>	<b>AVE</b>
Brand Association	4.12	1.15	0.800	0.8
Brand Awareness	3.87	1.23	0.880	0.88
Brand Equity	3.55	1.14	0.876	0.876
Brand Loyalty	3.37	0.87	0.884	0.884
Brand Preference	3.97	1.06	0.912	0.912
Perceived Quality	3.77	1.25	0.916	0.916
Purchase Intention	3.65	1.19	0.884	0.884

Table 2 indicates that the composite reliability and average variance extracted values are greater than 0.7 and 0.5 respectively. Hence, as per the Fornell and Larcker (1981) criterion, we conclude that the constructs satisfy the requirements of convergent validity.

#### *Discriminant Validity*

Discriminant validity measures the degree to which the measurement of constructs are unrelated with one another. The Fornell and Larcker (1981) criterion was also used to assess the discriminant validity of the constructs.

Table 3  
*Discriminant Validity*

	1	2	3	4	5	6	7
Brand Association	0.758						
Brand Awareness	0.51	0.805					
Brand Equity	0.702	0.726	0.767				
Brand Loyalty	0.393	0.571	0.49	0.847			
Brand Preference	0.656	0.596	0.724	0.552	0.849		
Perceived Quality	0.524	0.478	0.559	0.791	0.671	0.828	
Purchase Intention	0.595	0.538	0.706	0.735	0.776	0.744	0.81

Table 3 indicates that the average variance extracted is greater than the squared correlation between the constructs. Therefore, the constructs satisfy the discriminant validity conditions stipulated by Fornell and Larcker (1981).

#### *PLS-SEM Results*

The PLS-SEM results for empirically validating the direct and indirect hypotheses are presented in Table 4. Furthermore, the measurement and structural models are provided in Figure 2 and Figure 3 respectively.

Table 4  
*PLS-SEM Results*

	Beta	T Stat.	P Values	Results
<b>Direct Relationships</b>				
Brand Association -> Brand Equity	0.386	11.435	0.000	Accepted
Brand Awareness -> Brand Equity	0.49	12.235	0.000	Accepted
Perceived Quality -> Brand Equity	0.201	4.215	0.000	Accepted
Brand Loyalty -> Brand Equity	-0.099	1.76	0.07	Rejected
Brand Equity -> Brand Preference	0.724	23.909	0.000	Accepted
Brand Equity -> Purchase Intentions	0.302	4.132	0.000	Accepted
Brand Preference -> Purchase Intentions	0.557	9.056	0.000	Accepted
<b>Indirect Relationship</b>				
Brand Equity-> Brand Pref. -> Purchase Intentions	0.232	4.32	0.000	Accepted

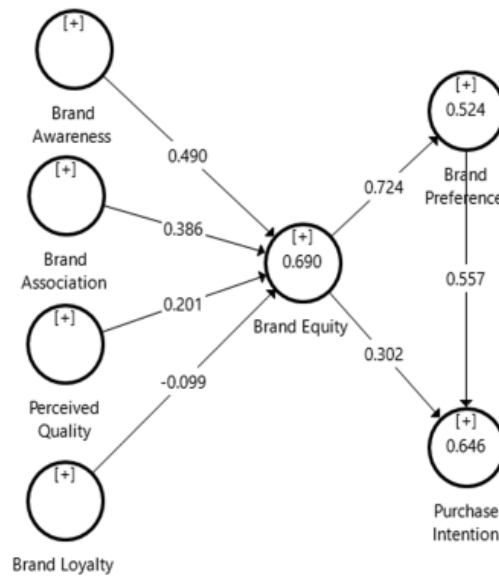


Figure 2: Measurement Model

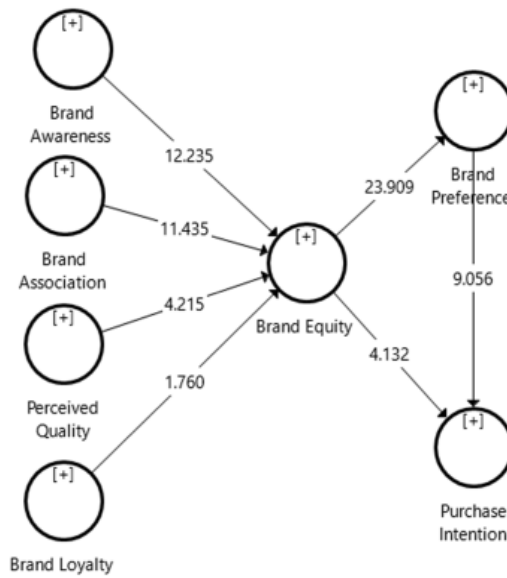


Figure 3: Structural Model

## Discussion

The first hypothesis predicts a positive association between brand association and brand equity. The results reported in Table 4 provide empirical support to the hypothesis. The positive association between the two variables is evident from the positive and statistically significant beta coefficient ( $\beta=0.386$ ,  $p=0.000$ ). Our finding is consistent with the viewpoint that brand association and brand equity are essential facets for developing sustainable relationships with customers. In addition to other marketing strategies, firms should pay close attention to both brand association and brand equity for developing a strong competitive advantage.

The second hypothesis predicts a positive association between brand awareness and brand equity. The results reported in Table 4 provide empirical support to the hypothesis. The positive association between the two variables is evident from the positive and statistically significant beta coefficient ( $\beta=0.49$ ,  $p=0.000$ ). The finding supports the view that brand awareness and brand equity relationships enable firms to attract customers towards existing and innovative new products. Moreover, brand awareness not only enhances consumer interest but also their purchase intentions. Consequently, brand awareness will substantially increase brand equity.

The third hypothesis predicts a positive association between perceived quality and brand equity. The results reported in Table 4 provide empirical support to the hypothesis. The positive association between the two variables is evident from the positive and statistically significant beta coefficient ( $\beta=0.201$ ,  $p=0.000$ ). The finding implies that consumers who perceive a brand to be of high quality believe that it will substantially effect brand equity. Therefore, the perception of quality and brand equity helps consumers to differentiate between branded products. Customers impressed with quality and brand equity are willing to pay even high prices for such products.

The fourth hypothesis predicts a positive association between brand loyalty and brand equity. The results reported in Table 4 do not support the hypothesis. This is evident from the negative and insignificant beta coefficient ( $\beta=-0.099$ ,  $p=0.07$ ). Thus, our finding is not consistent with the previous literature which suggests that loyal customers not only contribute to firm performance but provide a source for augmenting brand equity.

The fifth hypothesis predicts a positive association between brand equity and brand preference. The results reported in Table 4 provide empirical support to the hypothesis. The positive association between the two variables is evident from the positive and statistically significant beta coefficient ( $\beta=0.724$ ,  $p=0.000$ ). Our finding supports the view that strong brand equity will positively influence its customers' brand preference. Moreover, consumers give consideration to brand equity aspects as it reassures them that the brand with strong equity will deliver what it has promised.

The sixth hypothesis predicts a positive association between brand equity and purchase

intentions. The results reported in Table 4 provides empirical support to the hypothesis. The positive association between the two variables is evident from the positive and statistically significant beta coefficient ( $\beta=0.302$ ,  $p=0.000$ ). The finding indicates that brand equity is a significant predictor of purchase intentions. Technological advancement has made it easier for firms to imitate competing goods. Thus, firms must focus on intangible aspects like brand equity to remain competitive and stimulate consumer purchases.

The seventh hypothesis predicts a positive association between brand preference and purchase intentions. The results reported in Table 4 provides empirical support to the hypothesis. The positive association between the two variables is evident from the positive and statistically significant beta coefficient ( $\beta=0.557$ ,  $p=0.000$ ). Our finding supports the viewpoint that despite the presence of similar value propositions in different brands, consumers purchase those products which arouse their interests and preferences.

The eighth hypothesis predicts that brand preference mediates the brand equity-purchase intentions relationship. The results reported in Table 4 provides empirical support to the hypothesis. This implies that brand preference is a mediator variable in the relationship. Our finding supports the notion that brand equity leads to brand preference which ultimately stimulates purchase intentions.

### Conclusion

The insurance industry in Pakistan is highly competitive and segmented. The intense competition between insurance companies offering similar products in a saturated market creates a need for innovative branding strategies. Given the importance of strong branding, this study examines the association between several brand strategies, perceived quality and purchase intentions in the insurance sector of Pakistan. Our unique conceptual framework analyzes how brand awareness, brand association, perceived quality and brand loyalty affects brand equity. We also investigate how brand equity affects brand preference and purchase intentions. Further, the mediating role of brand preference on brand equity-purchase intentions relationship has also been explored. The study has two main limitations, i.e. the utilization of a limited sample from insurance companies and application of a quantitative research approach. Thus, future research may explore the direct and indirect role of complex branding strategies on consumer purchase intentions in other sectors of Pakistan using a mixed methods research design.

### References

- Aaker, D. (1991). *Managing Brand Equity*, Macmillan, NewYork, NY.
- Abril, C., & Rodriguez-Canovas, B. (2017). It is not the Awareness but the Familiarity! Revisiting Private Labels' Brand Equity: An Abstract. In *Marketing at the Confluence between Entertainment and Analytics* (pp. 1021-1021). Springer, Cham.

- Ahmed, S., & Latif, W. B. (2019). Assessing Customer-Based Brand Equity and Brand Competitiveness of an Electronic Company in Bangladesh. *Journal of Research in Marketing*, 10(1), 758-765.
- Barreda, A. A., Okumus, F., Nusair, K., & Bilgihan, A. (2016, July). Explaining Online Brand Equity with Website Interactivity Theory: A Study Of Customer Equity. In *2016 Global Marketing Conference at Hong Kong* (pp. 1037-1038).
- Buil, I., Martínez, E., & De Chernatony, L. (2013). The influence of brand equity on consumer responses. *Journal of Consumer Marketing*, 30(1), 62-74.
- Buzdar, M. F., Janjua, S. Y., & Khurshid, M. A. (2016). Customer-based brand equity and firms' performance in the telecom industry. *International Journal of Services and Operations Management*, 25(3), 334-346.
- Chow, H. W., Ling, G. J., Yen, I. Y., & Hwang, K. P. (2017). Building brand equity through industrial tourism. *Asia Pacific Management Review*, 22(2), 70-79.
- Chang, H. H., Che-Hao, H., & Chung, S. H. (2008). The antecedents and consequences of brand equity in service markets. *Asia Pacific Management Review*, 13(3), 601-624.
- Chang, H. H., & Liu, Y. M. (2009). The impact of brand equity on brand preference and purchase intentions in the service industries. *The Service Industries Journal*, 29(12), 1687-1706.
- Chen, C. F., & Chang, Y. Y. (2008). Airline brand equity, brand preference, and purchase intentions—The moderating effects of switching costs. *Journal of Air Transport Management*, 14(1), 40-42.
- Chen, C. F., & Tseng, W. S. (2010). Exploring customer-based airline brand equity: Evidence from Taiwan. *Transportation Journal*, 24-34.
- Chimedtseren, E., & Safari, M. (2016). Service quality factors affecting purchase intention of life insurance products. *Journal of Insurance and Financial Management*, 1(1), 1-12.
- Chinomona, R., & Maziriri, E. T. (2017). The influence of brand awareness, brand association and product quality on brand loyalty and repurchase intention: a case of male consumers for cosmetic brands in South Africa. *Journal of Business and Retail Management Research*, 12(1), 143-154.
- Çifci, S., Ekinci, Y., Whyatt, G., Japutra, A., Molinillo, S., & Siala, H. (2016). A cross validation of Consumer-Based Brand Equity models: Driving customer equity in retail brands. *Journal of Business Research*, 69(9), 3740-3747.
- Cobb-Walgren, C. J., Ruble, C. A., & Donthu, N. (1995). Brand equity, brand preference, and purchase intent. *Journal of Advertising*, 24(3), 25-40.
- Dao, T. Q. (2017). *Effects of brand association, brand loyalty, brand awareness, and brand image on brand equity in training industry via social media-The case of summit capital* (Doctoral dissertation, International University-HCMC).
- Ebrahim, R., Ghoneim, A., Irani, Z., & Fan, Y. (2016). A brand preference and repurchase intention model: The role of consumer experience. *Journal of Marketing Management*, 32(13-14), 1230-1259.
- Erdem, T., & Swait, J. (2016). The information-economics perspective on brand equity. *Foundations and Trends in Marketing*, 10(1), 1-59.

- Erkan, I., Gokerik, M., & Acikgoz, F. (2019). The Impacts of Facebook Ads on Brand Image, Brand Awareness, and Brand Equity. In *Handbook of Research on Entrepreneurship and Marketing for Global Reach in the Digital Economy* (pp. 442-462). IGI Global.
- Fornell, C., & Larcker, D. F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1), 39-50.
- Foroudi, P., Jin, Z., Gupta, S., Foroudi, M. M., & Kitchen, P. J. (2018). Perceptual components of brand equity: Configuring the Symmetrical and Asymmetrical Paths to brand loyalty and brand purchase intention. *Journal of Business Research*, 89, 462-474.
- Girard, T., Trapp, P., Pinar, M., Gulsoy, T., & Boyt, T. E. (2017). Consumer-based brand equity of a private-label brand: Measuring and examining determinants. *Journal of Marketing Theory and Practice*, 25(1), 39-56.
- Godey, B., Manthiou, A., Pederzoli, D., Rokka, J., Aiello, G., Donvito, R., & Singh, R. (2016). Social media marketing efforts of luxury brands: Influence on brand equity and consumer behavior. *Journal of Business Research*, 69(12), 5833-5841.
- Gunawardane, N., Munasinghe, A., & Dissanayake, D. M. R. (2016). Relationship between Perceived Brand Equity and Purchase Intention of Life Insurance Brands in Sri Lanka: A Concept Paper. *International Journal of Business and Management Invention*, 5(12), 2319-8028.
- Guzmán, F., Abimbola, T., Tolba, A. H., & Hassan, S. S. (2009). Linking customer-based brand equity with brand market performance: a managerial approach. *Journal of Product & Brand Management*, 18(5), 356-366.
- Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (1998). *Multivariate Data Analysis*. Upper Saddle River, NJ: Prentice Hall.
- Hair, J. F., Sarstedt, M., Ringle, C. M., & Mena, J. A. (2012). An assessment of the use of partial least squares structural equation modeling in marketing research. *Journal of the Academy of Marketing Science*, 40(3), 414-433.
- Hoeffler, S., & Keller, K. L. (2003). The marketing advantages of strong brands. *Journal of Brand Management*, 10(6), 421-445.
- Hornig, J. S., Liu, C. H., Chou, H. Y., & Tsai, C. Y. (2012). Understanding the impact of culinary brand equity and destination familiarity on travel intentions. *Tourism Management*, 33(4), 815-824.
- Jayswal, M., & Vora, P. (2019). Impact of Brand Association on Brand Equity with Specific Focus on Advergaming in India. *Journal of Creative Communications*, 14(3), 271-284.
- Kao, T. W. D., & Lin, W. T. (2016). The relationship between perceived e-service quality and brand equity: A simultaneous equations system approach. *Computers in Human Behavior*, 57, 208-218.
- Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, 57(1), 1-22.
- Konuk, F. A. (2018). The role of store image, perceived quality, trust and perceived value in predicting consumers' purchase intentions towards organic private label food. *Journal of Retailing and Consumer Services*, 43, 304-310.
- Liu, M. T., Wong, I. A., Tseng, T. H., Chang, A. W. Y., & Phau, I. (2017). Applying consumer-based



- brand equity in luxury hotel branding. *Journal of Business Research*, 81, 192-202.
- Madden, T. J., Ellen, P. S., & Ajzen, I. (1992). A comparison of the theory of planned behavior and the theory of reasoned action. *Personality and Social Psychology Bulletin*, 18(1), 3-9.
- Menon, V. P., & Barani, G. (2016). Dimensions of brand equity: An investigation on higher education institutions. *Asian Journal of Research in Social Sciences and Humanities*, 6(5), 353-359.
- Mohan, B. C., & Sequeira, A. H. (2016). The impact of customer-based brand equity on the operational performance of FMCG companies in India. *IIMB Management Review*, 28(1), 13-19.
- Moradi, H., & Zarei, A. (2011). The impact of brand equity on purchase intention and brand preference—the moderating effects of country of origin image. *Australian Journal of Basic and Applied Sciences*, 5(3), 539-545.
- Myers, C. A. (2003). Managing brand equity: a look at the impact of attributes. *Journal of Product & Brand Management*, 12(1), 39-51.
- Pool, J. K., Asian, S., Abareshi, A., & Mahyari, H. K. (2018). An examination of the interplay between country-of-origin, brand equity, brand preference and purchase intention toward global fashion brands. *International Journal of Business Forecasting and Marketing Intelligence*, 4(1), 43-63.
- Quan, N., Chi, N., Nhung, D., Ngan, N., & Phong, L. (2020). The influence of website brand equity, e-brand experience on e-loyalty: The mediating role of e-satisfaction. *Management Science Letters*, 10(1), 63-76.
- Rahman, K., & Areni, C. S. (2016). The benefits of quantifying qualitative brand data: A mixed-method approach for converting free brand associations to a brand equity index. *International Journal of Market Research*, 58(3), 421-450.
- Rather, R. A., Sharma, J., & Itoo, M. H. (2018). Exploring relationships among customer Brand engagement, Brand equity and Brand loyalty towards hospitality brands. *Abhigyan*, 36(2), 41-51.
- Raza, S. A., Ahmed, R., Ali, M., & Qureshi, M. A. (2019). Influential factors of Islamic insurance adoption: an extension of theory of planned behavior. *Journal of Islamic Marketing*.
- Said, M., & Asri, A. (2019). The Influence Between Brand Loyalty and Brand Equity on Behavioral Loyalty and Attitudinal Loyalty. *Pinisi Business Administration Review*, 1(2), 77-84.
- Seo, E. J., & Park, J. W. (2018). A study on the effects of social media marketing activities on brand equity and customer response in the airline industry. *Journal of Air Transport Management*, 66, 36-41.
- Shabbir, M. Q., Khan, A. A., & Khan, S. R. (2017). Brand loyalty brand image and brand equity: the mediating role of brand awareness. *International Journal of Innovation and Applied Studies*, 19(2), 416.
- Sharma, R., & Jain, V. (2019). CSR, Trust, Brand Loyalty and Brand Equity: Empirical Evidences from Sportswear Industry in the NCR Region of India. *Metamorphosis*, 18(1), 57-67.
- Sierra, V., Iglesias, O., Markovic, S., & Singh, J. J. (2017). Does ethical image build equity in corporate services brands? The influence of customer perceived ethicality on affect, perceived quality, and equity. *Journal of Business Ethics*, 144(3), 661-676.

- Sinha, K., Khajuria, R., & Thakar, H. (2018). Understanding the Antecedents of Brand Loyalty for Improved Brand Sustainability. *Studies & Proceedings of Polish Association for Knowledge Management, 89*, 5-19.
- Sürücü, Ö., Öztürk, Y., Okumus, F., & Bilgihan, A. (2019). Brand awareness, image, physical quality and employee behavior as building blocks of customer-based brand equity: Consequences in the hotel context. *Journal of Hospitality and Tourism Management, 40*, 114-124.
- Świtała, M., Gamrot, W., Reformat, B., & Bilińska-Reformat, K. (2018). The influence of brand awareness and brand image on brand equity—an empirical study of logistics service providers. *Journal of Economics & Management, 33*, 96-119.
- Tanveer, Z., & Lodhi, R. N. (2016). The effect of brand equity on customer satisfaction: An empirical study based on David Aaker's Brand Equity Model. *IUP Journal of Brand Management, 13*(3), 43-54.
- Vinh, T. T. (2016). The relationships among brand equity, brand preference, and purchase intention: empirical evidence from the motorbike market in Vietnam. *International Journal of Economics and Finance, 8*(3), 75-84.

# TOWARDS EXAMINING THE LINK BETWEEN WORKPLACE SPIRITUALITY, EMPLOYEE ENGAGEMENT AND JOB SATISFACTION

Jawad Khan<sup>1</sup>, Saad Farooq<sup>2</sup> and Dr. Mubashar Hassan Zia<sup>3</sup>

## Abstract

*This study examines the significance of workplace spirituality and its influence on employee positive attitudes (Employee Engagement & Job Satisfaction) in the workplace. Data were collected via questionnaires from two hundred employees working in NGO's & INGO'S by using convenience sampling technique. Results showed that spiritual workplace has huge and beneficial outcome on worker commitment and their satisfaction level. It can be concluded that the level of employee engagement to its role and employee job satisfaction can be enhanced by focusing on the workplace spirituality in an organization. This study also defined others attitudes that may be enhanced by focusing on spirituality in future.*

**Keywords:** Workplace Spirituality, Employee Engagement, Job Satisfaction, Beneficial Outcome.

**JEL Classification:** M500

## Introduction

In today's modern, chaotic and disorderly world, the more complex variation like international markets collapse, economic reshuffling, employee reduction, immense layoffs, extended and exploded families have demoralized and exhausted many employees, this is why they are no longer connected to their jobs (Neal, 1998). This serious problem has instigated the interest of many researchers and they have identified factors that lead to the more humanistic environment and they deem this as a positive sign to resolve the aforementioned problems.

This mess attracted researchers towards such factors that may contribute more towards pleased and humble working environment that leads to employee satisfaction and engagement to its

---

<sup>1</sup>MS Scholar, Institute of Business & Management Sciences (IBMS), The University of Agriculture, Peshawar, Pakistan.  
Email: jawadmarwat1@gmail.com

<sup>2</sup>Lecturer, Faculty of Institute of Business & Management Sciences (IBMS), The University of Agriculture, Peshawar, Pakistan.  
Email: sfq201@gmail.com

<sup>3</sup>Assistant Professor, Faculty of Management Sciences, Riphah International University, Pakistan.  
Email: mubasharzia@gmail.com

job role. Practitioners and researchers have come across through several factors that may lead to a working environment in which employees feel contented, relaxed and engaged at work and at the end of the day they are more satisfied. One of these factors attracting significant attention and which is noteworthy is workplace spirituality (Marques, 2005). Workplace spirituality is among those factors that may play helpful role by providing better working condition to employees in which they feel satisfied, relaxed and to face aforesaid issues in a better way (Marques, 2005). In work place spirituality, researchers and investigators emphasize and stress upon more cooperative working environment and enhanced organization potency, a connection to something higher and they consider primary source of community which plays a significant role to augment work attitudes such as employee engagement and job satisfaction in order to increase productivity and organizational efficacy (Mitroff & Denton, 1999).

Researchers regarding workplace spirituality highlighted some key points that may be helpful to enhance organizations' working environment, employee satisfaction and engagement towards its role. Workplace spirituality works on individual level, group level and organizational level to improve employee's positive attitudes (Mitroff & Denton, 1999; Neal, 1998).

According to researchers' spirituality at workplace is a new factor that best connects employees to his/her organization in a more decent way that may be handfull for both employee and organization productivity (Mitroff & Denton, 1999). Workplace Spirituality has the potential to maximize output, connect employee to its job, unsatisfied to satisfied, disengage to engage and faithlessness to commitment (Nick & Milliman, 1994; Milliman et al., 2003).

Workplace spirituality is a new domain of research and inquisition and has possible and probable strong connectivity and important and significant to the comfort and welfare of employees, businesses, societies and communities (Mirvis, 1997). Spiritual engagement of individuals with their jobs and organizations may maximize organizational output, efficiency, organizational commitment, satisfaction or contentment and employee engagement (Milliman et al., 2003), prolonged organizational stability, overall or collective performance, productivity, motivation and creativeness (Mitroff & Denton, 1999; Nick & Milliman, 1994). Spirituality can play a key role in establishing more decent, ethical, civilized organization culture and atmosphere (Garcia & Zamor, 2003), boosting the importance, sense of work, strengthening interaction, cooperation among individuals in the workplace, and in the meantime creating a working set that completely fills the lives of employees with pleasure, happiness and satisfaction (Sheep, 2006). A rising tendency in contemporary or modern business gives importance to the spirituality of employees in the workplace (Shellenbarger, 2000).

It is helpful in setting up more productive and civilized working domain by focusing and practicing the key factors of workplace spirituality as discussed above. When employee love to work and energized by work, having sense of interaction and cooperation with other employees and feels connected with organization values that leads towards employee's satisfaction and engagement (Garcia & Zamor, 2003; Sheep, 2006).

---

## Literature Review

### *Workplace Spirituality*

Spirituality in the working environment is inherent spirit of an employee that shows the level of satisfaction, engagement, interaction, commitment and intention to his/her job and organization and with whom they work. Spirituality in broader sense means to perform job with full concentration and having spiritual association with his work, organization and coworkers by focusing on personal growth and contribution towards organizational goals (Mitroff & Denton, 1999).

Spirituality means to cooperate and coordinate with fellow employees, bosses, subordinates and also other stakeholders linked with your organization with full honesty, integrity and remain loyal and passionate with his role in origination that directly linked with organization output.

Workplace spirituality can be best described by establishing such ways and techniques inside organization that may helpful to satisfy and engage employee in such a way that contribute towards organization output and also useful for employee growth. As per this concept workplace spirituality as the following three factors (Ashmos & Duchon, 2000).

Workplace spirituality is highly individual and rational concept, almost all of the intellectual definitions admit that workplace spirituality is comprised of logic of totality, unity and completeness, associated at work and profound values (Gibbons, 2000). Spirituality at workplace means make an attempt to find one's eventual reason and objective in life, establish and maintain a strong bond and association with coworkers and people connected with work, to have an alliance between one's basic and fundamental plus main beliefs, principles and ethics of organization (Mitroff & Denton, 1999). In the same manner, workplace spirituality is defined as "the recognition that employees have an inner life that is fostered and promoted by meaningful work arises in the context of community" (Ashmos & Duchon, 2000).

Marques et al. (2005) stated that spirituality is strengthened, nourished and triggered by awareness and consciousness, that each person is individually driven, dragged and motivated by an inner potency, which raises and maintains his or her sense of honesty, sincerity, integrity, possess him with artistic quality or creativeness, kindness, compassion, sympathy, dependability, reliability, steadiness and courage, and resultantly leading to collective creation of an aesthetically, motivational, friendly and cooperative working environment to enhanced team performance and overall harmony, and consequently turning the organization to be a leader in its race with other counter partners in its industry and community.

---

### *Meaningful Work*

A basic, original and fundamental feature or characteristic of workplace spirituality involves a bottomless sense of meaning and purpose and intention in one's work (Ashmos & Duchon, 2000). Meaningful work signifies or shows that employees interact and coordinate with their daily work and looking for meaningful work (ibid). The appearance of spirituality at work involves the statement that individuals have some inner sense or consciousness, truthfulness and passion which come to fore while performing work actions and creates or establishes meaning to life as well as to others lives (Hawley, 1993; Ashmos & Duchon, 2000). The intention to work is not a novel concept or new thought, however the spirituality at workplace is not like that work which meant to be interesting or challenging but it is regarding things such as finding out profound meaning and purpose in work, mutual respect and love, communicate one's inner life during work, showing inner self-consciousness at work, fulfilling inner self needs by doing meaningful work and to provide help to others (Neal, 1998; Ashmos & Duchon, 2000).

### *Sense of Community*

An important and decisive dimension of workplace spirituality consists of developing and maintaining an important and closer relationship with others, which is called a sense of community (Ashmos & Duchon, 2000). According to Neal and Bennett (2000) this stage of spirituality occupies the psychological, affectionate and spiritual link among individuals in teams or groups in organizations. Sense of community is that it consists of a deeper sense of connection among people, employee support each other, linked with a common purpose, freedom of expression and authentic caring (Ibid).

### *Alignment with Organizational Values*

The third important factor of workplace spirituality is when individual show a strong relation between their personal values or morals and with organization mission, purpose and objectives (Milliman et al., 1999). Alignment with organizational values includes the interaction of employees with the best organizational purpose and mission (Mitroff & Denton, 1999). Affiliation with the organizational values is related to an idea or area that an individual's desire is superior to one's self and should make a contribution to organization (Ibid).

Connection or association with organizational values or morals comprises the concept that employees want to work within an organization or atmosphere whose objective is not to be just a corporate or business company by the way, but it is a totally different organization that hunts and develop a sense of ethics and moral principles or integrity in the workplace, which make a larger contribution or help employees as compare to other company that do for the well-being of employees, customers and society as a whole (Milliman et al., 1999).

---

### *Employee Engagement*

The competition in the market is growing and getting more complex and complicated due to globalization. Moreover, the world economic recession or financial crisis that took place in the period 2007-2008 has driven or compelled companies to boost up their competitiveness for business survival. Resultantly, employee engagement has come to the fore as one of the most discussed and debated topics among top management across the globe in this decade and it is a crucial factor for business life and success (Hyuna, 2008).

According to Kahn (1990) employee engagement means the psychological existence of an employee while performing his work or duties and fulfill their responsibility in a better way, and utilize themselves physically, cognitively or mentally and emotionally during work activities. When employees are busy, occupied and engaged they are using or investing their hands, head and mind (Rich et al., 2010), and are psychologically present when performing and doing organizational responsibility (Kahn 1990, 1992). Psychological presence of people ensures attentiveness, connectedness, integrity and focus in their role performances (Ibid). Kahn (1990) explained that employee engagement signifies the psychological or mental existence of an employee when performing his organizational duties. Thus, when people are engaged or busy in their work they maintain themselves within the job they are doing (ibid).

Employee engagement is the stage of emotional, intellectual and optimistic pledge or commitment of employees with the organization to go one step ahead to help the organization in achieving their objectives and aims (Hyuna, 2008). Companies enhance their performance by the engagement of employees and accomplish organizational goals by giving autonomy to their employees.

Employee engagement can be further divided into organizational engagement (degree of an employee's engagement to their organization) and job engagement (degree of employee's commitment to their job). When an employee is busy or engaged, he remains conscious and attentive about his responsibility in the business goals and objectives and instigates his colleagues alongside, to help organization in achieving its goals successfully (Kahn, 1990). The positive demonstration or attitudes of the workers with their work place and its value system is otherwise called as the positive emotional affiliation or attachment of an employee with his work is called employee engagement (Ibid). Well-coordinated, connected and attached employees go beyond their job requirements in order to do well in their career as well as help organization in successfully achieving its goals (ibid).

### *Job Satisfaction*

Satisfaction is one of the basic elements of all factors of the overall efficiency of work done, being configured as a result of the connection between what individuals actually get from work in terms of salary, status, appreciation etc and their expected results (Mathis, 1997). This attitude can

be defined as the events that give rise to personal feelings of relief, pleasure, which may be observed or described by the individual who is experiencing it, but cannot be seen from the outside by another person and is invisible phenomenon (Ibid).

Moreover, job satisfaction can be understood, taken or considered as positive emotion, produced by the admiration of the work resulting in a certain atmosphere (Luthans, 1998). Popescu-Neveanu (1978) said this is a complicated psychological configuration not always fully conscious, consisting of a set of positive attitudes of the person towards the work done.

Locke (1976) stated that job satisfaction is a constructive phenomenon and happy intellectual stage coming as a result of appreciation of one's work or job. Miller (2009) supported the idea that this definition of job satisfaction is the most comprehensive and generally acknowledged description, depicting the essential elements needed to demonstrate satisfaction during work. Moreover, job satisfaction is comprehended as a psychological character that people show to their work (Schultz, 1982), so far as expectations that an individual has in relation to his work confuses or mixes up with what he has really in his mind while performing the job (Capotescu, 2006). This is the meaning of job satisfaction in general or in common sense, which does not validate to be the most suitable way to check or measure whether or not people feel job satisfaction. Therefore, when intending to check job satisfaction, a level is necessary to identify or recognize and analyze the attitudes that establish the sum of it ranging from job to other (Schultz, 1990). Job satisfaction is multidimensional or multifaceted attitude, it has various determinants which include safety at workplace, possibilities of growth, recognition, influence and wages (Evan, 2001).

Job satisfaction means that working atmosphere fulfills the needs and values of employee and gives positive response or reply of the individual to that environment (Tewksbury & Higgins, 2006). Lambert (2004) described job satisfaction is the degree, stage and level where a person likes his/ her job or remains loyal with his job. Lambert et al. (1999) described the term as the accomplishment, execution, completion of gratification and satisfaction of certain needs that are affiliated or associated with one's work.

In two studies Camp (1994) and Lambert (2004) found that accurate job satisfaction comes from accomplishment of work, proper work supervision, up gradation, relationship with co-workers, fulfillment of desires and encouragement. Previous studies demonstrated and holds that job satisfaction is linked or affiliated with five dimensions, range of tasks, task significance or task acknowledgment, task importance, autonomy and feedback. According to Glisson and Durick (1988) that these five dimensions forecasted level of job satisfaction. The theoretical area of job satisfaction is wide, because it consists of all attributes of the job itself and the workplace, which employees find rewarding or remuneration, encouragement and satisfying (Ibid).



---

*Workplace Spirituality and Employee Engagement*

These are different topics with different factors of organization, playing different roles in organizational productivity and employee performance in a separate way but have a positive impact on one another (Milliman et al., 2003). By studying definitions and body of study regarding these positive attitudes, it's clear that they are linked and are playing an important role in different aspects of organization. These positive attitudes exhibit the same characteristics like flawless skills, perfect in quality, completeness, inner spirit, undivided, focus, aim oriented and much more (Pfeffer, 2010).

Duchon and Plowman (2005) describes that inner spirit or inner consciousness in an employee during work may be more productive and worthwhile than those organization where inner spirit do not exist in a proper way or overlooked. The inner spirits have a direct connection and have positive affect on employee engagement towards organization and an employee job role.

Spirituality in the workplace has a direct influence on employee's feelings towards work (Krishnakumar & Neck, 2002). The Same is with employee engagement where the employee is involved in work with full concentration (Rich et al., 2010). Engagement with organization employee invests oneself into his/her role and doing awesome job that makes an employee distinct from other (Kahn, 1992).

According to Krishna Kumar and Neck (2002) factor of wholeness is same in both attitudes, wholeness means that one thing remains same even everything in surroundings get changing. That only thing is inner spirit. This inner spirit carries on an employee to perform in a complete self and taking active part in work's role, which is called employee engagement. Spirituality encourages and motivate employees to bring them complete in job role not only physically or intellectually but always they find determination in their work (Ashmos & Duchon, 2000).

Jurkiewicz and Giacalone (2004) stated organizations that practices spirituality generate an atmosphere where the unity of the individual and professional selves is possible keeping the whole person in the work process. Mitroff and Denton (1999) found that those who have linked with organization, understood and demonstrate spirituality and were able to bring more of their complete mind at work. According to Kinjerski and Skrypnek (2004) spirituality is about being connected with organization all the time even at work, it means live with frankness and honor, involves consolidation of a person physical or corporal, emotional and spiritual behavior during work.

Rich et al. (2010) conceptualized employee engagement is the utilization of one's complete self into a role. Kahn (1990) stated that fully engaged means that one demonstrates the complete self within their role or performance, while disengagement is the opposite of it i.e. decoupling or detachment of the self from the work completely. Engaged employees usually keep themselves occupied with their jobs while disengaged employees deviate from their roles more than often (Kahn, 1990).

Thirdly, employee engagement also enhances workplace spirituality when the job carries a significant importance for employees. Workplace spirituality shows that people have a strong sense of attachment to their work as well as with others related to the job (Krishnakumar & Neck 2002; Milliman et al., 2003). Kinjerski and Skrypnek (2004) after interview with fourteen professionals, came to the conclusion that to have connections with others as well as with something broader than oneself was a main and significant idea. People are also emotionally invested in their jobs when they are engaged with their work (Kahn, 1990). Kahn (1990) concluded that people who're engaged experience pleasure and meaningfulness in every aspect of their job whether they be communicating with their colleagues or customers.

Employee engagement and workplace spirituality are also connected to various job related outcomes as well. Literature shows a strong connection between honesty, trust, creativity, employee engagement and workplace spirituality. (Krishnakumar & Neck, 2002). Millman et al. (2003) Studied the association between workplace spirituality and positive attitudes have found that workplace spirituality dimensions i.e meaningful work, sense of community, alignment with organization values were considerably connected to job attitude variables i.e. organization citizenship behavior, job satisfaction, employee turnover, and employee engagement and employee motivation. Kolodinsky et al. (2008) examined that work place spirituality surely connected to employee engagement and work satisfaction.

#### *Workplace Spirituality and Job Satisfaction*

According to Luthans (1998) Workplace spirituality is a key factor and playing important role by establishing sociable working environment where employees focus on teamwork, supporting and coordinating each other that directly affect employee satisfaction level towards job and organization. As Ryan and La Guardia (2000) stated in their studies that those organizations where employee work importance is considered in a positive way, appreciate their works, have a meaningful work, organizational support and have a good relation among employees help an employee to have internal satisfaction and more commitment towards job.

According to Sass (2000) spirituality is directly linked with employee effectiveness, performance, personal growth and playing an important role in reducing absenteeism. Spirituality is also associated with mental or cognitive satisfaction of an employee. Lilius et al. (2005) stated that spirituality provides an environment to an employee where employee psychological commitment towards work and organization strengthens. Then main thing in organizational performance and productivity is that an employee should be mentally satisfied from organization side.

Organizational productivity depends on employee satisfaction, and this satisfaction comes when an employee trust, personal values, respect and commitment towards job and organization are considered (Mitroff & Denton, 1999). Campuzano (2009) linked job satisfaction with spiritual

workplace, where all these are experienced with high importance. Spiritual workplace works on employee actions, behavior and expectations which employees have from organization. After all these positive attitudes are incorporated in organizational perspective, organization may have satisfied employee with internal satisfaction and *consciousness at the end* (Kinjerski & Skrypnek, 2006).

Meaningful work means work that gives employee a feeling of pleasure, comfort and directs employee to be involved in organization related meaning full activities (Duchon & Plowman, 2005). Duchon and Plowman (2005) show results from previous literature on the significance and constructive association between employee meaning and purpose full work and job satisfaction. We can also anticipate meaningful work as it is more likely to affect or influence employee attitude and their behaviors towards job. As Jaques (1996, 1998) recommended when an individual's work is compared to their probable or inherent ability, they are prospected to achieve their full potential. Peters and Waterman (1982) came to the conclusion that organizations with higher or improved level of meaningful work have more motivated, instigated and contented or satisfied workforce.

Scene of Community aspects of workplace spirituality demonstrate that employees' have of the sense belonging with others and help each other to solve their needs and desires (Ashmos & Duchon, 2000). Trott (1996) described that those who are susceptible, having momentous and purpose full plus objective relationship are the main factors of the community are more likely nourish, high job pleasure and less likely to observe job exhaustion. Organizations that establish an environment which is friendly to employee's sense of pleasure, desire and objectives will motivate or instigate employees to a larger extent while performing work and most probably will have a productive or yielding and contented plus complacent workforce (Riordan et al., 1997; Catlette & Hadden, 1998). Other studies have pointed out that the organizations that offer or provide their employees a workplace where they feel comfortable having strong or tight feeling of affiliation and objectivity are inclined towards more imaginative and creative plus innovative work related activities (Harman, 1992), and experienced or observed personal growth and maturity to a larger extent (Hawley, 1993). In conformity with the above postulated relationship (Milliman et al., 2003) pointed out support for a positive relationship of both meaningful work and community with job satisfaction.

According to Mitroff and Denton (1999) concentration on the values, morals, vision and objectives of organization fulfill the desires and needs of employees and have significant effect on organizational commitment and job satisfaction. According to Milliman et al. (1999) strong feelings of community and organizational values plus morals is connected to employee satisfaction as well as inspiration and the instigation. These results are in conformity with Collins and Porras (1994).

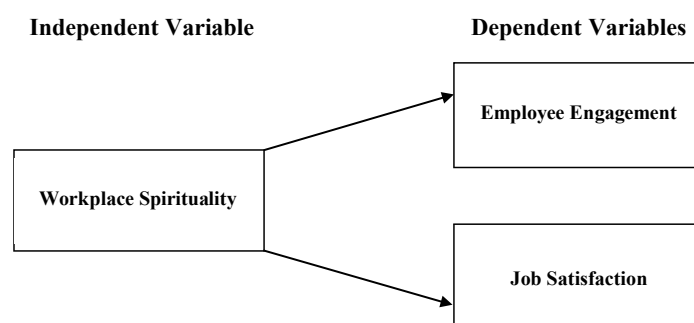


Figure 1: Theoretical Framework

### Research Methodology

#### Population and Sample

The population of the study includes employees of officer rank of NGOs and INGOs in Khyber Punkhtunkhuwa. A sample size of 200 was surveyed. Data was collected through convenience sampling technique. Study used 21 item scale of Ashmos and Duchon (2000) to measure workplace spirituality. Employee engagement was measured using items from the work of Kahn (1990) with 18 items. Job satisfaction was measured using the 6 item scale developed by Agho et al. (1992). All the variables were measured on a five point Likert scale.

Table 1

Variables	Items	Developed by
WPS	21	Ashmos and Duchon (2000)
E.E	18	Kahn (1990)
J.S	6	Agho et al. (1992)

The data was processed by using Statistical Package for Social Sciences (SPSS) v.20. It is important to mention that before formal analysis the data was tested for reliability analysis by using Cronbach's alpha coefficient (Cronbach, 1951). A Cronbach's alpha coefficient of 0.70 or more was considered reliable.

Descriptive were tested in term of counts and percentages regarding different items of

workplace spirituality, employee engagement and job satisfaction, for investigating the perception of respondents. Hypotheses were tested using simple linear regression. In order to check the relationship of workplace spirituality with employee engagement and job satisfaction, the following analytical models (regression analysis) was applied.

$$E.E = \beta_0 + \beta_1 WPS + \varepsilon \dots\dots\dots (1)$$

$$J.S = \beta_0 + \beta_1 WPS + \varepsilon \dots\dots\dots (2)$$

Where,  
*WPS* = workplace spirituality, *EE*= employee engagement  
*JS* = job satisfaction,  $\beta_0$  and  $\beta_1$  are called the model parameters and will be estimated from the sample data by utilizing ordinary least square (OLS) method.  
 $\varepsilon$  = is the residual term and supposed to follow a normal distribution with zero mean and constant variance i.e.  $\varepsilon \sim N(0, \sigma^2)$

**Data Analysis**

*Reliability Analysis*

Internal consistency of the items in the scales was measured using cronbach’s alpha. A cronbach’s alpha value of 0.70 and above was considered reliable. Following table shows the values of Cronbach’s alpha for variables workplace spirituality, employee engagement and job satisfaction has reliable with respect to data collection.

Table 2

<b>Variables</b>	<b>N</b>	<b><math>\alpha</math></b>
Workplace Spirituality	21	0.73
Employee Engagement	18	0.70
Job Satisfaction	6	0.73

Table 3

*Descriptive Statistics*

<b>Variables</b>	<b>No of items</b>	<b>Mean</b>	<b>Standard Deviation</b>
Workplace Spirituality	21	3.77	0.40
Employee Engagement	18	3.75	0.40
Job Satisfaction	6	3.79	0.63

Table shows mean of workplace spirituality 3.77 (S.D=0.40), mean of employee engagement

3.75 (S.D=0.40) and 3.79 (S.D=0.63) is mean of job satisfaction. 3.77 was the mean of items of workplace spirituality. While 3.75 is the mean of responses of employee engagement indicating higher level of engagement due to workplace spirituality. And the mean of items of job satisfaction is 3.79 indicating higher level of satisfaction at job due to workplace spirituality.

#### *Workplace Spirituality and Employee Engagement*

Results reveal that 43% variation occurs in dependent variable due to workplace spirituality. Value of "B" (0.669) is positive, so we can say positive relation exists. Model is overall fit  $F = 151.41$  ( $F > 5$ ). As a result, the alternative hypothesis is accepted that perceived workplace spirituality has positive effect on employee engagement.

Table 4

	$\beta$	S.E	t-ratio	p-value
Constant	1.228	0.206	5.957	0.000
WS	0.669	0.054	12.305	0.000

$R^2 = 0.433$ ; F-value =151.41 with p-value=0.000

#### *Workplace Spirituality and Job Satisfaction*

Results show that spirituality in the workplace induced 46 percent shifts in the dependent variable. There is significant relation with  $F = 75.35$  ( $F > 5$ ) and p-value = 0.000 ( $P < 0.001$ ). Value of "B" (0.822) is positive therefore positive relation exists. So hypothesis 2 is accepted.

Table 5

	$\beta$	S.E	t-ratio	p-value
Constant	0.693	0.359	1.930	0.000
WS	0.822	0.095	8.651	0.000

$R^2 = 0.464$ ; F-value =75.35 with p-value=0.000

### **Discussion & Conclusion**

The importance of workplace spirituality in an organization is becoming so vital due to market ebb and flow situation and its influence on employees. Dependent variables, as discussed earlier, are the main factors that we can say that they are main pillars of an organization. This study shows that if an organization develop spiritual environment, obviously the levels of employee engagement and satisfaction level of an employees will be sparked. Results defined that employee engagement and

satisfaction level of an employees are in organization hands, if they develop proper spiritual work environment then they will find more engagement and satisfaction from employee's side as explained by other researchers like (Giacolone & Jurkiewicz, 2010; Kolodinsky & Giacalone & Jurkiewicz, 2008; Neck & Milliman, 1994).

Employees become more robust and stable at the point where they understand value in their work-related activities and feel the organizational support for spirituality. Employees are engaged in a collaborative way when dealing with spirituality, they apply maximum capacity at work, contribute their whole selves to the job and organization; these positive outcomes are hampered in organizations where spirituality is overlooked and disregarded (Neal & Bennett, 2000).

Previous body of knowledge on workplace spirituality, employee engagement and job satisfaction stated that workplace spirituality is decidedly identified with employee engagement and employee satisfaction in a positive way. If an organization works on spirituality, it means to empower employees to carry their entire self to work and eventually become more progressively beneficial and locked in (Karakas, 2009). Moreover, researchers explained that spiritual employees always try to improve performance, better execution (Garcia-Zamor, 2003), and are likewise less vulnerable to worry in predicament (Marques, 2005).

This study shows that if an organization properly develops system of spirituality and invests their capabilities to create inner consciousness among employees will be a positive effect on individuals and organizations performance. By developing and maintaining spiritual culture that can connect employees to organizations and organizational goals. This study is supported by Spillover theory of Diener presented in 1984 that workplace spirituality and its dimensions are noteworthy determinants of attitudinal outcomes like employee engagement and job satisfaction. However, disagreements still exist in analyzing and explaining the construct of workplace spirituality and its connection with other related positive attitudes. This leaves the field open to further inquiry, especially in distinct organizational and cultural settings.

#### *Limitations and Future Directions*

The study also has some limitations which may be accounted for in future studies. First, the use of convenience sampling technique limits the generalizability of results. Future studies should make use of random sampling techniques for better generalizability. Second, more rigorous research methods in terms of analysis techniques such as Partial Least Square (PLS) should be adopted for more reliable results. Third, workplace spirituality should be studied alongside other organizational factors like organizational commitment, job involvement, turnover intention, job stress, and organizational citizenship behaviors. Fourth, workplace spirituality must find out in different organization (public and private sector) and other cultural settings (e.g. individualistic and collectivist), to see whether the findings are applicable in distinct settings or not. Finally, more complex relationships should be

examined to investigate the mediating or moderating roles of organizational behavior variables, such as motivation (intrinsic and extrinsic), supervisory relationships, work environment and organizational politics as a mediating factors.

### References

- Agho, A. O., Price, J. L., & Mueller, C. W. (1992). Discriminant validity of measures of job satisfaction, positive affectivity and negative affectivity. *Journal of Occupational and Organizational Psychology*, 65(3), 185-195.
- Ashmos, D. P., & Duchon, D. (2000). Spirituality at work: A conceptualization and measure. *Journal of management inquiry*, 9(2), 134-145.
- Campuzano, L. G., & Seteroff, S. S. (2010). A new approach to a spiritual business organization and employee satisfaction. Available at SSRN 1553426.
- Diener, E. (1984). 'Subjective Well-being', *Psychological Bulletin*, 95 (1),542–575.
- Duchon, D., & Plowman, D. A. (2005). Nurturing the spirit at work: Impact on work unit performance. *The leadership quarterly*, 16(5), 807-833.
- Garcia-Zamor, J. C. (2003). Workplace spirituality and organizational performance. *Public administration review*, 63(3), 355-363.
- Giacalone, R. A., & Jurkiewicz, C. L. (2010). The science of workplace spirituality. In *Handbook of workplace spirituality and organizational performance* (pp. 19-42). Routledge.
- Kahn, W. A. (1990). Psychological conditions of personal engagement and disengagement at work. *Academy of management journal*, 33(4), 692-724.
- Kahn, W. A. (1992). To be fully there: Psychological presence at work. *Human relations*, 45(4), 321-349.
- Karakas, F. (2010). Spirituality and performance in organizations: A literature review. *Journal of business ethics*, 94(1), 89-106.
- Kinjerski, V., & Skrypnek, B. J. (2006). A human ecological model of spirit at work. *Journal of management, Spirituality & religion*, 3(3), 231-241.
- Kolodinsky, R. W., Giacalone, R. A., & Jurkiewicz, C. L. (2008). Workplace values and outcomes: Exploring personal, organizational, and interactive workplace spirituality. *Journal of business ethics*, 81(2), 465-480.
- La Guardia, J. G., Ryan, R. M., Couchman, C. E., & Deci, E. L. (2000). Within-person variation in security of attachment: a self-determination theory perspective on attachment, need fulfillment, and well-being. *Journal of personality and social psychology*, 79(3), 367.
- Lambert, E. G. (2004). The impact of job characteristics on correctional staff members. *The Prison Journal*, 84(2), 208-227.
- Lambert, E. G., Barton, S. M., & Hogan, N. L. (1999). The missing link between job satisfaction and correctional staff behavior: The issue of organizational commitment. *American Journal of Criminal Justice*, 24(1), 95-116.
- Lilius, J. M., Worline, M. C., Dutton, J. E., Kanov, J., Frost, P. J., & Maitlis, S. (2005). Exploring the



- Contours of Compassion at Work. *Centre for Positive Organizational Scholarship Working Paper Series, Michigan: Ross School of Business.*
- Luthans, F. (1998). *Organisational Behaviour*. 8th ed. Boston: Irwin McGraw-Hill.
- Marques, J. (2005). Yearning for a more spiritual workplace. *Journal of American Academy of Business, Cambridge*, 7(1), 149-153.
- Mathis, L. R., Nica, P., & Rusu, C. (1997). Managementul resurselor umane (Human resources management). *București: Economică.*
- Milliman, J., Czaplewski, A. J., & Ferguson, J. (2003). Workplace spirituality and employee work attitudes: An exploratory empirical assessment. *Journal of organizational change management*, 16(4), 426-447.
- Milliman, J., Ferguson, J., Trickett, D., & Condemi, B. (1999). Spirit and community at Southwest Airlines: An investigation of a spiritual values-based model. *Journal of organizational change management*, 12(3), 221-233.
- Mirvis, P. H. (1997). "Soul Work" in Organizations. *Organization Science*, 193-206.
- Mitroff, I. I., & Denton, E. A. (1999). A study of spirituality in the workplace. *MIT Sloan Management Review*, 40(4), 83.
- Neal, J. A. (1998). Research on individual spiritual transformation and work. In *Academy of Management Conference Symposium, San Diego, CA.*
- Neal, J. A., & Bennett, J. (2000). Examining multi-level or holistic spiritual phenomena in the work place. *Management, Spirituality, and Religion Newsletter, Academy of Management*, 1, 1-2.
- Neck, C. P., & Milliman, J. F. (1994). Thought self-leadership: Finding spiritual fulfilment in organizational life. *Journal of managerial psychology*, 9(6), 9-16.
- Neveanu, P. P. (1978). *Dictionar de psihologie [Psychology Dictionary]*, București: Ed.
- Pfeffer, J. (2010). Business and the spirit: Management practices that sustain values. In *Handbook of workplace spirituality and organizational performance* (pp. 43-59). Routledge.
- Rich, B. L., Lepine, J. A., & Crawford, E. R. (2010). Job engagement: Antecedents and effects on job performance. *Academy of management journal*, 53(3), 617-635.
- Sass, J. S. (2000). Characterizing organizational spirituality: An organizational communication culture approach. *Communication Studies*, 51(3), 195-217.
- Sheep, M. L. (2006). Nurturing the whole person: The ethics of workplace spirituality in a society of organizations. *Journal of business ethics*, 66(4), 357-375.
- Sukumarakurup, K., & Christopher, P. (2002). The "what", "why" and "how" of spirituality in the workplace. *Journal of Managerial Psychology*, 17(3), 153-164.
- Tewksbury, R., & Higgins, G. E. (2006). Examining the effect of emotional dissonance on work stress and satisfaction with supervisors among correctional staff. *Criminal Justice Policy Review*, 17(3), 290-301.

---

## Instructions / Guidelines for the Authors

### (General Instructions)

1. Papers must be in English.
2. PBR is a business journal covering all subject areas of relevance to business in Pakistan. Research in the areas of Finance, Human Resources, Management, Informatics, Marketing, Business Psychology, Economics and issues related to other business areas are especially encouraged.
3. Submission of a paper will be held to imply that it contains original unpublished work and is not being submitted for publication elsewhere. The editors do not accept responsibility for damages or loss of papers submitted.
4. Manuscripts should be typewritten on one side of the page only, double spaced with wide margins. All pages should be numbered consecutively, titles and subtitles should be short. References, tables and legends for figures should be typed on separate pages. The legends and titles on tables and figures must be sufficiently descriptive such that they are understandable without reference to the text. The dimension of figure axis and the body of tables must be clearly labelled in English.
5. The first page of the manuscript should contain the following information; (i) the title; (ii) the name(s) and institutional affiliation(s); (iii) an abstract of not more than 200 words. A footnote on the same sheet should give the name and present address of the author to whom reprints will be sent.
6. Acknowledgements and information on grants received can be given before the references or in a first footnote, which should not be included in the consecutive numbering of footnotes.
7. Important formulae (displayed) should be numbered consecutively throughout the manuscript as (1), (2), etc., on the right hand side of the page where the derivation of formula has been abbreviated, it is of great help to referees if the full derivation can be presented on a separate sheet (not to be published).
8. Footnotes should be kept to a minimum and be numbered consecutively throughout the text with superscript arabic numerals.
9. The references should include only the most relevant papers. In the text, references to publications should appear as follows: "Khan (1978) reported that..." Or "This problem has been a subject in literature before [e.g., Khan (1978) p. 102]." The author should make sure that there is a strict "one-to-one correspondence" between the names (years) in the text and those on the list. At the end of the manuscript (after any appendices) the complete references should be listed as:
  - For monographs and books*
    - a. Ahmad, Jaleel, 1978, Import substitution, trade and development, Amsterdam: North-Holland, *For contributions to collective works*.
    - b. Newbery, David M.G., 1975, The use of rental contract in peasant agriculture, in: Reynolds, ed., Agriculture in development theory, New Haven: Yale University Press p.3-40.
  - For periodicals*
    - c. Baumol, W.J., 1982, Applied fairness theory and rational policy, American Economic Review, 72(4): 639-651.
    - d. Note that journal titles should not be abbreviated.
10. Illustrations should be provided in triplicate (one original drawn in black ink on white paper and or with two photocopies). Care should be taken that lettering and symbols are of a comparable size. The drawings should not be inserted in the text and should be marked on the back with figure numbers, title of paper and name of author. All graphs and diagrams should be numbered consecutively in the text in Arabic numerals. Graph paper should be ruled in blue and any grid lines to be shown should be inked black. Illustrations of insufficient quality which have to be redrawn by the publisher will be charged to the author.
11. All unessential tables should be eliminated from the manuscript. Tables should be numbered consecutively in the text in arabic numerals and typed on separate sheets. Any manuscript which does not conform to the instructions may be returned for necessary revision before publication.
12. PBR will prefer 6000 words in a research paper.

- 
13. The paper should belong to core business subjects. Papers on sports, literature, fiction, biography, fashion, philosophy etc. fall outside the scope of the PBR.
  14. Papers and references should conform to the APA format.

#### **INSTRUCTIONS RELEVANT TO JOURNAL MANAGEMENT SYSTEM**

PBR has adopted the Journal Management System which can be accessed by following the link: [journals.iobmresearch.com](http://journals.iobmresearch.com). Submissions, refereeing, contacts with authors, etc are now through the Journal Management System.

##### **Submission Preparation Checklist**

1. As part of the submission process, authors are required to check off their submission's compliance with all of the following items, and submissions may be returned to authors that do not adhere to these guidelines.
2. The submission has not been previously published, nor is it before another journal for consideration (or an explanation has been provided in Comments to the Editor).  
Manuscripts should be submitted in Microsoft Word .DOCX format, double spaced with wide margins. All pages should be numbered consecutively, titles and subtitles should be short. References, tables and legends for figures should be typed on separate pages. The legends and titles on tables and figures must be sufficiently descriptive such that they are understandable without reference to the text. The dimension of figure axes and the body of tables must be clearly labeled in English.
3. Title page and manuscript should be submitted separately.
4. Information contained in the Title page should be submitted in the Metadata section of the online submission process and must contain with completeness (i) article title; (ii) abstract of not more than 200 words (iii) keywords; (iv) name(s) and institutional affiliation(s) of author(s); (v) name and email address of corresponding author should clearly be mentioned; (vi) A footnote on the same sheet should give the name and present address of the author to whom reprints will be sent.
5. The submission file containing the article must be clear of any information revealing the identity of the author(s).
6. Papers that violate the spirit of the guidelines (e.g., papers that are single-spaced, papers that use footnotes rather than conventional referencing formats, papers that greatly exceed 30 pages), or which do not clearly fit the mission of the journal will be immediately returned to authors without being reviewed.
7. Acknowledgements and information on grants received can be given before the references or in a first footnote, which should not be included in the consecutive numbering of footnotes.
8. Important formulae (displayed) should be numbered consecutively throughout the manuscript as (1), (2), etc., on the right hand side of the page where the derivation of formula has been abbreviated, it is of great help to referees if the full derivation can be presented on a separate sheet (not to be published).
9. Footnotes should be kept to a minimum and be numbered consecutively throughout the text with superscript Arabic numerals.
10. The references should include only the most relevant papers. In the text, references to publications should appear as follows: "Khan (1978) reported that...." Or "This problem has been a subject in literature before [e.g., Khan (1978) p. 102]." The author should make sure that there is a strict "one-to-one correspondence" between the names (years) in the text and those on the list. At the end of the manuscript (after any appendices) the complete references should be listed as: for monographs and books. Ahmad, Jaleel, 1978, Import substitution, trade and development, Amsterdam: North-Holland, For contributions to collective works Newbery, Daved M.G., 1975,. The use of rental contract in peasant agriculture, in: Reynolds, ed., Agriculture in development theory, New Haven: Yale University Press p. 3-40.
11. All unessential tables should be eliminated from the manuscript. Tables should be numbered consecutively in the text in Arabic numerals and typed on separate sheets. Any manuscript which does not conform to the instructions may be returned for necessary revision before publication.
12. The submitted article file should not be more than 6000 words in a research paper including references and annexures.
13. Papers and references should conform to the APA format.
14. No single source of reference should exceed 5% of citation within the paper.
15. Plagiarism as measured by the Similarity Index of Turnitin is acceptable under 19%.

- 
16. A single paper should not be submitted multiple times as a separate (unique) submission.

**Privacy Statement**

Pakistan Business Review considers all manuscripts on the strict condition that

- The manuscript is author's own original work, and does not duplicate any other previously published work, including author's own previously published work.
- The manuscript has been submitted only to Pakistan Business Review; it is not under consideration or peer review or accepted for publication or in press or published elsewhere.
- The manuscript contains nothing that is abusive, defamatory, libellous, obscene, fraudulent, or illegal.

Please note that Pakistan Business Review uses a plagiarism detection software to screen manuscripts for unoriginal material. By submitting your manuscript to Pakistan Business Review, you are agreeing to any necessary originality checks your manuscript may have to undergo during the peer-review and production processes.

Any author who fails to adhere to the above conditions will be barred from further publishing in Pakistan Business Review.