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# Determinants of Profitability and Risk-taking in Pakistani Commercial Banks: Dynamic GMM Approach

Changjun Zheng\* Shumaila Meer\*\* Atif Nadeem\*\*\* Samina Parveen\*\*\*\*

## Abstract

*The study used interest rate, exchange rate and banks size as variables of study. The panel data of 22 Pakistan commercial banks about 2009 to 2020, STATA Panel Ordinary Least Square (OLS) and general methods of moments (GMM) estimator is used, and results indicate that in Pakistani banks management efficiency is has high power over shareholder to make profits and involve in risk taking projects. Bank size increase highlights better performance but and a disadvantage to use funds in investments for future growth. Diversification in bank is not helpful factor to bring change in risk portfolio during financial crisis. The liquidity inverse relation cause less availability of resource to boost financial performance and default lending result in credit risk. High proportion of assets utilized for personnel expense raise risk-taking ratio for operation in Pakistan. Banks should avoid the adverse selection of risks with proper performance policy, as to safeguard from hostile economic situations.*

**Keywords:** Commercial banks; GMM, Pakistan; profitability; risk-taking.

**JEL Classification:** G32

## 1. Introduction

According to a study by Akin et al. (2016), risk-taking behavior may be influenced by agency issues in the banking industry. They suggest that macroprudential regulations and Basel III are two examples of policy tools that could be useful in preventing banks from taking on too much risk. In contrast, Boamah et al. (2021) argue that high levels of risk-taking combined with fierce competition could reduce bank profitability and raise the chance of

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collapse, used bank size as one of the determinants of bank's profitability in Ethiopia by using GMM approach. A positive and significant effect have been identified by this research on Bank's profitability. The significance / scope of this research is associated with different stakeholders as banking institutions, policy makers, researcher in their respective domains to study about the banking sector of Pakistan. However, under developed countries like Pakistan lacks in the aspect. The present study aims to know how financially efficient and profitable Pakistani banking system is by including internal and external macroeconomic variables by risk-taking practices for a period of 2009 from 2009 to 2018. The study is first to research the bank risk-taking and financial performance as well as, firm-specific, regularity and macroeconomic factors in Pakistan. Another scope of this research is associated with different stakeholders including banking institutions, policy makers, researchers in their respective domains to study about the banking sector of Pakistan whether profitability and risk-taking have effect on the stability of financial sector of Pakistan. The main objective of the current study shown below.

### **1.1 Research objectives**

1. To determine the impact of banks' financial performance from Return on Equity (ROE).
2. To identify the effect of ZScore a proxy for risk taking.

What is the issue statement or research question? What are the objectives? What is the motivation?

## **2. Literature Review**

### **2.1 The concept of financial performance/ profitability**

Economic growth and the capacity to withstand external financial shocks have been associated with the profitability of the banking industry (Rolle et al., 2020; Rolle et al., 2020). In addition to fostering economic expansion, profitability plays a critical role in maintaining the stability of the financial system by mitigating adverse financial effects (Rolle et al., 2020; Rolle et al., 2020). Furthermore, promoting economic growth requires a healthy and prosperous banking industry (Kumar & Bird, 2020). It has been demonstrated that financial intermediation, made possible by the banking industry, stimulates economic growth in a considerable number of nations, highlighting its significance in conjunction with capital accumulation and exports (Próchniak & Wasiak, 2016). All of these results point to the importance of having a successful and expanding financial industry.

## 2.2 *The concept of risk-taking behavior*

Because it may be used for both public and unregistered banks, the Z-Score is widely used as a gauge of financial stability, according to research by Kabir and Worthington (2017). According to Al-Khouri and Aroui (2019), the Z-Score provides a thorough understanding of a bank's stability by incorporating capital-to-asset ratio and bank asset risk. According to Fosu et al. (2017), the Z-Score is sensitive to risk factors and rises with profitability and capitalization levels but falls with profit volatility.

In emerging countries, the Z-Score is a measure of commitment of capital with high explicit deposit and decides the market discipline (Haq & Heaney, 2012).

## 2.3 *Firm-specific, regularity and macro-economic factors*

The assets of a bank grow with time and management efficacy is required to keep the issue in control (Havrylychuk, 2006). The strategies of a bank decide the management efficiency regarding the profitability, especially of the diversified bank. Managers can increase the risk of operations when capacity is high, and diversification is beneficial when a manager has the skill to manage the mixture of business activities. Size is an important variable a proxy for total assets. To determine the performance of the bank as the economies of scale are obtained with increase in size reduce and efficiency to collect information to start a business (Stiglitz, 2010). The logarithm of assets of bank is proxy of bank size. (Lassoued et al., 2016). Bank's financial stability plays a crucial role in stabilizing the economy of BRICS (Brazil, Russia, India, China and South Africa) and banks' profitability is the main ingredients (Sain & Kashiramka, 2023). Banks are exposed to high risk-taking when the burden of leverage and regulatory requirements increase (Le et al., 2022). A big bank diversifies risk with the opportunity to take vast kinds of loans.

The diversification strategy of a bank is beneficial in the form of different financial services. The activities that carry no interest are harmful to banks, result in volatile nature but less profit from lending practice. The noninterest business decreases the risk-adjusted profits and shows the dark version of diversification. The investment opportunity increase with the increase in diversified products, the risk-adjusted return can increase. The two facets of diversification is the direct interaction of the diversification effect and increase in noninterest income and the inverse relation between the diversification effect the income earned (Stiroh & Rumble, 2006). The return of a bank decreases as the industry and sector loan diversifies. The banks that indulge in low risk earn an inefficient return of risk or produce just marginal environment. The assets that are formed in to banks, are diversified may not result in good management performance. For managerial efficiency decreases new sector is introduced in the loan portfolio and raise bank risk (Acharya et al., 2006) identified that diversification plays crucial role for banks of emerging and developing to reduce its risk that leads to the overall improvement of financial strength.

The central bank serves as a lender of last resort to stabilize the financial system and is essential in managing bank default risk and liquidity during times of crisis. The central bank intervenes to supply liquidity when depositors take their money out, averting a liquidity crisis that would affect the banking industry and have wider ramifications for the economy (McGuire & Peter, 2012; Gertler et al., 2012). According to McGuire and Peter (2012), the central bank's ability to add liquidity to the system aids in preventing funding shortages and preserving stability. Boyd et al. (2009) highlight how the Z-Score approach can be a useful tool for evaluating bank default risk and liquidity difficulties. Central banks can assess a bank's financial health and decide how much liquidity to provide during a crisis by using indicators such as the Z-Score (Acharya & Naqvi, 2012). Furthermore, Acharya and Mora (2015) research emphasizes how crucial it is for banks to efficiently manage their liquidity levels, particularly during times of crisis, in order to preserve stability and deal with funding issues (Acharya & Mora, 2015).

A research was conducted to explore whether profitability of Indian commercial banking sector is affected by risk taking measure or it. The study identified that higher credit has significant impact on the profitability of the banking industry. As stated in the instruction of central bank of Pakistan, CAR was regulated as proxy of risk to banks. The banks have to follow the instructions as separate entity and on consolidation stand. The CAR value can be increased or decreased based on deposit insurance scheme to cartel risk. CAR is a measure of capital at bank, a backup as secure deposit and bank consistency. The expected risk on risk weighted assets is lower for banks with less capital. As CAR is lowered ex-ante the investment on asset as collateral reduces.

Exchange rate is an important price value at a macroeconomic front for international transaction and a determinant to measure return on investment and risk-taking behavior. The exchange rate volatility in an economy is troublesome for international business. The ideal recommendation is to government for upholding restrictions on appreciation of currency against foreign exchange rate. Changes in exchange rates have a big effect on macroeconomic indicators, such the real interest rate. Exchange rate fluctuations can impact the real interest rate, which in turn can impact borrowing costs, investment choices, and the state of the economy as a whole (Andersen et al., 2003; Clarida & Galí, 1994). Furthermore, by encouraging trade and investment opportunities, exchange rate changes contribute to economic growth by making international business and services easier to do (Andersen et al., 2003; Hatmanu et al., 2020).

### **3. Materials and Methods**

In this study dependent variable profitability and bank risk-taking behavior credit risk, diversification, liquidity, and personal expense to total loan ratio. Furthermore, macroeconomic variables include real interest rate exchange rate. The quantitative data was gathered

from Bureau Van Dijk’s Bank focus. Further, real interest rate and exchange rate data was gathered from WDI database. The dominance of macroeconomic instability in the creation of loan loss provision is confirmed and supported by a small number of important bank-specific variables found in the data of commercial banks in Pakistan Zheng et al. (2019).

Using a sample of 28 banks, the study looks at the factors that affect banks’ profitability in Pakistan between 2007 and 2016. Explanatory variables are divided into three categories: bank-specific, industry-specific, and macroeconomic (Yao et al., 2018). The study (Shair et al., 2019) looks into the internal factors that affect Pakistani banks’ profitability. The study examines the variables affecting Pakistani commercial banks’ profitability, emphasizing the importance of deposits and equity in this regard (Shah & Khan, 2021).

The deductive technique and positivist perspective are employed in the study of bank risk and profitability in Pakistani commercial banks. Using panel data from 2010 to 2017, a time frame selected after the 2008 global financial crisis (GFC), the study focuses on examining the relationship between profitability and bank risk (Dahir et al., 2018; Hakimi & Zaghdoudi, 2017). According to the theory put forth in the study, a high return on assets is a sign of a company’s efficiency, and a large amount of proxy bank liquidity is used to evaluate a bank’s capacity to promptly comply with monetary policy requirements in the event of solvency, default, or payment obligations (Dahir et al., 2018; Hakimi & Zaghdoudi, 2017).

The study uses the fixed effect (FE) model and Ordinary Least Square (OLS) estimation to remove time-variant individuals, yielding unique values for individual effects in the data set (Dahir et al., 2018). The study also includes Z-Score analysis, which is a technique that combines financial ratios to determine the degree of risk connected with default and profitability in order to evaluate bankruptcy or financial hardship (Hakimi & Zaghdoudi, 2017). As a risk indicator, the Z-Score draws attention to possible default scenarios and issues with financial stability (Hakimi & Zaghdoudi, 2017).

**3.1 Model specification**

The following econometric models are established based on the variable above explanation and review of the literature;

$$ROE_{i,t} = \alpha_i + \beta_1(\text{Management efficiency})_{i,t} + \beta_2(\text{Banks size})_{i,t} + \beta_3(\text{Diversification})_{i,t} + \beta_4(\text{Liquidity})_{i,t} + \beta_5(\text{Personal expenses})_{i,t} + \beta_6(\text{Real interest rate})_{i,t} + \beta_7(\text{Capital adequacy ratio})_{i,t} + \beta_8(\text{Exchange rate})_{i,t} + \epsilon_{i,t} \dots \dots \dots (I)$$

$$Risk_{i,t} = \alpha_i + \beta_1(\text{Management efficiency})_{i,t} + \beta_2(\text{Banks size})_{i,t} + \beta_3(\text{Diversification})_{i,t} + \beta_4(\text{Liquidity})_{i,t} + \beta_5(\text{Personal expenses})_{i,t} + \beta_6(\text{Real interest rate})_{i,t} + \beta_7(\text{Capital adequacy ratio})_{i,t} + \beta_8(\text{Exchange rate})_{i,t} + \epsilon_{i,t} \dots \dots \dots (II)$$



ROE is dependent variable in the Eq. (I) to account as a performance measure similarly in the Z-Score the dependent variable Z-Score is a proxy for risk. I is a subscript of commercial banks there are  $i=1, 2, \dots, 22$  for Pakistani active commercial banks and  $t=2009 \dots 2020$ .  $\alpha, \beta$  are estimation parameter and  $\epsilon_{i,t}$  is error term.

Table 1  
*Indicator of Measurement*

<b>Variables</b>	<b>Measures of Variables</b>	<b>Source/ Explanation</b>
<b>Dependent Variables</b>	<b>Indicators (Measurement)</b>	
Profitability (ROE)	Risk std ROE	(Zheng et al., 2019). Data gathered from Bank focus.
Bank Default Probability/ Financial Soundness: Z-SCORE	$Z\text{-Score} = (\text{ROE} + \text{CAR}) / \sigma(\text{ROE})$	The ratio is calculating by the author to know the number of standard deviation from the mean value as a substitute for risk-taking the behavior of a bank (Laeven & Levine, 2009)
<b>Independent Variables</b>		
Management Efficiency (MAN)	A ratio of earning assets to total assets.	(Lassoued et al., 2016) The author calculated the ratio.
Bank size (Size)	Log of total assets of a bank	(Lassoued et al., 2016) Log calculated by the author
Liquidity (LIQ)	Loan to deposit ratio.	The ratio calculated by the author.
Diversification (DIV)	$1 - (\text{Net Interest Income} - \text{Other Income} / \text{Total Income})$ ratio.	(Lassoued et al., 2016) The ratio calculated by the author.
Capital Adequacy Ratio (CAR)	Tier 1 capital to total risk weighted asset ratio.	The ratio calculated by the author
Personnel expenses (PER)	Staff expenses to total loan ratio	The ratio calculated by the author Table to be continued
Exchange Rate (EXR)	The conversion of value of a currency to another.	Data collected from WDI
Real Interest Rate (RIR)	Yearly real interest rate of sample country.	(Ramlall, 2009), (Uhde & Heimeshoff, 2009) Data collected from WDI

#### 4. Results and discussion

Table 2 represent the descriptive statistics of variables, based on the central tendency and variability of the data to help demonstrate the complete sample of the study. Also, standard deviation, and minimum and explains the variability or flexibility and range of the data.

Table 2  
*Descriptive Statistics*

Variable	Observations	Mean	Standard. Deviation.	Minimum values	Maximum values
ROE	176	8.585	15.923	-42.33	30.7
Z-Score	160	.556	.48	-.525	1.579
MAN	176	.86	.041	.729	.933
SIZE	176	6.354	.65	4.756	7.386
DIV	145	-.9	4.048	-37.407	9.068
LIQ	176	.093	.068	.014	.365
PER	145	.043	.035	.02	.28
RIR	176	3.146	1.626	-1.054	3.89
CAR	113	.124	.042	-.005	.263
EXR	176	97.582	7.659	85.194	105.455

*The table ostensibly yields a total dataset comprising 264 data points, detailing descriptive statistics, and reports a minimum and maximum observation count of 113 and 176 observations, due to some missing data for some banks and years.*

Table 3  
*Pearson Matrix Return on Equity*

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) ROE	1.000								
(2) MAN	0.359	1.000							
(3) SIZE	0.247	0.009	1.000						
(4) DIV	-0.090	0.064	-0.077	1.000					
(5) LIQ	0.031	-0.052	-0.255	0.117	1.000				
(6) PER	0.136	-0.099	-0.366	0.045	0.073	1.000			
(7) RIR	0.052	0.235	0.076	0.015	-0.024	0.036	1.000		
(8) CAR	-0.010	-0.124	0.168	0.156	0.002	-0.153	-0.110	1.000	
(9) EXR	0.052	0.336	0.102	0.047	-0.030	0.064	0.722	-0.119	1.000

Table 4  
*Pearson Matrix Z-SCORE*

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) Z-SCORE	1.000								
(2) MAN	0.138	1.000							
(3) SIZE	0.464	0.009	1.000						
(4) DIV	-0.041	0.064	-0.056	1.000					
(5) LIQ	0.062	-0.053	-0.313	0.125	1.000				
(6) PER	0.132	-0.246	-0.114	-0.051	0.423	1.000			
(7) RIR	0.018	0.235	0.095	0.012	-0.021	0.006	1.000		
(8) CAR	0.295	-0.130	0.075	0.184	-0.029	0.289	-0.103	1.000	
(9) EXR	0.041	0.338	0.142	0.042	-0.022	-0.037	0.723	-0.099	1.000

Table 3 & 4 present the Pearson's correlation coefficient for Pakistan. The tables show the multicollinearity does not cause any problem in the model as the dependent and independent variables in two separate models (Gujarati & Porter, 2009).

#### 4.1 Results of ordinary least square (OLS)

The first section showcases the influence of bank performance and risk-taking for the 22 active commercial banks of Pakistan (Zheng et al., 2019). The second section shows the effect of bankruptcy of commercial banking.

The determinants impact on financial performance by ROE

Table 5  
*Results of ROE OLS Models*

ROE	Coef.	[95% Conf	Interval]	Sig
ROE_L1	.476	.302	.651	***
MAN	81.813	31.509	132.116	***
SIZE	4.016	-.648	8.68	*
DIV	-.481	-1.125	.164	
LIQ	1.769	-22.323	25.861	
PER	197.993	129.065	266.922	***
RIR	-.122	-2.023	1.779	

*Table to be continued*

CAR	.339	-37.851	38.528
EXR	.32	-.61	1.25
Year	-1.683	-3.851	.486
Constant	3259.657	-1019.193	7538.507
Mean dependent var		11.061	
Overall r-squared		113.000	
Chi-square		0.000	
R-squared within		0.888	

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

Management efficiency is positively and significantly correlated to ROE (Havrylchyk, 2006). Size has a significant and positive correlation with ROE (Stiglitz, 2010). Diversification is insignificantly positively correlated to ROE and has a significant positive impact of diversification on earnings (Stiroh & Rumble, 2006) Also, an inversely significant correlation is seen between diversification and ROE for Pakistani banks (Acharya et al., 2006) Liquidity is positive and significantly correlated to ROE. Personnel are positive and significantly correlated to ROE for banks (Ramlall, 2009).

Table 6  
*Results of ROEGMM Model*

ROE	Coef.	[95% Conf	Interval]	Sig
ROE_L1	-.161	-.299	-.023	**
MAN	208.792	-8.795	426.378	*
SIZE	65.678	-169.95	38.595	*
DIV	-2.974	-5.896	-.051	**
LIQ	48.022	-100.134	4.089	*
PER	391.123	-753.503	1535.749	***
RIR	2.927	.402	5.451	**
CAR	147.251	-3.79	298.292	*
EXR	-1.754	-3.636	.129	*
Year	5.474	-2.759	13.707	
Mean dependent var	15.306	SD dependent var	8.430	
Number of obs	67.000	F-test	.	

Arellano-Bond test for AR (1) in first differences:  $z = -0.81$   $Pr > z = 0.418$  Arellano-Bond test for AR (2) in first differences:  $z = -0.77$   $Pr > z = 0.440$  Sargan test of overidentification. Restrictions:  $\chi^2(7) = 16.45$   $Prob > \chi^2 = 0.021$  (Not robust, but not weakened by many instruments).

Results shows that management efficiency has positive and significant relationship on return on average asset that means that absence of efficiency by managers will strongly affect ROE. Size of banks is positively significant correlated to ROE (Havrylchuk, 2006). Size of banks has a significant and positive correlation with ROE (Stiglitz, 2010). Diversification is significantly negatively correlated to ROE Also; an inversely significant correlation is seen between diversification and ROE for Pakistani banks (Acharya et al., 2006) Liquidity is positive and significantly correlated to ROE. Personnel are positive and significantly correlated to ROE for banks (Ramlall, 2009). Real interest rate has a positive and significant relationship on ROE. Capital adequacy ratio of banks is positively significantly correlated to ROE (Havrylchuk, 2006). Exchange rate is significantly negatively correlated to ROA for Pakistani banks (Acharya et al., 2006).

#### Risk-taking behavior impacts insolvency or bank default

Table 7  
*Results of Z-Score OLS Models*

Z-SCORE	Coef.	[95% Conf	Interval]	Sig
Z-SCORE_L1	.819	.685	.953	***
MAN	.993	-.424	2.411	
SIZE	.09	-.059	.238	
DIV	-.018	-.038	.002	*
LIQ	-0.366	-.461	1.192	
PER	0.401	-6.098	5.297	
RIR	.003	-.055	.061	
CAR	.922	-.405	2.25	
EXR	.006	-.022	.034	
Year	-.035	-.1	.03	
Constant	68.258	-60.668	197.184	

Mean dependent var	0.634	SD dependent var	0.475
Overall r-squared	0.746	Number of obs	112.000
Chi-square	295.905	Prob > chi2	0.000
R-squared within	0.089	R-squared between	0.937

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

Table 7 shows the OLS results of bank risk-taking in the case of the diversification variable an inversely significant correlation is seen between diversification.

Table 8

*Results of Z-Score GMM Models*

Z-SCORE	Coef.		[95% Conf	Interval]	Sig		
Z-SCORE_L1	.648		-.062	1.358	*		
MAN	26.459		5.967	46.952	**		
SIZE	3.226		-6.369	-.082	**		
DIV	-.009		-.086	.068	*		
LIQ	-4.455		-6.356	-2.554	***		
PER	27.055		-2.077	56.187	*		
RIR	.072		-.034	.178			
CAR	.16		-8.476	8.795			
EXR	-.086		-.165	-.007	**		
Year	.209	.095	2.19	.047	.003	.416	**
Mean dependent var		0.721	SD dependent var		0.414		
Number of obs		73.000	F-test		.		

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

\*\*\*  $p < .01$ , \*\*  $p < .05$ , \*  $p < .1$

Arellano-Bond test for AR (1) in first differences:  $z = -1.79$   $Pr > z = 0.073$

Arellano-Bond test for AR (2) in first differences:  $z = 0.54$   $Pr > z = 0.591$

Sargan test of overidentification. Restrictions:  $\chi^2(7) = 7.46$   $Prob > \chi^2 = 0.382$

Hansen test of overid. Restrictions:  $\chi^2(7) = 1.98$   $Prob > \chi^2 = 0.961$

Management is positively significant to Z-Score, and size is significant and positively correlated with Z-Score (Konishi & Yasuda, 2004). (Laeven & Levine, 2009). There is an inversely significant relationship visible between diversity and Z-Score. Liquidity is an important factor which needs to be considered as it can inversely affect the Z-Score. The regression result tells that the relationship between personnel expense and Z-Score is positively significant which says presence of PER will adversely affect the dependent variable. RIR of is positive in the relationship (Uhde & Heimeshoff, 2009). CAR of banks positively insignificant to risk and exchange rate is negative but it's significant.

## 5. Conclusion and Policy Implications

The basic aim of the study is to determination of insolvency/ default risk and bank performance in Pakistan under monetary policy of interest rate. The ordinary Least Square approach is used to know the effect on bank risk-taking behavior, The administration and managers have more power than shareholders to influence the use of funds to run

government-based banks or spend money on social or public activities for the interest of political concerns.

The size as to keep the fact in control that large banks have opportunities to diversify and tendency when needed to face risk in times of financial crisis. The banks of Pakistan have less total asset size to change the portfolio of risk and have risk aversion strategy. Pakistan being a developing country has a low level of GDP, and the factor hinders the bank to indulge in bank risk taking the practice of making investments at the time of growth of economy with the fear of the adverse impact of facing default risk and getting bankrupt.

The real interest rate at the high rate offered by bank makes a borrower invest with risk in order to reimburse loan payment at a high value. Domestic banks maintain a risky portfolio with more assets in the form of a loan and earn a higher return on assets. The diversification strategy with respect to portfolio mentions the risk a bank takes decreases when income is generated from various less volatile sources, by the achievement of economies of scale to measures banks' performance. The diversified loans offered to industry and different sectors lower the return of bank and make risky loans, for Pakistani bank that adopt risk behavior. The banks of Pakistan get leverage out of hand the bank go for rebalancing by recapitalization policy, the bank that earns profit pay off debt, as firm lose money in result the debt increase.

Pakistan is an emerging economy with GDP growth in a positive direction and boosts credit demand ultimately to bank performance. The real interest rate is positive and significantly correlated to ROE for banks. As the lending rate increase the bank performance improves, as the lending rate increase make a customer deposit to bank as the money is demand for business to overcome the expense, banks in response raise the rate of interest to increase income ultimately the customer in order to cover the extra cost.

In conclusion banks provide purposeful and Powerful board people, betterment in timings, correctness and extent of reporting in bank reports and to be attentive to interests of minor shareholders. The accounting mode of standards with security in proper methods, laws of corporation, balanced judicial scheme and systematic adjustments in all to ensure the process of well performing banking governance and management of risk for healthy banking sector. Independence of the risk management assembly can perform an important role and also can accelerate role in the deduction of default risk.

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# Effect of Digital Marketing Channels on Consumer Buying Intentions in FMCG Industry in Pakistan

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## Abstract

*Digital marketing and Advertising are pivotal in increasing customer information and awareness towards products and services and engaging them in decision-making. Digital mediums are persuasive advertising mediums, and due to the advent of technology and innovation, digital marketing and advertising are important. For instance, YouTube is used as a persuasive medium for advertising and shapes consumer decisions toward purchase. This research is based on the post-positivism research paradigm, and it is quantitative. For this purpose, the researcher used the questionnaires to collect data and performed hypothesis testing. The research was conducted based on FMCG product purchases and data collected from consumers of FMCG brands who are watching Digital advertising and are involved in purchase decisions. The data was collected through Google survey forms from the 385 respondents based on convenience sampling. The collected data was processed through Smart PLS and reliability tests, correlation analysis and regression analysis. The results were analyzed based on reliability; the results are consistent, and more than 70% accuracy was found in data collection. All the variables, including Digital Advertising, use of social media, Content Marketing, Product appeal, and Digital Display, have a significant impact on mediating variable customer satisfaction and interaction and this significant impact on consumer buying intentions. One hypothesis is rejected as content marketing in this case in significant variables, and all variables are significant with mediating and moderating impacts on consumer buying decisions.*

**Keywords:** Digital Advertising; use of social media; content marketing; product appeal; digital display; product appeal & consumer buying intentions.

**JEL Classification:** M30, M31, M21

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## 1. Introduction

YouTube's capacity to reach customers who actively seek out information on new products, services, trends, and availability has made it a potent tool for advertising. Smith et al. (2012). By offering useful information about goods and services, social media advertising, particularly on websites like YouTube, affects consumers' intentions to make purchases (Tellis et al., 2019). The efficacy of YouTube advertising is ascribed to its ability to captivate consumers, provide product details, and provide user comments, thus molding customer attitudes and swaying purchasing decisions (Tan et al., 2018). YouTube is an essential platform for brands to interact with their target audience and efficiently market their products because customers are becoming more interested in discovering new items and trends (Wijaya et al., 2022).

### 1.1 Background of Research

Persuasive advertising is when businesses and marketers give customers comprehensive information, entertainment, knowledge of products and services, where to buy, and how to buy in a way that influences their purchasing decisions. (Aziza & Astuti, 2019). Particularly in the field of social media marketing, YouTube has become a powerful source of advertising. Social media advertising is now an essential tool for drawing customers, piquing their interest, and spreading knowledge about products, services, and brands because of how frequently internet users interact with fast-moving consumer goods advertisements on sites like YouTube. Dehghani and Tümer (2015). To increase brand visibility and draw in more customers, a lot of businesses use YouTube and other social media platforms as engaging advertising channels (Lee et al., 2018). Marketing techniques can be given a new dimension by the interactive nature of social media advertising, which is best demonstrated by platforms like Facebook. This allows for improved consumer involvement and may even influence their buy intentions (Lee et al., 2018). Every Internet user updates their information, sees different advertising on YouTube, and uses the platform to improve brand recognition, knowledge, amusement, and customization all of which are used by different businesses. (Priatni et al., 2019).

Many factors, such as digitalization, the accessibility of devices and PCs, the ease of use of websites, online content, and decreased costs due to usage, are to blame for the shift in perspective. On the other hand, print media is quite expensive, and it is difficult to survey every website visitor and the things they are interested in. Usability, configuration preference, and age shift—young people prefer online content, and even older people are increasingly drawn to innovation and online platforms. Print media's preference over internet publications can be attributed to a variety of factors, including integration into people's lives, deeper coverage of the news, and perceived legitimacy. Despite the trend toward online news consumption, some consumers continue to respect print media (Ariani et al., 2017). People

may continue to read and subscribe to print newspapers due to this desire, which could be based in habits and comfort with traditional information sources (Ariani et al., 2017). The cohabitation of print and online media reflects the varied tastes and habits of readers, with certain demographic groups continuing to prefer the tactile and recognizable nature of print publications.

The Digital Locals employ cutting-edge, sophisticated innovation to improve the lives of every young person by bringing about a total shift in perspective. News organizations can now concentrate on digital natives to shift people's perceptions of online news content and propel online sites to use digital material. (Verweij, 2019).

This exploratory study sheds light on how buyers' perceptions of the websites and the information they access have changed. Customers are turning away from print media in favor of easier-to-use internet platforms with more affordable and aesthetically pleasing designs. This investigation examines how new media impact print media and how news organizations shift from print to internet accessibility. (Xiaoge, 2018). Customers, or users, are comfortable browsing the online papers and exhibit flexibility when they feel comfortable enough to comprehend the papers. The ease of use and accessibility attract more online users and reduce the amount of print newspaper readers. (Rosenstiel & Mitchell, 2009). Print media is organized differently from online publications; the web format is easy to navigate and audit pages. On the other hand, many consumers use web design and gravitate towards online sites, and some people think print media is simpler. (Xin, 2019).

## **1.2 *Scope of Study***

The Research on FMCG (fast-moving consumer goods) brands was done in Karachi with consumers. The main subjects of this study were YouTube's persuasive advertisements and FCMG Brands' influence over consumer purchasing decisions. The study's focus is on Pakistani Karachi residents who purchase FMCG products. To engage customers and involve them in the purchasing process, this study focuses on efficient advertising channels and how marketers use YouTube as a channel for advertising.

## **1.3 *Significance of the Study***

This study has significance because it closes the information gap between academic research and the dynamic digital marketing sector in the real world. The study focuses on the effects of digital advertising on YouTube in the context of fast-moving consumer goods (FMCG), providing valuable information for marketers and brand managers. This research elucidates the effectiveness of digital marketing components such as content marketing, digital displays, social media, and product attractiveness, given that the FMCG sector faces unique challenges in obtaining prompt consumer decisions. These data may help marketers

better allocate resources and maximize the effectiveness of their YouTube advertising strategy as YouTube is a well-known digital platform among advertisers. In addition to adding to academic knowledge, the study serves as a useful manual for experts in the sector.

#### **1.4 Statement of Problem**

The Customers are participating in and engaged in online advertising, which is launched by social media and online advertising. For marketers, this is a big challenge, particularly in terms of where to place ads and how to draw in consumers to use advertising to grow and keep existing clientele. Companies look to YouTube for online digital ads and anticipate attracting new customers. The persuasiveness of digital marketing and advertising, as well as the ways in which advertising can engage customers and entice them to make purchases, will all be examined in this study. This research is focused digital marketing and advertng mediums and how marketers, organizations, brand managers use You Tube as medium to engage customers and gain value by changing consumer decisions.

#### **1.5 Objectives of Research**

1. To analyze the impact of Digital Advertising on Customer Attraction and Awareness.
2. To analyze the impact of Usage of Social media on Customer Attraction and Awareness.
3. To analyze the impact of Content Marketing on Customer Attraction and Awareness.
4. To analyze the impact of Digital Displays on Customer Attraction and Awareness.
5. To analyze the impact of Product Appeal on Customer Attraction and Awareness.
6. To analyze the mediating impact of Customer Attraction and Awareness with relationship of digital marketing and consumer buying intentions.
7. To analyze the moderating impact channels and mediums in relationship of Customer Attraction and Awareness with consumer buying intentions.

#### **1.6 Research Questions**

1. What is impact of Digital Advertising on Customer Attraction and Awareness?
2. What is the impact of Usage of Social media on Customer Attraction and Awareness?
3. What is the impact of Content Marketing on Customer Attraction and Awareness?
4. What is the impact of Digital Displays on Customer Attraction and Awareness?
5. What is the impact of Product Appeal on Customer Attraction and Awareness?
6. What is the mediating impact of Customer Attraction and Awareness with relationship of digital marketing and consumer buying intentions?
7. What is moderating impact channels and mediums in relationship of Customer Attraction and Awareness with consumer buying intentions?



## **1.7 Hypothesis**

*H1:* There is significant impact of Digital Advertising on Customer Attraction and Awareness.

*H2:* There is significant impact of impact of Usage of Social media on Customer Attraction and Awareness.

*H3:* There is significant impact of Content Marketing on Customer Attraction and Awareness.

*H4:* There is significant impact of Digital Displays on Customer Attraction and Awareness.

*H5:* There is significant impact of Product Appeal on Customer Attraction and Awareness.

*H6:* There is significant impact of impact of Customer Attraction and Awareness with relationship of digital marketing and consumer buying intentions.

*H7:* There is significant impact of impact channels and mediums in relationship of Customer Attraction and Awareness with consumer buying intentions.

## **1.8 Delimitations of Research**

The purpose of the study is to examine how digital advertising influences consumer purchasing behavior. YouTube is the internet advertising platform, and the research will only look at advertising in the FMCG sector. At its height, social media marketing is a significant driver of consumer engagement and appeal. Marketers and advertisers use YouTube to promote their goods and services through social media marketing.

The focus of the research is restricted to Karachi customers because of time and funding constraints. Only YouTube, Facebook, and Instagram are considered when evaluating the impact of social media marketing on customer buying intentions in the research, which was done on products in the FMCG sector. YouTube viewers who make online purchases of FMCG brands provided the data via survey questionnaires.

## **2. Literature Review**

### **2.1 Consumer Purchase Intentions**

The Consumer purchase decision is based on the set of consumer characteristics, purchase pattern, and advertising of various brands. The advertising can impact consumer decisions and enhance consumer attraction by increasing brand awareness for consumers to purchase the product (Shevchuk, 2020). There are various platforms through which consumers can be attracted. Advertising, sales promotion, direct selling, personal selling, discounts and so forth through which customer's attraction increases. The online marketing is the one medium through which consumer's shows attention and increase customer attraction, advertising on social media affects the purchasing decisions of consumers. Today, most of consumers available online and view the advertisements on You Tube, face book, Instagram, advertisers promote their brands, add information regarding new features and packages and so forth (Monroe, 2016).



The rapid expansion of internet movies and ads has had a big impact on customer behavior and purchase choices. Nowadays, there are around 2 billion users on YouTube, thus online video content and ads are essential for drawing in viewers and increasing consumer value (Firat, 2019). Seven out of ten consumers use mobile phones and the internet, demonstrating the pervasiveness of these technologies among consumers and the importance of online advertising in swaying their purchasing decisions (Firat, 2019). Online platforms such as YouTube are very effective tools for brands to interact with consumers, promote their products, and attract new customers because of their accessibility and reach (Firat, 2019). Communications content distributed through brand channels, television advertisements, and online marketing and advertising are all on the rise. Since ads can be published for free and viewed by millions of people, YouTube brand channels that serve as cost-effective platforms for spreading advertisements are created (Nafees et al., 2021).

The media is risen up out of the Communalistic bundle plan by British and Pakistan received the media as far as newspapers and magazines. Muhammad Ali Jinnah initially began the DAWN Newspaper in 1941 propelling the job of Journalism in Pakistan. The Role of Media is to get out the word and increment individuals’ data towards recent concerns of nation and become the voice of individuals. The reason for existing is to make mindfulness and spread a word for data and related news to individuals to improve news viability. The consumer exhibits flexibility at whatever time they feel comfortable enough to grasp the documents and feels comfortable browsing the online versions. (Hussain et al., 2009) The ease of use and accessibility draw in more online customers while decreasing the number of print newspaper readers. By assessing clients’ accessibility and focusing on them where they are, news channels and print media publications can benefit from the investigation. Reduced costs, increased customer service and business participation, and achieving real news content are critical. (Zaheer et al., 2023) In this context, the true nature of news casting is scrutinized as people become aware of and employ new media. Nonetheless, producers and channels are considering having a comparable interest in it.

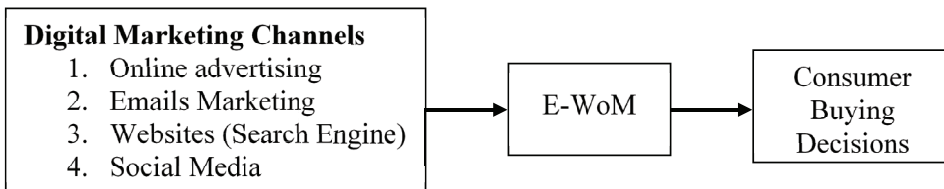


Figure 1: Frame work

The Newspapers online availability is easy now days and people prefer the online format and ease in reading of newspapers. (Jalees et al., 2015) The Online newspapers are useful and easy to read, access and understand. (Jalees et al., 2023) The elements of media showcasing and news has been changed as move in computerized media and vehicles of advanced promoting and publicizing has been changed. The Print media lost their significance due

to customer move towards to online media, online papers, papers sites and simplicity in accessibility and access of information substance(DeWaal & Schoenbach, 2010).

The contrasts between the utilizations of paper sites and non-paper news sites have additionally been discovered in this examination. Because of the increment in the quantity of paper site clients, there has been abatement in the course of print papers. In any case, among the people who utilize non-paper news sites, there has been an expansion in the dissemination of print papers. Customary print papers and other news destinations satisfy various necessities. Thus, the knowledgeable young people and guys lean toward other news destinations to print paper. Be that as it may, because of the expense of the print papers, a large portion of the people have begun to utilize paper sites.(Khanji et al., 2022) . It is clear that print and online newspapers coexist, with each format meeting the requirements and preferences of a distinct readership (Firmansyah et al., 2022).

The advertising is the source of income for media channels they can do advertising but not sake of profitably and increase profits for organization, Media Ethics does not allow that. Government advertising on social issues includes the Polio, virus and disease and so forth (Thoronton, 2002).The media channels in Pakistan completely ignored the political debates of parliaments parties and on issues of Political figure. It is seemed as media is sold out and people who have strong political background and wealth purchased the channels and even few business people and political person started channels of media to promote their parties and development in the country.(Agha et al., 2021) The components of media exhibiting and news has been changed as move in automated media and vehicles of cutting edge advancing and publicizing has been changed. The Print media lost their importance because of client move towards to online media, online papers, papers destinations and effortlessness in availability and access of data substance(Bertrand, 2010).

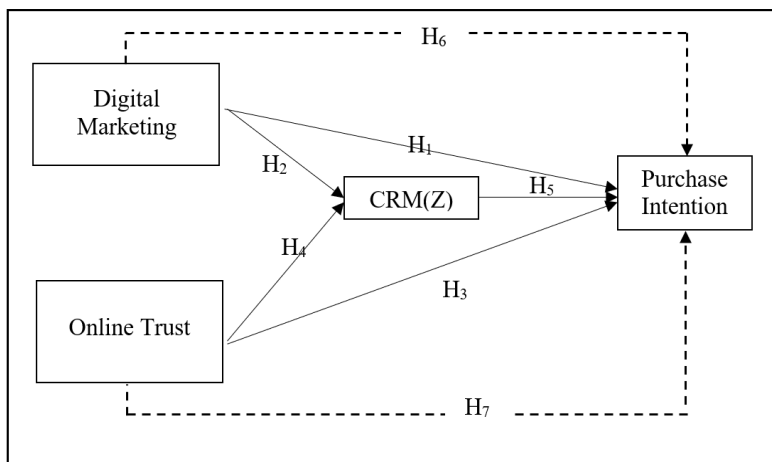


Figure 2: Frame work hypothesis framework

The differentiations between the uses of paper destinations and non-paper news locales have furthermore been found in this assessment. Due to the augmentation in the amount of paper site customers, there has been reduction throughout print papers. Regardless, among individuals who use non-paper news locales, there has been an extension in the dispersal of print papers.

## **2.2    *Entertainment***

Online media has an impact on print media. With the introduction of the internet and smartphones, online media make it easier for customers to download and read newspapers, and news channels have grown in significance. The internet and smartphones are user-friendly, and readers' abilities are improved by greater flexibility. The number of "digital natives" has also increased. As the population grows, more and more people who grew up in the technological age are using gadgets and technology, which improves consumer satisfaction and feedback regarding technology use.(Wahl-Jorgensen & Hanitzsch, 2019).

The print media has its importance in the mind of consumers and people, through the online technology cause change and online mediums change the mindset of people. Though, overall increase in use of online mediums and online industry increased, as due to change and usage of online media the pattern of living also changed and overall shift in the demand online websites. Many newspapers started operating online, develop websites and usage has been increased, and people enhance their experience. The dynamics of media marketing and news has been changed as shift in digital media and mediums of digital marketing and advertising has been changed. The Print media lost their importance because of consumer shift towards to online media, online newspapers, newspapers websites and ease in availability and access of news contents(Verweij, 2019). Online media impacts print media because it facilitates customers' downloading and comprehending of newspapers and news channels. It also increases the importance of these media through PDAs and the internet. Both the web and PDA are comparatively simple to use, and increased flexibility enhances reading abilities. As the population grows, more and more people born in the innovation era use technology and become digital natives. This enhances the user experience and encourages the use of innovation.(Xiaoge, 2018).

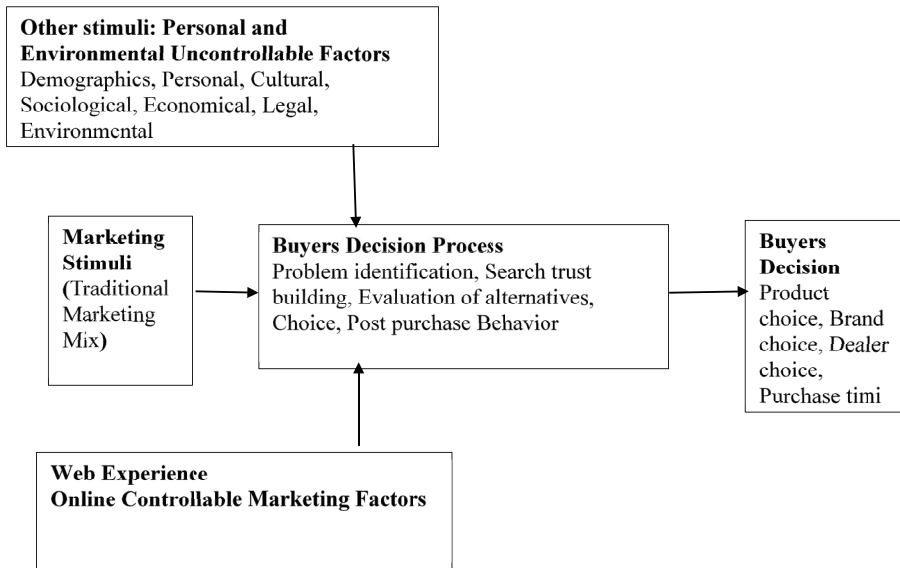


Figure 3: Theoretical framework

The print media has its significance in the brain of shoppers and individuals, through the online innovation cause change and online mediums alter the attitude of individuals. However, by and large expansion being used of online mediums and online industry expanded, as because of progress and utilization of online media the example of living additionally changed and generally speaking change in the interest online sites. Numerous newspapers began working on the web, foster sites and their use has been expanded, and individuals upgrade their experience. The elements of media promoting and news has been changed as change in computerized media and vehicles of advanced showcasing and publicizing has been changed. The Print media lost their significance in view of shopper shift towards to online media, online papers, papers sites and simplicity in accessibility and access of information substance (Kopano, 2018).

The Digital natives include every youngster uses the modern digital technology and complete paradigm shift cause due to usage of new technology. Now the news organizations can target the digital natives to change the mind set of people towards the online news content and development of online websites to use the digital content. The researcher evaluates the better business model whether they continue the Print newspapers as the sales is declining and continuous shift towards the online websites cause the increase in cost of print media, but there are still consumers prefer the print media those who are in old age and those who are less educated and literate and also those who prefer the newspapers for study and Jobs. In this case media organization continues the production of Print media newspaper as well to fulfill the needs of consumers (Chyi & Lewis, 2019).

The media is emerged from the Communalistic parcel plan by British and Pakistan adopted the media in terms of newspapers and magazines. Muhammad Ali Jinnah first started the DAWN Newspaper in 1941 advancing the role of Journalism in Pakistan. The Role of Media is to spread news and increase people's information towards current issues of country and become the voice of people. The purpose is to create awareness and spread a word for information and related news to people to enhance news effectiveness Graybeal (2011). Many newspapers started operating online, develop websites and usage has been increased, and people enhance their experience. The dynamics of media marketing and news has been changed as shift in digital media and mediums of digital marketing and advertising has been changed. The Print media lost their importance because of consumer shift towards to online media, online newspapers, newspapers websites and ease in availability and access of news contents(Verweij, 2019).

Online media impacts print media because it facilitates customers' downloading and comprehending newspapers and news channels. It also increases the importance of these media through PDAs and the internet. The web and PDA are comparatively simple, increase flexibility, and enhance reading skills. Since many people are from the technological era and use gadgets and innovation, the number of digital locals also increases as the population grows. This enhances the user experience and encourages the use of innovation.(Xiaoge, 2018).

### **2.3 Information**

The Information is the source through which consumer can be attracted, as many consumers are rational and looking for features, value added benefits, pricing information, after that make decision for purchase. Advertising is the source of consumer information and through this information could be provided to consumer to attract the consumer decisions. You Tube advertising also includes the product related information, features to increase customer attraction and mold their decisions towards purchasing power (Tsao, 2019).

Clients would have the option to depend more on promoting when the publicizing was viewed as close to home and pertinent to their ways of life. In this manner, publicists ought to follow their client needs, profiles, and utilization designs. The advertisers accepted that promoting works adequately when it's worth was traded among clients and the publicist through the publicizing message. As such, clients may see separated advertisements to be closer to home and stay away from promotions that are considered less tweaked.

The Information is the source through which customers can be drawn in, as numerous buyers are objective and searching for highlights, esteem added benefits, valuing data after that settle on the choice for procurement. Publicizing is the wellspring of purchaser data and this data could be given to customers to draw in shopper choices. YouTube promoting

likewise incorporates item related data, highlights to expand client fascination and shape their choices towards buying power (Mosse, 2021). This investigation examination explains the adjustment of viewpoint of buyers towards the online substance of data and visits the locales. The value of print media declines as consumers gravitate towards more user-friendly, satisfying, and reasonably priced online channels. The study looks at how news affiliations affect print media and how new media affects print practices by shifting them to online transparency. (Chyi & Lewis, 2019).

The customers or clients feel ease in scrutinizing on the web papers and shows versatility whenever they feel free they can get papers. The availability and straightforwardness increase the online customers and reduction the examining of print papers. The Print media has unmistakable association then online papers, the online course of action basic, and straightforward pursuit, easy to review pages, two or three people really consider print media is easier and various purchasers use online plan and lean toward online locales (Bertrand, 2010). The Consumers pay lower cost in online mediums, and online destinations are not hard to use and people have receptiveness in using the online mediums and they consider negligible exertion while using the online modes for sees. The high-level media improvement changes the technique for purchasers and customers are considering the lease being utilized, have insignificant exertion and they favor the plan. The Digital media improvement carries out buyers to use modernized development and less focus on print media. Progressed local people explain that youngsters who are in this world when imaginative advancement showed up and those clients use the online mediums easily (Ushe, 2010).

#### **2.4 Customization**

Advertising on YouTube combines information, allure, and the ability to attract a large audience, enhancing customer satisfaction. The ability to provide the public with all available information about goods or services is known as data. While disruption is a bad aspect that affects shoppers, data is a positive indicator of buyer fascination. Many promotions cause buyers to become agitated. Depending on the choices and interests of the buyer, customization is the source from which notice can be created. In the same way, as they publicize the products based on buyer accessibility and time, the market and promoter assess the consumer's needs. (Tsao, 2019).

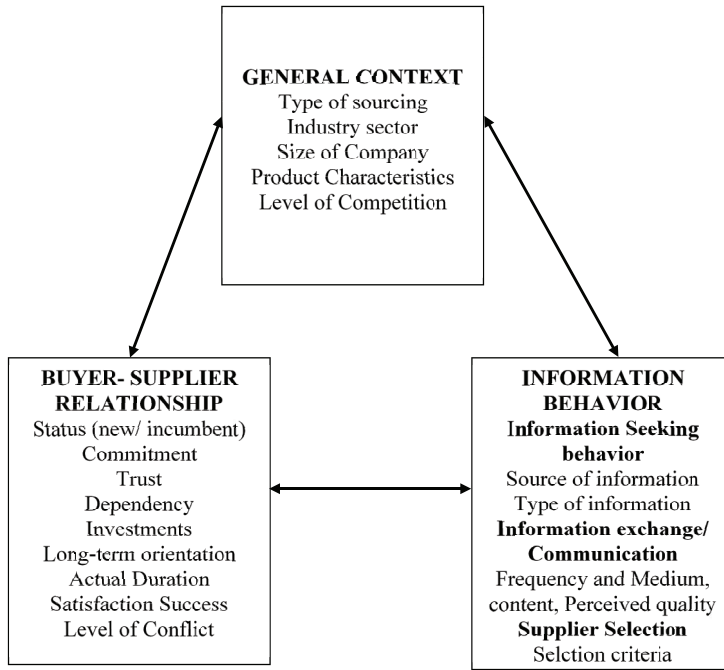


Figure 4: “Media Landscape and Consumer Behavior: A Comprehensive Overview”

In advertising, customization refers to adjusting marketing messaging to the target audience’s interests and preferences. In order to effectively supply desired satisfactions and improve customer and social well-being, advertisers and marketers must have a deeper understanding of the requirements, wants, and interests of their target audiences than their rivals (Vrontis & Thrassou, 2007). Despite this complexity, columnists nevertheless must provide readers with accurate information. Following this route, discover that although the role of columnists in news content has decreased in the first ten years of the twenty-first century due to the media industry’s most recent ownership and mechanical changes, writers continue to hold the most prominent position in news content. Columnists play a more significant role in establishing public policy and agendas as news coverage becomes more interpretive, which affects how audiences view and convey information (Wanja & Muna, 2021).

Pakistani media is contemplated progressively blunt and objective in South Asia, anyway it does not have the notification inside the utilization of decisions and derivations in data content, the variables which add to the degree of objectivity. They investigated measurements objects, publications, articles and previews, and found that more inductions and decisions have been applied in articles and articles. Their discoveries instruct that tendency inside the course with respect to judgment sentences added to a low level of objectivity and declined the dependence of the inclusion (Lee & Jin, 2019).

The Online newspapers are easy to read and easy to download and have access at any time. The Ease and flexibility increase due to increase internet promotion, availability of devices and increase in smart phones. The people who are using online newspapers are easy to use and flexible to read and thus importance has been increased. The consumer feel ease in reading online newspapers and shows flexibility whenever they feel free they can read newspapers. The availability and ease increase the online users and reduce the reading of print newspapers (Banker et al., 2014). Print media and print paper material are explored, along with the importance of online paper sites and their impact on print media use. But few customers choose print media, where learning and skill levels are low, and older people lean towards a lifestyle more akin to their own.

The Digital Locals use state-of-the-art computerized innovation to integrate every teenager, resulting in a total shift of perspective due to the application of new technology—news content. The analyst assesses the better plan of action whether they proceed with the Print papers as the deals is declining and persistent shift towards the online sites cause the increment in cost of print media, however there is still purchasers favor the print media the individuals who are in advanced age and the individuals who are less instructed and proficient and furthermore the individuals who lean toward the papers for study and Jobs. For this situation media association proceeds with the creation of Print media paper also to satisfy the requirements of buyers(Chonko, 1995).

Customers spend less for goods and services purchased online, and because websites are user-friendly and accessible, they are more likely to consider low cost when placing adverts online. The Cost is very low by using the online mediums of newspapers, as people who are education and literate the use of smart phones are very easy and newspapers reading can also be easy. The cost of pint newspaper on daily basis is high and internet services and smart phones also be utilized for other purposes and people can have low cost and have good use. The newspapers need to store and maintain record is also difficult, the use of online network is easy to use(Xin, 2019).

Consumers find it easy to peruse documents online and exhibit flexibility in obtaining papers whenever it suits them. Its ease of use and accessibility draw more online customers while reducing the number of print paper inspections. Some organizations genuinely believe that print media is simpler, and various customers use internet arrangements and lean towards online areas. Print media is affiliated with online papers, the online game plan vital and direct pursuit, simple to audit pages.(Chyi & Lewis, 2019).

## **2.5 Brand Awareness**

The Advertising is the source to create Brand awareness, through advertising brands awareness increases. The advertising provides information to consumers, increase motivation



to buy the products and services, thus this increase the level or intensity to buy the product. The advertising also increases brand awareness, as continuous advertising via online channels like You Tube create brand awareness' like Pepsi Cola, Coca Cola adverting their products and services. The role of persuasive advertising is to increase customer attraction and enhance the motivation of consumers towards online buying.

Brand Awareness depicted as the consciousness of a brand or memory of a brand. In the meantime, the buyer goal incorporates positive and negative practices that could be displayed by the client toward the brand or organization. This addresses the level or probability the client will actually want to purchase. Clients procure brand mindfulness through viable promoting correspondence stations like TV, cell phones, and internet publicizing as they give data on item quality confirmation and believability that assist with diminishing danger in item assessment and choice when clients buy items. Consumers aim to purchase something relies upon how much consciousness of a brand or a specific brand the client has likewise discovered that there was a connection between publicizing worth and brand mindfulness, and between brand mindfulness and buy expectation.

The digital locals employ state-of-the-art computerized innovation to integrate every teenager, and this innovation has resulted in a total shift in perspective. News organizations can now concentrate on cutting-edge locals to alter people's perceptions of internet news and enhance websites to use computerized content. The analyst assesses the better plan of action whether they proceed with the Print papers as the deals is declining and persistent shift towards the online sites cause the increment in cost of print media, however there is still purchasers favor the print media the individuals who are in advanced age and the individuals who are less instructed and proficient and furthermore the individuals who lean toward the papers for study and Jobs. For this situation media association proceeds with the creation of Print media paper also to satisfy the requirements of buyers (Chonko, 1995).

Media Ethics is explained by that two Popular Newspapers in Pakistan includes the Jang and Dawn explain the critical issues of race, ethnicity and social issues to increase awareness of Pakistani People and aware people regarding this issue. They are actually the core promoters of ethical journalism in Pakistan(Sabir, 2011).

The research elaborates the media is promoting the four religions on media channels and ignoring the minorities on media channels. The newspapers are largely focused on public sector corruption rather than focuses on overall corruption by Corporation in taxes and evasion of taxes that's affects the development. The research Elaborates that Government must emphasis on media channels to promote the Government and tax payment to people to increase awards and revenues to Government for development and growth. The role of media is increasing people are not only used the newspapers and TV channels but also uses the social media for promotion of values. The media channels are purchased by business people

and all are focusing on creating sensational and breaking news and present not relevant content and present same content over all channels and even many times in news after every hour(Ushe, 2010).

Media should be illustrative of the general society. Media morals require a reasonable inclusion to immensely significant parts of the general public. In this regard, a few investigations have valued the job of Pakistani media, while others have referenced significant, be that as it may, overlooked regions. Media has a huge activity in establishment working by lighting up and educating the lion's share. Media Coverage refers to explanation of news coverage and increase information to people and create awareness. Since its inception role of media is to enhance capacity and increase people information and awareness, the media purpose is to establish the role and increase people information and awareness towards specific issue. Pakistan faced Political pressure and media channels spread the word of political parties and promoting election campaign rather than promoting the social issues of poverty, inflation and issues faced by people(Chyi & Lewis, 2019).

### **3. Research Methodology**

#### ***3.1 Research Design***

The selection and techniques for data collection and analysis are explained in detail by the study design, considering the research paradigm. This means that the study is explanatory in nature, quantitative in nature, and grounded in post-positivism. To generalize about the same industry and customer type, the research was done using a deductive technique.

#### ***3.2 Research Type***

The study assesses how digital marketing and advertising influence consumer purchasing decisions. The study used positivism as the research paradigm and epistemological philosophy. (Bryman, 2011). Analysis founded on theory and underlying presumptions is referred to as positivism. The study used quantitative research methods and hypotheses derived from the variables or factors chosen. The study will examine how online advertising influences consumers' purchasing decisions and will be done in the media sector. The positivist research paradigm will serve as the foundation for the primary study, and particular theories and hypotheses will serve as the basis for quantitative research. (Saunders, 2013).

#### ***3.3 Population of the Study***

According to Saunders (2013), the research population is chosen using a 5% margin of error and a 95% confidence interval. To finish, 385 samples will be used. Based on a sizable user base of more than 100,000 individuals who read newspapers online, the research's demographic is consumers.

### 3.4 *Sampling Technique and Sample Size*

The target population informs the sampling strategy. The method used to gather the data was convenience sampling. Due to the size of the target population, convenience sampling will be used to include clients from a range of demographic groups in Karachi, Pakistan. 385 Pakistani consumers of FMCG brands from Karachi will make up the sample size.

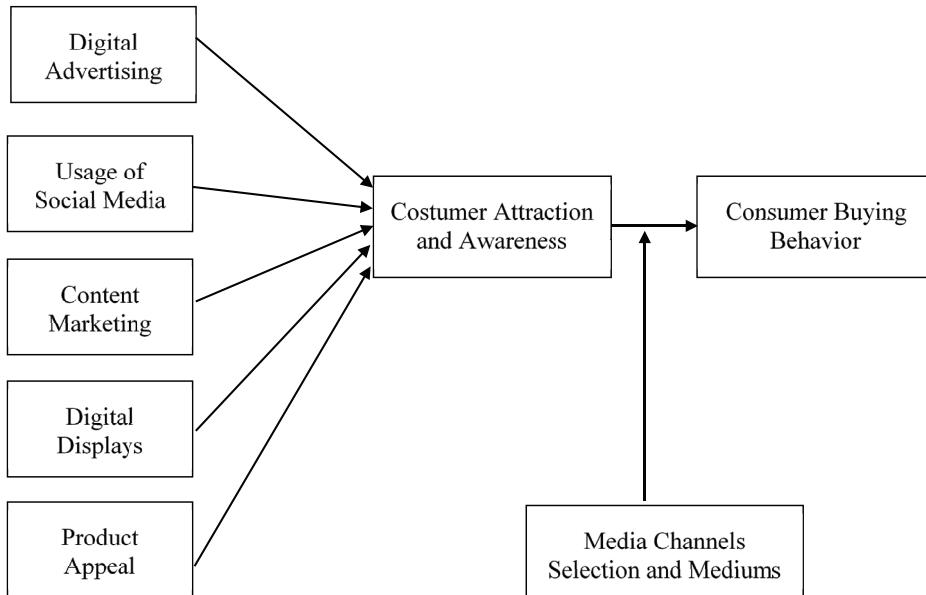


Figure 5: Conceptual Framework

**Source:** Adapted from; Aziza (2019), Astuti (2019) and Duffett (2020)

### **Research Instrument**

The research conducted based on Questionnaire and survey will be conducted from consumers of consumer's tool filled online via Google documents, and questionnaire designed based on Likert scale and statements adopted from the research articles and authors who already conducted study on this topic.

### 3.5 *Data Collection & Analysis Techniques*

The data will be collected from Consumer who are using FMCG Brands and online Google forms filled from customer to have review on consumer buying decisions as whole. The data will be collected from 385 respondents; through primary data research will analyze the effect of YouTube Advertising and other digital mediums on consumer buying decisions.

The research results will be analyzed through SPSS Software and collected data will be analyzed based on reliability analysis, demographic analysis, Regression Analysis, Correlation Analysis, Hypothesis testing will be performed to evaluate the results.

### 3.6 *Data Analysis*

The research conducted to analyze the impact of digital marketing channels on consumer buying intentions. The digital mediums increase customer attraction and enhance buying behavior. The research conducted to analyze the impact of various digital marketing strategies on consumer intentions to buy products and services. Social media advertising has an impact on consumers' purchasing inclinations. YouTube is the origin and medium of digital advertising on the internet, and it works well these days since customers are interested in the newest styles and details about goods and services. Persuasive advertising is when businesses and marketers give customers comprehensive information, entertainment, knowledge of products and services, where to buy, and how to buy in a way that influences their purchasing decisions. The research conducted based on new data collection and data collected from 385 consumers who are using digital marketing mediums and purchase various products and services.

### 3.7 *Demographics of Respondents*

Table 1

*Demographics - Gender*

	<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Male	260	67.5	67.5	67.5
	Female	125	32.5	32.5	100.0
	Total	385	100.0	100.0	

There were 385 responses overall, with 260 men and 125 women identified by the demographic data gathered from customers of different brands via digital media. Table Table2

Table 2

*Demographics - Age*

	<b>Age</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	18-25	115	29.9	29.9	29.9
	26-35	219	56.9	56.9	86.8
	36-45	39	10.1	10.1	96.9
	Above 45	12	3.1	3.1	100.0
	Total	385	100.0	100.0	

The age range of the responders is as follows: 115 are between the ages of 18 and 25, 219 are between the ages of 26 and 35, 39 are between the ages of 36 and 45, and 12 are over the age of 45.

Table 3  
*Demographics – Education*

	<b>Education</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Intermediate	11	2.9	2.9	2.9
	Graduate	141	36.6	36.6	39.5
	Masters	233	60.5	60.5	100.0
	Total	385	100.0	100.0	

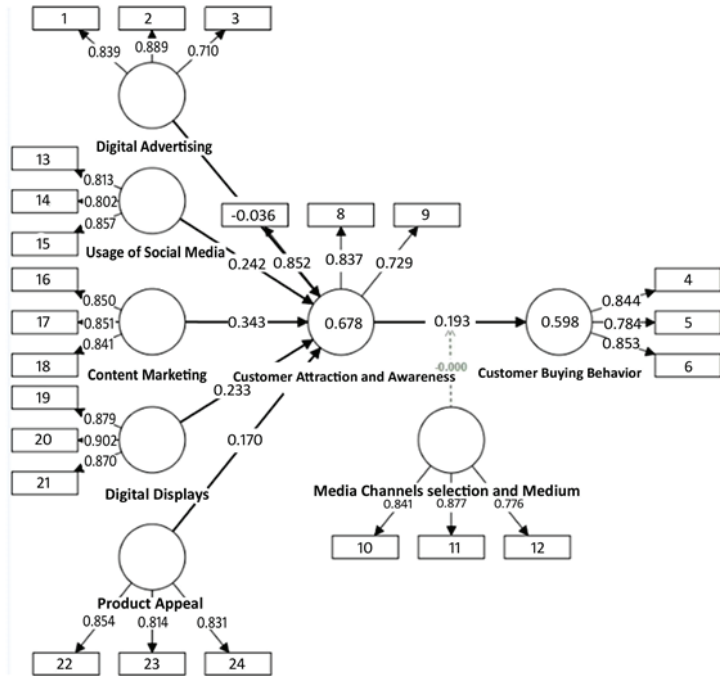
The research includes respondents with varying educational backgrounds and job experiences; of the respondents with Intermediate 11, 141 are graduates, 233 are postgraduates, and 385 total respondents have Masters level education.

Table 4  
*Demographics – Income*

	<b>Income</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Rs. 40,000 - 60,000	110	28.6	28.6	28.6
	Rs. 60,001 - 80,000	172	44.7	44.7	73.2
	80,001 - 100,000	103	26.8	26.8	100.0
	Total	385	100.0	100.0	

The respondents' income varies according to their business and profession: 110 make between Rs. 40,000 and Rs. 60,000, 172 make between Rs. 60,000 and 80,000, which is a significant portion of their income, and 103 make between Rs. 80,000 and 100,000.

MEASUREMENT MODEL:



Structural Model

Figure 6: Structural Model of SEM

According to Hair Jr et al. (2016), the PLS-SEM measurement model was examined to verify the correlation between the items and their corresponding constructs. The integrity of the gathered data is also confirmed by it. Within the measurement model, each model construct’s validity and reliability have been evaluated. These three basic constructs are all of second order because that is the foundation of this investigation. Therefore, in order to validate the measurement model of each second-order construct with its first-order sub-construct individually, we first run the measurement model of each second-order construct with its first-order sub-constructs. Following validation, the study’s structural or primary model was run using the latent scores of the second-order construct. Using statistics and model analysis to determine which variables are significant and which are not, the model describes the relationship between the variables’ moderation and mediation and the values of each component loading.

### 3.8 Reliability and Validity Tests

Table 5  
*Reliability and Validity*

<b>Constructs</b>	<b>Items</b>	<b>Loadings</b>	<b>Cronbach's Alpha</b>	<b>Composite Reliability</b>	<b>AVE</b>
Digital Advertising	DA1	0.71	0.61	0.77	0.46
	DA2	0.78			
	DA3	0.75			
	DA4	0.81			
Usage of social Media	SM1	0.68	0.72	0.85	0.58
	SM2	0.78			
	SM3	0.72			
	SM4	0.45			
Content Marketing	CM1	0.45	0.72	0.77	0.47
	CM2	0.66			
	CM3	0.67			
	CM4	0.69			
Digital Displays	DD1	0.72	0.66	0.72	0.54
	DD2	0.80			
	SM3	0.75			
	SM4	0.73			
Product Appeal	PA1	0.75	0.75	0.76	0.57
	PA2	0.81			
	PA3	0.68			
	PA4	0.71			
Customer Awareness and Satisfaction	CS1	0.771	0.873	0.902	0.569
	CS2	0.782			
	CS3	0.787			
	CS4	0.743			
Media Channels	MS1	0.81	0.77	0.74	0.57
	MS2	0.75			
	MS3	0.81			
	MS4	0.68			
Consumer Buying Behavior	CB1	0.796	0.882	0.911	0.631
	CB2	0.808			
	CB3	0.861			
	CB4	0.833			

The results of the reliability and validation tests carried out in Smart PLS, which is based on structural equation modelling (SEM), the values of the factors loading and Cronbach's alpha indicate the consistency of the responses across the scale for each statement and variable, respectively. A higher degree of consistency is shown by the variables over 0.7. These variables include digital advertising, social media use, content marketing, product appeal, digital display, moderating variables (choosing media and channels), mediating variables (customer satisfaction and interaction), dependent variables (buying intentions of consumers), and composite reliability (reliability greater than 0.7). All of these variables are significant.

### 3.9 Measurement Model Analysis

Table 6  
*Results of Measurement Model*

	Quality of Services	Perceived Trust	Attitudes towards AI Usage	Security of Mobile Data Services	Customer awareness and Interaction	Adoption of Robo Advisors
DA	0.71					
SM		0.795				
CM			0.78			
DD				0.732		
PA					0.81	
CB						0.75

They show a relationship between the organizational culture's second-order constructions and the three variables. All six of the sub-constructs have a major impact on organizational culture, as the table shows. All three variables have AVE values greater than 0.7, indicating consistent results and variable variance; as a result, the variables were chosen with significance.



Table 7  
*Path Coefficients – Direct Effects*

				<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics</b>	<b>P Values</b>
DA> CS				0.088	0.094	0.027	3.188	0.002
Mediation Effect	1	->		-0.013	-0.013	0.015	2.841	0.040
DA>CS>CB								
Moderating Effect	1	->		0.019	0.012	0.005	2.91	0.029
DA>CS>CB								
CM -> CB				0.013	0.019	0.015	0.846	0.398
CS -> CB				0.011	0.011	0.021	3.147	0.012
DD>CS>CB				0.102	0.012	0.001	2.212	0.002
PA>CS>CB				0.102	0.012	0.001	2.212	0.002
Mediation Effect	1	->		0.101	0.011	0.012	3.121	0.001
CS>CM>CB								

The tables show the analysis of each independent and dependent variables, the results show that the variables are significant and there is significant moderating and mediating impact of variables. All the variables include Digital Advertising, use of social media, Content Marketing, Product appeal, Digital Display having significant impact of mediating variable customer satisfaction and interaction and this significant impact of consumer buying intentions. Only one variable content marketing is insignificant having t value less than 2 and probability value not less than 0.05.

Table 8  
*Hypothesis Testing*

<b>Hypothesis</b>	<b>T values</b>	<b>Sig. Value</b>	<b>Decision of Hypothesis</b>
H1: There is significant impact of Digital Advertising on Customer Attraction and Awareness.	3.188	0.002	Accepted
H2: There is significant impact of impact of Usage of Social media on Customer Attraction and Awareness.	2.841	0.040	Accepted
H3: There is significant impact of Content Marketing on Customer Attraction and Awareness.	2.91	0.029	Accepted
H4: There is significant impact of Digital Displays on Customer Attraction and Awareness.	0.846	0.398	Rejected
H5: There is significant impact of Product Appeal on Customer Attraction and Awareness.	3.147	0.012	Accepted
H6: There is significant impact of impact of Customer Attraction and Awareness with relationship of digital marketing and consumer buying intentions.	2.212	0.002	Accepted

The Table of hypothesis testing shows the acceptance and rejection of hypothesis. The criteria are values of t statistics obtained from path coefficients, t statistics value should be greater than 2.0 and probability values should be less than 0.05. The Table shows all the hypothesis are accepted and variables includes Digital Advertising, use of social media, Content Marketing, Product appeal, Digital Display, mediating variables customer satisfaction and interaction, moderating variables selection of mediums and channels and dependent variables consumer buying intentions, only one hypothesis of impact of content marketing on consumer satisfaction.

#### 4. Conclusion, Recommendations and Implications of Research

This study focuses on digital and advertising platforms, specifically YouTube, and how marketers, companies, and brand managers can utilize it to engage consumers and create value by influencing their purchasing decisions. Customers pay attention to online and social media advertising, and they participate in and engage with it. (Miao et al., 2020) This is a big obstacle for marketers, particularly in terms of where to place ads and how to draw in consumers to increase the number of new and existing clients. Companies can find online digital adverts on YouTube, and they want to draw in more customers. (Ali et al., 2023) This study looked at the persuasiveness of digital marketing and advertising as well as how to engage consumers through advertising to get them to make more purchases. (Hameed et al., 2022). Social media advertising is one of the many channels via which advertisers may draw in customers. Social media advertising is a method for drawing in customers, keeping them interested, and disseminating details about brands, goods, and services. All internet users watch and consume fast-moving consumer goods adverts, and these days, YouTube videos featuring goods are used as effective forms of advertising. The criteria used in the research are variables such as t statistics values that are derived from path coefficients, probability values that are less than 0.05, and t statistics values that must be more than 2.0. The table displays the variables that support each hypothesis, including digital advertising, social media use, content marketing, product appeal, digital display, moderating variables that affect customer satisfaction and interaction, dependent variables that reflect consumer buying intentions, and only one hypothesis that examines the relationship between content marketing and customer satisfaction. With the help of statistics and model analyses that identify which variables are significant and which are not, the model describes the link between the variables' moderation and mediation as well as the values of each component loading. (Zaman et al., 2023)

##### 4.1 Implications of Research

The study on how YouTube's persuasive advertising affects consumers' purchasing decisions has important real-world ramifications for the FMCG sector. Since YouTube is one of the most powerful digital advertising channels for swaying consumer decisions, marketers should carefully deploy resources to prioritize it. To maximize impact on digital platforms, content must be tailored to fit with known persuasive aspects, such as information, entertainment, personalization, and brand awareness. Using YouTube and other social media platforms as a persuasive tool can increase consumer happiness and engagement. Prioritizing consumer satisfaction and carefully selecting media and channels are important tasks for marketers, who should also adjust their tactics based on ongoing variable monitoring. To ensure that organizations remain relevant and effective in the dynamic market, educational programs for marketers, an emphasis on innovation, and collaboration with influencers align with the research findings.

## 4.2 *Recommendations*

The research conducted to analyze the impact of You Tube Persuasive advertising on consumer buying decisions.

- The research is significant for FMCG industry and marketers to analyze the data and researches guides for digital mediums are effective for decision making.
- The Digital mediums used as persuasive mediums for adverting and increasing customer attraction.
- The Digital mediums used as source of persuasiveness, with increase in Entertainment, Information, Customization and Brand Awareness.
- The factors are significant and marketers can analyze these factors as sources of persuasiveness and enhance the impact on consumer-based decisions.

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## Appendices

### Appendices 1: Questionnaire

#### Questionnaire

We are PhD Scholar at Different University conducting a research on “Effect of Digital Marketing Channels on Consumer Buying Intentions in FMCG Industry in Pakistan”. You are invited to participate in this research. Survey responses will be strictly confidential and data from this survey will be reported only in the aggregate. Your understanding and cooperation for this academic exercise will be highly appreciated.

<u>Gender</u>	<u>Age (years)</u>	<u>Education</u>	<u>Monthly Income</u>
<input type="checkbox"/> Male	<input type="checkbox"/> 18-25	<input type="checkbox"/> Intermediate	<input type="checkbox"/> Rs. 25,000 to 50,000
<input type="checkbox"/> Female	<input type="checkbox"/> 26-33	<input type="checkbox"/> Graduate	<input type="checkbox"/> Rs. 50,001 to 75,000
	<input type="checkbox"/> 33-40	<input type="checkbox"/> Post graduate	<input type="checkbox"/> Rs. 75,001 to 100,000
	<input type="checkbox"/> Above 40		<input type="checkbox"/> Above 100,000

**Scale: Please tick the most appropriate items that best describe you (5=strongly Disagree, 2= Disagree, 3= Neutral, 4=Agree, 5= Strongly Agree**

Statements	5	4	3	2	1
<b>Digital Marketing</b>					
Digital Marketing has effects on selection of products					
I prefer to view advertising through Digital mediums					
Social media are effective tools for advertng the brands					
Advertng through Digital mediums provides current information and effective for making product purchase decisions					
<b>Usage of Social Media</b>					
Consumers give more importance for celebrity and consider brand advertising					
Celebrities are remembered more than the brands being endorsed by them.					
Consumers often get attracted towards the celebrities but not towards the brand being endorsed by them.					
Celebrity image is reflected on brand					
<b>Content Marketing</b>					
Advertisement Content Provides me direction and frequency for purchase					
Advertising Content appeals me for Product category and exposure					
Advertising Content provides me helpful information					
Advertising Content effective information and increase shopping enjoyment					
<b>Digital Displays</b>					
I think hue and brightness used by my retailer which fit me to Build my appearance					
Mostly my FMCG retailer display varieties of products based on color					
The brightness of color will change with lighting used by my retailer					
I feel greater attention towards proper color scheme and design by Brands.					
<b>Product Appeal</b>					
I prefer someone whom I can turn to for advice about product buying decisions					
I prefer products with social popularity among the people					
I rely on intimate person whom I interact online/physically make me interested to buy any new clothing brand					
I prefer products that as good ranking					

*Table to be continued*

<b>Customer Attraction and Awareness</b>					
Digital Marketing has positive influence on me liking advertised products					
Digital Marketing is a good source of knowledge					
Digital Advertising provides me with valuable product knowledge					
Digital Advertising is effective in stimulating my preference in brands					
<b>Media Channels and Selection of mediums</b>					
I think Advertisement should be focused on consumer needs and demands					
I think Advertisement must includes complete information regarding brands					
I think Advertisement focused on customer attraction towards brands					
I think Advertisement focus on new offers and increase brand awareness					
<b>Consumer Buying Intentions</b>					
I will buy products that are advertised on digital mediums in the near future					
I desire to buy products that are promoted on digital mediums Advertising					
Digital Advertising increase purchase intent of featured brands					
I would buy products that are advertised on digital mediums					
I like the offers promoted on digital mediums					



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# Financial Inclusion Convergence in Low-Income and Lower-Middle-Income Countries

Rabia Hasan\* Muhammad Aqil\*\*

## Abstract

*This research investigates the potential existence of financial inclusion convergence and its link with the growth convergence of 39 Low-Income (LI) and Lower-Middle-Income (LMI) countries. This study employs the club convergence technique proposed by Phillips and Sul (2007) to analyze the financial inclusion index based on different financial indicators to determine that LI and LMI countries converge in local and international practices to achieve financial inclusion. The findings support the growth convergence for all countries. Moreover, there is no conclusive evidence of financial inclusion convergence when considering all countries in the sample. However, the study does identify the existence of financial inclusion convergence within specific cluster clubs. This club convergence approach is also applied to other indicators, such as financial availability and the size of financial intermediaries, including bank credit to bank deposits, Central Bank assets, and liquid liabilities. The results indicate that per capita growth convergence aligns with financial inclusion convergence among the identified cluster clubs. The size of financial intermediaries also plays a little role in supporting financial inclusion and economic growth. The convergence of financial inclusion can be possible through sharing innovative digital products and ideas within these countries.*

**Keywords:** Economic convergence; financial inclusion; economic growth; financial intermediaries; financial development.

**JEL Classification:** G21, O1

## 1. Introduction

Among the many alternatives taken into consideration, financial inclusion is widely acknowledged as the key to addressing individual accessibility to financial services in LI and LMI countries. Ouma et al. (2017) have defined financial inclusion as a fundamental element of development policy in most LI and LMI countries. Policymakers in LI and LMI countries are increasingly concerned about the higher proportion of financial exclusion within their nations.

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They have dedicated significant time and effort to find effective solutions for economic downturns and financial crises.

Rysin et al. (2021) explained financial convergence can be defined as the blending and overlapping of activities and interests among participants in various sectors of the global financial market. It involves connecting and combining efforts to enhance these entities' competitiveness collectively. Convergence acts as a mechanism of modification, where the activities of financial sector participants extend into other sectors of the world financial market. This extension can occur either forcibly or voluntarily. In the aggressive form of convergence, a participant from a specific financial sector incorporates aspects or functions originally found in other sectors without involving representatives from those other sectors. Financial inclusion improves accessibility to financial services and fosters inclusive development in LI countries. An inclusive financial system is crucial in reducing poverty and promoting sustainable development. The increased availability of diverse financial products contributes to establishing an inclusive financial system. Individuals from vulnerable sectors can effectively utilize their income for saving, investing in education, and managing portfolios for business initiatives under this system, as suggested by Ibrahim and Aliero (2020).

Do international financial inclusion practices tend to align towards common standards, or do they diverge? If they diverge, what factors contribute to this divergence? On the other hand, if they converge, what recent developments have fostered this alignment? The first aspect addresses the controversies and challenges surrounding the financial inclusion agenda. In contrast, the second aspect explores the current progress and initiatives promoting the financial inclusion convergence of countries' practices. Financial inclusion is a supporting factor for economic growth. Convergence in economic growth leads to convergence in financial inclusion among LI and LMI countries. For this purpose, this study assesses financial inclusion index convergence, financial availability convergence, financial development convergence, and growth convergence among these countries. Therefore, using the methodology of the club convergence hypothesis approach proposed by Phillips and Sul (2007) to analyze the financial indicators.

Fintech activity can enhance cross-border competition in the financial services sector. Baig et al. (2022) explain "Fintech Ecosystem" is widely recognized to describe the interdependencies and potential for innovative value creation. This process involves working together to create new products, meet customer demands, and eventually integrate subsequent waves of innovation. Frost (2020) explains variations in regulations across different markets and the possibility of regulatory arbitrage. Ensuring that such cross-border expansion is accompanied by sufficient cooperation between global regulators. This collaborative approach will help maintain financial stability, protect consumers, and support fintech firms operating in multiple jurisdictions.

The rest of the paper is organized as follows: Section 2 covers the previous related literature. Section 3 explains the research method and data sources of variables for the estimation of data analysis. Section 4 analyzed the chosen financial indicators to test the hypothesis and obtained empirical results. Finally, Section 5 concludes the research study and provides policy recommendations and future research suggestions.

## 2. Literature review

Barrientos (2007) has defined economic convergence as a process in which countries attain the same level of economic growth. From previous literature, the studies used beta convergence and gamma convergence methods to estimate economic convergence. Aghion (2004) has estimated countries' convergence hypothesis for financial development. The foundation of this study is based on Schumpeter's Growth Theory for different economies. The convergence of financial development is possible with three concepts: (i) coverage of the cost of technology transfer, (ii) the prior level of threshold investment with adequate transfer technologies, and (iii) Provision of external finance to technological innovators by agencies. This study found that financial intermediation and economic growth have a significant positive association. This study uses private credit indicators as a proxy variable of financial intermediation. Private credit, including liquid liabilities, is crucial to financial development.

Durlauf et al. (2005) have suggested that the field of growth econometrics is still in its infancy, highlighting the need for researchers to innovate and develop novel econometric approaches to test the convergence hypothesis effectively. Specifically, they highlight the need for novel methodologies to assess both the transitional dynamics of growth paths and the long-term convergence of various economies. Fung (2009) improves the traditional convergence test by considering how the financial and real economic sectors interact. The author examines whether economic and financial development diverges or converges. Credit given to the private sector and quasi-money were used by the author as two separate variables to represent financial development. According to the results of his study, economic and financial development is converging conditionally in middle-income and high-income countries.

Capital investment in financial services has increased because of a global trend towards financial liberalization and the shift to market-based structure economies. By opening new branches in urban and rural areas, domestic and foreign banks have taken advantage of this chance to reduce the distance between them and their clients. Demirgüç-Kunt and Klapper (2012) has explained that accessibility to financial institutions has a big impact on people's decision to use financial services. Therefore, even if the institutions and technical knowledge remain the same, reducing the physical distance can have a positive effect on the integration of households and businesses into the formal financial system.

Apergis et al. (2012) have estimated the convergence of financial development to examine convergence with various financial intermediaries through the club convergence method. The indicators of financial intermediaries are financial institutions, including banks, Assets/GDP, Deposits/GDP, Real PCGDP, and fixed capital investments. This study did not find any existence of convergence in countries. Bregu et al. (2021) have examined whether innovative services' benefits apply to all developing countries. M-Pesa is a technological service provided through formal channels for saving and other remittance purposes. This service has provided chances for service providers working in the formal market. This study has examined the literature on M-Pesa application in cross-country analysis. The findings highlighted the factors influencing mobile money diffusion are mobile market landscape, financial alternatives, regulation environment and market share of service providers. Ibrahim and Aliero (2020) have examined the relationship between financial inclusion and income convergence. The dataset used in this study is based on longitudinal three waves of a household survey of Nigeria through quantile regression. This study demonstrated the strong relationship between per capita income and financial inclusion. The initial wave demonstrated the result of income divergence. However, in the second wave, income convergence existed in the middle-income and higher-income countries, and finally, the lowest income level converged in the third wave.

An inclusive financial system is vital in reducing extreme poverty, promoting sustainable, inclusive economic growth, growing prosperity, and enhancing overall economic development. These systems can bring tangible benefits to individuals belonging to impoverished and low-income segments of society; while this perspective mainly focuses on macro-level outcomes, the suggested theory of change primarily addresses the effects at the household and entrepreneurs. By establishing an inclusive financial system, Isukul et al. (2019) have suggested individuals from low-income backgrounds gain access to opportunities for saving, borrowing, and building financial assets. Furthermore, financial inclusion facilitates individuals to invest in businesses and entrepreneurial ventures. Moreover, financial inclusion empowers the underprivileged to manage their consumption patterns more effectively and protect themselves against socioeconomic vulnerabilities. Cull et al. (2021) enhance the inclusivity of financial sectors and play a crucial role in mobilizing savings and investments within the productive sector. Additionally, it helps reduce information, contracting, and transaction costs across the entire economy, leading to economic growth.

Yang et al. (2021) analyzed the convergence in the banking industry, which examined the corporate social responsibility (CSR) convergence in China and Nordic countries. The top eight banks are selected as a sample study based on eight CSR reporting categories, including 60 indicators. The findings of this study are the existence of convergence in Chinese banks and Nordic Banks. Nguyen et al. (2021) have estimated the convergence in financial inclusion among the provinces of Vietnam. The Kernel Density distribution technique is used to estimate the convergence of provinces. This study found that financial inclusion boosts



in urban areas compared to rural-based provinces. Das et al. (2021) have estimated the convergence of credit in the districts of West Bengal. This study examines the relationship between per capita credit and average growth rate among the districts during 1980-2014 through unit root models, beta-convergence, and sigma-convergence. The finding of this study showed the divergence among districts.

Avoumatsodo (2023) identified the degree to which financial development has influenced the adoption of new technologies as a factor influencing the variations in the convergence of the productivity gaps worldwide. The examination of sectoral convergence assumes that if every nation possessed the same levels of aggregate production and financial institution development, they would employ technology equally. However, it is important to consider other elements, such as firm coordination, in this research. Dar and Nain (2023) investigated the convergence of financial development among SAARC members from 1990 to 2020. The timeframe is determined by data availability and the initiation of affiliate-wide financial reform policies. A border and comprehensive index measuring financial development is constructed using PCA. This study evaluated unconditional convergence and conditional convergence using panel techniques. However, after controlling for various economic and institutional factors, this study finds no evidence for convergence. Important determinants of the financial development of South Asian Association for Regional Cooperation (SAARC) nations include economic growth, institutions, trade openness, and government expenditure. The results of the study indicate that the members of the SAARC have not been able to derive advantageous outcomes from their collaborative efforts within the area. Martinho (2023) has examined that international organizations and governments have implemented efforts to promote the convergence of socioeconomic indicators between countries. Convergence in policy measures contains external and internal shocks during the COVID-19 pandemic and global financial crisis. This study investigated convergence related to the pandemic. The findings of the study suggested that the pandemic affected the financial convergence, but the magnitude is less as compared to during the global financial crisis.

This study contributes to the convergence of financial inclusion among LI and LMI countries. Previous literature has covered the rare studies of financial inclusion among regions and states within a single country. Previous literature supported the convergence of financial development in cross-country analysis. Therefore, financial development is linked with financial inclusion via channels of financial transactions. This study estimates the progress in achieving financial inclusion and economic growth in LI and LMI countries. Furthermore, examines the impact of the size of financial intermediaries linked with financial inclusion.

### **3. Research Methodology**

#### **3.1 *Variables and Data Sources***

The sample for this study was chosen from LI and LMI countries due to the prevalence of financial inclusion exploitation in these nations. These nations are under external pressure

to enhance financial inclusion in order to achieve macroeconomic stability within their borders. However, in doing so, they encounter many risks associated with financial inclusion, including issues related to consumer protection, fraud, and cybercrimes. Moreover, these economies possess few resources to effectively address the challenge of mitigating financial inclusion risk. The research methodology employed in this study is the stratified convenience sample technique, which has been chosen to investigate the subject of financial inclusion in LI and LMI economies. The selection of countries for analysis is based on the availability of data pertaining to pertinent indicators. The sample study for this research project includes a selection of 39 nations out of a total of 82 countries in the specified groupings. These 39 countries were chosen based on the availability of required data, with 9 classified as LI countries and 30 classified as LMI countries. Table 1 defines the list of financial indicators used to estimate the convergence hypothesis.

Table 1  
*Description of Financial Indicators*

<b>Financial Indicators</b>	<b>Description</b>	<b>Data Source</b>
Financial Inclusion Index	The financial inclusion index is constructed through four dimensions: financial access, financial Usage, Communication Technology, and banking cost. Financial Access includes the indicators of Commercial bank branches per 100,000 adults, Commercial bank branches per 1,000 km <sup>2</sup> , ATMs per 1000 adults, and ATMs per 1000 km <sup>2</sup> . Financial Usage includes the indicators of Outstanding loans from Commercial Banks, Outstanding deposits to Banks, Gross domestic savings, and financial system deposits. Infrastructure and Communication Technology include Services, value-added, access to electricity, fixed broadband subscriptions, and Mobile cellular subscriptions. Banking Costs include the indicators of Bank cost to income ratio and Bank overhead costs to total assets.	Financial Access Survey and World Development Indicators
Bank Branches per 100,000 people	Total branches 100,000 inhabitants of the country.	FAS, IMF
ATMs per 100,000 people	Total ATMs per 100,000 inhabitants of the country.	FAS, IMF
Bank branches per 1000 km <sup>2</sup>	The total branches per thousand square kilometers area of the country.	FAS, IMF
ATMs per 1000 km <sup>2</sup>	Total ATMs per 1000 km <sup>2</sup> area of the country	FAS, IMF
Outstanding deposits to commercial banks	Total deposits made to banks by financial institutions.	FAS, IMF

*Table to be continued*

Outstanding loans from commercial banks	Loan outstanding of commercial banks	FAS, IMF
Financial System Deposits to GDP (% of GDP)	All deposits per GDP by banks and financial institutions	International Financial Statistics (IFS), IMF
Gross domestic savings (% of GDP)	The total disposable income deducts consumption	World Development Indicators (WDI), World Bank (WB)
Services, value added (% of GDP)	Services included value added in retail trade	WDI, WB
Access to electricity (% of population)	Access to electricity in the population	WDI, WB
Fixed broadband subscriptions (per 100 people)	The population with fixed high-speed internet subscribers.	WDI, WB
Mobile cellular subscriptions (per 100 people)	Subscribers of mobile phone services using cellular technology.	WDI, WB
Bank cost to income ratio (%)	Bank's operating expenses are calculated as the sum of others operating income and net interest revenue	Global Financial Development (GFD), WB
Bank overhead costs to total assets (%)	The portion of operating expenses in total assets	GFD, WB
GDP per Capita growth	Country's GDP divided by population	World Bank
Bank credit to bank deposits (%)	Comparative financial intermediation growth indicator shows bank credit to deposit ratio. Banks that run efficiently and invest heavily in credit have a higher ratio.	World Bank
Central bank assets to GDP (%)	Central bank GDP has higher values for this index imply a less developed financial system, which hinders economic progress.	World Bank
Liquid liabilities to GDP	This measure of financial intermediation includes data from deposit money banks, the central bank, and other financial institutions.	World Bank

The span of this study of 39 sample countries including 9 low-income countries Burkina Faso, Guinea, Madagascar, Mali, Mozambique, Niger, Rwanda, Uganda, Zambia and 30 lower-middle income economies including Algeria, Angola, Bangladesh, Benin, Bolivia, Cabo Verde, Cambodia, Cameroon, Côte d'Ivoire, Egypt, El Salvador, Ghana, Honduras, India, Indonesia, Kenya, Kyrgyz Republic, Lesotho, Mauritania, Mongolia, Morocco, Nepal, Nigeria, Pakistan, Philippines, Senegal, Tunisia, Ukraine, Vietnam and Zimbabwe are from 2010 to 2021.

### 3.2 Club Clustering and Convergence Model

Phillips and Sul (2007) cluster club convergence methodology is an empirical technique for researching economic transition and convergence. It extends the technology-enhanced neoclassical growth model under spatial and temporal heterogeneity. This method differs from others, considering transitional divergence a potential consequence that does not preclude growth convergence. This possibility is realized empirically by incorporating time series and cross-sectional heterogeneity into the neoclassical model's technological parameters. Consequently, the transition dynamics of real per capita income have the following functional shape:

$$\text{LogPCG}_{it} = \text{Log}\ddot{PCG}_t + \text{Log}T_{i0} + [\text{LOG}\overline{PCG}_{i0} - \text{LOG}\overline{PCG}_i]e^{-\beta^i} + v_{it}t$$

Let  $PCG_{it}$  represent the per capita growth of country  $i$  at time  $t$ ; The initial and steady-state levels of per capita real income are denoted as  $\overline{PCG}_{i0}$  and  $\overline{PCG}_i$ , respectively. The symbol  $v_{it}$  represents the time-varying coefficient of the exponential function that describes the evolution of these levels the current status of technology  $T_{i0}$ , specifically in terms of its advancements and applications of country  $i$  at time  $t$ , while  $\beta^i$  denotes the adjustment speed of country  $i$  at that particular time. This model expands upon the neoclassical growth model by incorporating the concept of convergence rate.

The rate of technical progress, denoted as  $\beta^i$ , is country-specific and subject to temporal variation. As the variable  $e^{-\beta^i} \rightarrow 0$  as  $t \rightarrow \infty$  approaches infinity, the logarithm of  $\text{LogPCG}_{it}$  follows a long-term trajectory that is ultimately determined by the term  $v_{it}t$ .

$$\text{LogPCG}_{it} = d_{it} + v_{it}t$$

The variable  $d_{it}$  encapsulates the transitional dynamics, while the variable  $v_{it}t$  depicts the idiosyncratic routes of technological progress across time. The component referred to as  $v_{it}t$  encompasses aspects that are universally shared by countries. The common factor technology is symbolized by  $\rho_{it}$ . The second equation can be reformulated as.

$$\text{LogPCG}_{it} = \frac{(d_{it} + v_{it}t)}{\rho_i} \rho_t = \rho_t \sigma_{it}$$

Cross-country disparities in real the symbol  $\rho_t$  represents the shared steady growth path, which is the underlying unobservable factor. The symbol  $\sigma_{it}$  indicates a time-varying factor loading that captures the individualized transition route of country  $i$  towards  $\rho_t$ . Therefore, the variable  $\sigma_{it}$  quantifies the degree to which country  $i$  derives advantages from the shared technological advancements. During the transitional period, the variable  $\sigma_{it}$  exhibits fluctuations. If the country approaches to  $\rho_t$ , then the individual transition coefficient, denoted as  $H_{it}$ , approaches the value of  $\sigma_{it}$  as  $t \rightarrow \infty$  approaches infinity.

$$H_{it} = \frac{\text{Log}PCG_{it}}{\frac{1}{N} \sum_{i=1}^N \text{Log}PCG_{it}} = \frac{\sigma_{it}}{\frac{1}{N} \sum_{i=1}^N \sigma_{it}}$$

It provides the output logarithm of country *i* as a percentage of the average output logarithm of all the countries at time *t*, when the relative transition coefficient,  $H_{it}$ , approaches unity as  $t \rightarrow \infty$ , or, in other words, when:

$$\widehat{H}_{it} = \frac{1}{N} \sum_{i=1}^N (H_{it} - 1)^2 \rightarrow 0 \text{ as } t \rightarrow \infty$$

It is necessary to estimate  $\sigma_{it}$  in order to achieve convergence. When one takes into account both the geographical and temporal aspects, there are too many parameters to evaluate. In order to tackle this matter, researchers put out the subsequent semiparametric characterization of  $\sigma_{it}$ :

$$\sigma_{it} = \sigma_i + \varphi_{it} L(f)^{-1} t^{-\theta}$$

The time-invariant part of the country-specific factor loading, denoted as  $\sigma_{it}$ , is influenced by various factors. The function  $L(f)$ , which represents a slowly varying increasing trend, tends to increase indefinitely as *t* approaches infinity. The parameter  $\alpha$  represents the decay rate of the cross-sectional variation over the transitions, indicating the speed at which convergence occurs. Additionally, the random error variable  $\varphi_{it}$  is weakly autocorrelated and follows an distribution (independent and identically) with mean 0 and standard deviation 1.

The technique of the Phillip and Sul (2007) framework consists of two distinct steps. The evaluation of panel convergence involves the utilization of the log t-test. Additionally, a clustering method is employed to execute the log t-test on subsets of data in cases where the null hypothesis of convergence is rejected for the entire sample.

Null Hypothesis  $H_0: \sigma_i = \sigma$  with  $\theta \geq 0$  for all *i*

Alternative Hypothesis  $H_1: \sigma_i \neq \sigma$  for all *i*  $\sigma_i = \sigma$  with  $\theta < 0$

These hypotheses suggest a state of overall divergence if  $\sigma_i \neq \sigma$  for all *i* with  $\theta < 0$ , or a state of club convergence with if  $\sigma_i \neq \sigma$  for all *i* with  $\theta < 0$ . The log t-regression model is formulated under the null hypothesis of growth convergence.

$$\log(\widehat{H}_1 / \widehat{H}_t) - 2 \log L(f) = c + \bar{\beta} \log t + \varepsilon_{it}$$

For  $t = \{RT\}^{\sim}, \{RT\}^{\sim}+1, \dots, T^{\sim}$  and  $L(f)^{\wedge} = \log t^{\wedge}$  upto 5. Here  $RE[0.2,0.3]$  the term “fraction” refers to the proportion of the original sample that is eliminated prior to doing the regression analysis. The process of data trimming allows for a more concentrated analysis of the transitional dynamics during the latter time, aligning with the desired asymptotic features of the test.

The statistical analysis, namely the one-sided t-test, is conducted to test the hypothesis of  $\theta \geq 0$  using  $\beta = 2\theta$  and employing Heteroscedasticity and Autocorrelation Consistent (HAC) standard errors. The null hypothesis of convergence is rejected at the 5% level if the chi-square statistic exceeds the critical value  $t_b < -1.65$ .

### 3.3 Estimation of Financial Inclusion Index

The financial inclusion index is estimated through two methods. The first method, Principal Component Analysis (PCA), estimates four index dimensions. These dimensions are financial access, financial usage, infrastructure & communication technology, and banking cost. The dimension results are further estimated for the weight of the final index. Finally, the second method is the Euclidian distance method applied to estimate the final index. The weight given based on the PCA method are financial access (0.3), financial usage (0.2), Infrastructure & Communication Technology (0.3), and banking cost (0.2). The computation of the following index is as follows:

$$I_1 = \frac{\sqrt{d_1^2 + d_2^2 + d_3^2 + d_4^2}}{\sqrt{w_1^2 + w_2^2 + w_3^2 + w_4^2}}$$

$$I_2 = 1 - \frac{\sqrt{(w_1 - d_1)^2 + (w_2 - d_2)^2 + (w_3 - d_3)^2 + (w_4 - d_4)^2}}{\sqrt{w_1^2 + w_2^2 + w_3^2 + w_4^2}}$$

$$Index = \frac{I_1 + I_2}{2}$$

Here  $d$  is the dimension of the index and final index is computed on the basis of Euclidean Distance method.

## 4. Results and Discussion

For the estimation convergence, the club convergence technique is used to estimate through the financial inclusion index, GDP per capita Growth, Branches per 1000 km<sup>2</sup>, Bank credit to bank deposits, central bank assets to GDP and liquid liabilities to GDP.

#### 4.1 Panel Convergence

Table 2 reports the test of the full convergence hypothesis for the financial inclusion index, GDP per capita Growth, Branches per 1000 km<sup>2</sup>, Bank credit to bank deposits, central bank assets to GDP, and liquid liabilities to GDP. According to the convergence methodology of Philips and Sul (2007), if the log t-test result is less than the crucial value of -1.65, the null hypothesis of convergence is rejected. From the analysis, the t-statistic is -3.0247 for the financial inclusion index, the t-statistics is -36.438 for commercial bank branches per 1000 km<sup>2</sup>, the t-statistics is -6.2973 for bank credit to bank deposits, the t-statistics is 24.145 for liquid liabilities to GDP and the t-statistics is -5.65 for central bank assets to GDP, which is smaller than -1.65 at 5% significant level. Thus, the null hypothesis is rejected for 2010-2021 and panel divergence. On the other side, per capita growth t-statistics is -0.8544, which is greater than the critical value of -1.65 at a 5% significance level, which supports the convergence of per capita growth in LI and LMI countries.

Table 2  
*Test for Panel Convergence*

Variable	Countries	b-coefficient	t-statistics	Remarks
Financial Inclusion	Honduras, Cameroon, Zimbabwe,	-1.6347	-3.0247	Divergence
Per Capita Growth	Madagascar, Niger, Mali, Algeria,	-0.3429	-0.8544	Convergence
Commercial Bank Branches per 1000 km <sup>2</sup>	Philippines, Tunisia, Cambodia, Benin, Bolivia, Guinea, Rwanda, Nigeria, Mauritania, Lesotho,	-0.9841	-36.4380	Divergence
Bank credit to bank deposits	Mongolia, Kenya, India, Ukraine, Vietnam, Bangladesh, Angola,	-0.9129	-6.2973	Divergence
Central Bank Assets to GDP	Egypt, Senegal, Zambia, Côte d'Ivoire, El Salvador, Morocco, Burkina Faso, Nepal, Kyrgyz	-0.7670	-5.65	Divergence
Liquid Liabilities to GDP	Republic, Ghana, Indonesia, Pakistan, Uganda, Mozambique, Cabo Verde	-1.2696	-24.1447	Divergence

#### 4.2 Club Convergence Hypothesis

Table 3 shows that the convergence club has an estimated five cluster clubs. Three countries (Bolivia, Mongolia, and Nepal) out of the thirty-nine countries from the first club are converging, whereas the second club, including six countries (Honduras, India, El Salvador, Morocco, Ghana and Tunisia) are converging with t- statistic is -0.04 at 5% level of significance. The third club (Bangladesh, Cabo Verde, Cambodia, Egypt, Indonesia, Mauritania, Pakistan, and Ukraine), including eight countries, converges with a t-statistic of -0.675 at a 5% significance level. The fourth club (Benin, Burkina Faso, Côte d'Ivoire, Kenya, Kyrgyz Republic, Philippines, Rwanda, Senegal, Zimbabwe), including nine

countries, converges with a t-statistic equal to -1.183 at a 5% level of significance. The fifth club (Algeria, Angola, Cameroon, Guinea, Lesotho, Madagascar, Mali, Mozambique, Niger, Nigeria, Uganda, Vietnam, and Zambia), including thirteen countries, converges with the t-statistic is -1.604 at 5% level of significance.

Table 3  
*Financial Inclusion: Convergence Club Hypothesis*

Clubs	Countries	b-coefficient	t-statistics	Remarks
Club 1	Nepal, Bolivia, Mongolia.	0.118	0.708	Convergence
Club 2	Honduras, India, El Salvador, Morocco, Ghana, Tunisia.	-0.048	-0.049	Convergence
Club 3	Cambodia, Mauritania, Cabo Verde, Indonesia, Egypt, Bangladesh, Pakistan, Ukraine	-0.226	-0.675	Convergence
Club 4	Rwanda, Benin, Philippines, Zimbabwe, Burkina Faso, Kenya, Côte d'Ivoire, Senegal, Kyrgyz Republic.	-3.018	-1.183	Convergence
Club 5	Nigeria, Angola, Algeria, Zambia, Vietnam, Uganda, Guinea, Mozambique, Cameroon, Lesotho, Madagascar, Niger, Mali.	-5.444	-1.604	Convergence

Table 4  
*Commercial Banks Branches per 1000 km<sup>2</sup>: Convergence Club Hypothesis*

Club	Countries	b-coefficient	t-statistics	Remarks
Club 1	Nepal, Cabo Verde, Philippines, India, Pakistan	-0.1840	-1.1785	Convergence
Club 2	Cambodia, El Salvador, Morocco, Tunisia, Indonesia, Ghana,	0.2809	0.5878	Convergence
Club 3	Vietnam, Senegal, Kenya, Bolivia, Honduras, Côte d'Ivoire, Rwanda, Lesotho, Nigeria, Egypt, Uganda, Kyrgyz Republic, Benin	-0.2825	-1.0691	Convergence
Club 4	Zimbabwe, Cameroon, Angola, Madagascar, Mongolia, Algeria, Niger, Burkina Faso, Mozambique, Guinea, Zambia, Ukraine, Mauritania, Mali	-0.0905	-0.2596	
Non-Converging	Bangladesh			



Table 4 reports the result of Commercial Bank Branches per 1000 km<sup>2</sup>. It observes four different clubs with t-statistics equal to -1.1785, 0.5878, -1.0691, and -0.2596 at a 5% level of significance, in which all four clubs are converging, and Bangladesh is the single non-converging country. Club one includes five countries (Cabo Verde, India, Nepal, Pakistan, Philippines), club two includes six countries (Cambodia, El Salvador, Ghana, Indonesia, Morocco, Tunisia), club three includes thirteen countries (Benin, Bolivia, Côte d'Ivoire, Egypt, Honduras, Kenya, Kyrgyz Republic, Lesotho, Nigeria, Rwanda, Senegal, Uganda, Vietnam), and club four includes fourteen countries (Algeria, Angola, Burkina Faso, Cameroon, Guinea, Madagascar, Mali, Mauritania, Mongolia, Mozambique, Niger, Ukraine, Zambia and Zimbabwe).

The evidence of convergence in five clubs for the test of financial inclusion reveals that the gap in financial inclusion between these countries is shrinking and achieving higher growth in finance at affordable cost. The failure in convergence of all countries is the gap in the level of advancement of financial technology adopted by many countries. The convergence of financial inclusion is possible in subgroups that share the same intensity of financial stability. Fintech is a booster to achieve financial inclusion in the economy while reducing the infrastructure cost of establishing Bank Branches in unbanked and underserved areas. Bahadir and Valev (2015) suggested that regulations in financial institutions also play a significant role in achieving financial inclusion. Financial services in the banking industry have undergone rapid changes since the conclusion of the major crisis from 2007 to 2010. Emerging business models that embrace the convergence of numerous technical developments have sparked these shifts by questioning long-standing and established industry conventions. Ketterer (2017) analyzed that transformative developments in the industry will likely lead to improved and expanded access to financial resources for companies and individuals, which results from inclusion within the financial system. However, certain obstacles and risks could hinder or delay this process. Identified barriers include the response of existing industry players, the need for appropriate and timely regulation, affordable and reliable digital connectivity (such as broadband access), and the potential for unforeseen and highly disruptive changes arising from the payments sector.

Fintech firms can initiate the new era of digital finance, increasing financial access to unbanked areas. Aziz and Governor (2015) explains that Base-of-the-pyramid (BoP) providers function as collective investment vehicles, possessing features that expose them to the possibility of runs. Such providers may include financial cooperatives accepting savings, microfinance and microcredit organizations authorized to take deposits or loans and subject to different regulations from traditional bank deposits, and nonbank financial institutions issuing e-money. However, the current scale of such activities is not likely to pose systemic risks in most markets. If banks significantly refinance microcredit or other BoP credit portfolios (especially if they use these lenders to bypass regulation and supervision) and nonbank financial institutions acting as collective investment vehicles, it could potentially lead to

destabilization. This risk may be exacerbated if micro-lenders can offer long-term loans and investment products alongside microcredit, increasing maturity and liquidity transformation risks.

Table 5 reports the results for Bank Credit to Bank Deposit. The club convergence algorithm results indicate four clubs with t-statistics for the first club is 1.5907, including three countries, Bolivia, Cambodia, and Tunisia, while the second club with t-statistic of 0.2517, including countries Rwanda, Bangladesh, Senegal, Mali, Nepal, El Salvador, Niger, Kenya, Kyrgyz Republic, Mongolia, Cameroon, Mauritania, Madagascar, and Honduras. The t-statistics for the third club, including countries are Uganda, Morocco, Benin, Algeria, Indonesia, Lesotho, Cabo Verde, Ghana, Mozambique, India, Ukraine, Philippines, Guinea, Zimbabwe, Côte d'Ivoire, Pakistan, Burkina Faso, Nigeria and Egypt with t-statistics is -1.6428 at 5% significance level and fourth club including countries are Angola, Zambia with t-statistics is -0.1566 at 5% significance level. The potential for deposit growth exists when more individuals and businesses engage with banking services and initiate payment transactions. Initiatives aimed at promoting financial inclusion can have an impact on the bank credit-to-deposit ratio. Simultaneously, as financial inclusion expands, there may be a parallel rise in the demand for loans, thus influencing the credit component of the ratio. Bank credit to bank deposit ratio, central bank assets to GDP, and liquid liabilities to GDP are the measures of financial development. Apergis et al. (2012) analyze financial inclusion as interconnected with financial development as the stronger the financial sector boosts consumer confidence and influences investing in financial institutions.

The higher participation rate enables banks to expand their branches to cover a larger population and earn profitability on these services. The banking industry faced imperfect financial structure, and religious barriers revolutionized the economy. This transformation boosts the banking industry, and some countries approve the IMF stabilization programs for the financial system transition. IMF reports show these economies' economic rankings and financial indicators have improved. The collaboration of the banking industry with non-bank financial institutions can revolutionize the economy.

Table 5

*Bank credit to bank deposits (%): Convergence Club Hypothesis*

Clubs	Countries	b-coefficient	t-statistics	Remarks
Club 1	Bolivia, Cambodia, Tunisia	0.5921	1.5907	Convergence
	Rwanda, Bangladesh, Senegal, Mali, Nepal, El Salvador, Niger, Kenya,			Convergence
Club 2	Kyrgyz Republic, Mongolia, Cameroon, Mauritania, Madagascar, Honduras	0.0450	0.2517	Convergence
	Uganda, Morocco, Benin, Algeria, Indonesia, Lesotho, Cabo Verde, Ghana, Mozambique, India,			
Club 3	Ukraine, Philippines, Guinea, Zimbabwe, Côte d'Ivoire, Pakistan, Burkina Faso, Nigeria, Egypt	-0.3339	-1.6428	
Club 4	Angola, Zambia	-0.3284	-0.1566	Convergence
Non- Converging Group	Vietnam			

Table 6

*Central bank assets to GDP (%): Convergence Club Hypothesis*

Clubs	Countries	b-coefficient	t-statistics	Remarks
Club 1	Bolivia, Benin, Philippines, Nigeria, Kenya, Morocco, Mozambique, Algeria, Mali, Kyrgyz Republic, Tunisia	-.1910	-.9795	Convergence
	Burkina Faso, Zambia, El Salvador, India, Madagascar, Vietnam, Pakistan, Côte d'Ivoire, Indonesia, Lesotho,			Convergence
Club 2	Egypt, Niger, Ghana, Cambodia, Cabo Verde, Honduras, Mongolia, Guinea, Bangladesh, Nepal, Ukraine, Uganda, Angola, Cameroon, Senegal, Mauritania, Zimbabwe, Rwanda	-.0581	-.1626	

Table 6 reports the results for variable central bank assets to GDP. From the analysis, the formation of two main clubs, with 11 countries (Algeria, Benin, Bolivia, Kenya, Kyrgyz Republic, Mali, Morocco, Mozambique, Nigeria, Philippines, Tunisia ) in club one and 28 countries (Burkina Faso, Zambia, El Salvador, India, Madagascar, Vietnam, Pakistan, Côte d'Ivoire, Indonesia, Lesotho, Egypt, Niger, Ghana, Cambodia, Cabo Verde, Honduras, Mongolia, Guinea, Bangladesh, Nepal, Ukraine, Uganda, Angola, Cameroon, Senegal, Mauritania, Zimbabwe, and Rwanda) converging in club two. Central bank asset to GDP convergence varies per country. A country's economic and monetary policy dynamics can be understood by comparing GDP and central bank assets. Financial crises and global economic changes like international trade affect central bank holdings. Countries may converge as they adapt to global practices for global convergence.

Table 7

*Liquid liabilities to GDP (%): Convergence Club Hypothesis*

Clubs	Countries	b-coefficient	t-statistics	Remarks
Club 1	Bolivia, Cabo Verde, Cambodia, Morocco, Nepal, Vietnam.	-.09	-0.12	Convergence
	Mali, Tunisia, Egypt, Algeria, Bangladesh, Mongolia, India, Philippines, Mozambique, Honduras,			Convergence
Club 2	Pakistan, Kyrgyz Republic, Côte d'Ivoire, Senegal, Burkina Faso and El Salvador	-.19	-1.02	Convergence
	Rwanda, Ghana, Mauritania, Indonesia, Angola, Zambia Nigeria, Ukraine, Benin, Lesotho, Madagascar, Kenya and Guinea			
Club 3	Cameroon, Niger, Uganda, Zimbabwe	0.8	0.53	Convergence

Table 7 reports the results for these liquid liabilities to GDP. The club convergence algorithm results indicate four convergent clubs with t-statistics equal to -0.12, -1.02, -0.18, and 0.53, respectively. Club one contains six countries (Bolivia, Cabo Verde, Cambodia, Morocco, Nepal, Vietnam), while club two includes sixteen countries (Mali, Tunisia, Egypt, Algeria, Bangladesh, Mongolia, India, Philippines, Mozambique, Honduras, Pakistan, Kyrgyz Republic, Côte d'Ivoire, Senegal, Burkina Faso, and El Salvador), club third including thirteen countries (Mali, Tunisia, Egypt, Algeria, Bangladesh, Mongolia, India, Philippines, Mozambique, Honduras, Pakistan, Kyrgyz Republic, Côte d'Ivoire, Senegal, Burkina Faso, and El Salvador) and fourth club including four countries (Cameroon, Niger, Uganda and Zimbabwe) are converging. Liquid liabilities converging with GDP signifies the dynamic changes within a nation's financial and economic framework. As nations undergo the process of development and modernization, there is a tendency for their financial systems

to experience deepening, resulting in an increase in the proportion of liquid assets to GDP. The ratio has the potential to offer valuable insights into a nation's financial stability, the level of accessibility of its financial services, as well as its advancements in the realm of economic development. It is essential to note, however, that not all nations will experience the same convergence rate, as various policies and factors can influence the speed and direction of this trend.

## **5. Conclusion and Policy Implications**

This study concludes there is absence of financial inclusion convergence for all countries while these countries converge towards stable economic growth. However, convergence exists in cluster clubs of financial inclusion, economic growth, financial availability, and financial development. Convergence in countries can be possible through credit intermediation, a channel in which borrowers can get loans from creditors and ensure prudential regulations in which creditors are repaid timely. Banking regulations are mandatory for the efficient provision of credit intermediation. The degree of public trust in banks and nonbank credit intermediaries impacts banking stability. Innovations like BOP products are concerned with providing digital financial services and prudential regulatory measures. The credit, proceeds through digital transaction platforms, have limited access to formal financial intuitions. BOP service providers act as financial channels for the provision of financial inclusion. These services include bank deposits, microcredit organizations, microfinance, and savings. The digital payment channel can be successful through short-term financing. It is beneficial to enhance the duration of short-term financing of bank credit portfolios and micro-credit refinancing.

Future research studies will work on global financial inclusion policy, which supports policy convergence applicable for all countries and solutions plan for the risk associated with financial inclusion. Some countries are progressing towards preparing the National Financial Inclusion Strategy framework. Those countries still need to prepare the NFIS following the objectives of other countries. Therefore, inclusion convergence is possible if countries prepare a strategic framework to promote financial inclusion. Financial intermediaries also support the growth convergence for LI and LMI countries.

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# Omore – Reshaping the Brand Universe

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## Abstract

*This case discusses key insights about the ice-cream industry in Pakistan and it focuses on the brand, Omore ice-cream, its demand and supply, consumers' preferences and behavior, competition and war among the major rivals including local and global brands. It faced fierce competition from the market leader, Walls, owned by Unilever Pakistan. Omore is owned by Engro Foods company which later partnered and merged with Friesland Campina Netherlands and was renamed as Friesland Campina Engro Pakistan Limited (FCEPL). The major issue was declining brand performance, causing a dip in market share, especially in non-metropolitan areas, declining net profits or loss of PKR (955) million in 2019, and declining earnings per share for stockholders with a slight recovery in 2020. The data was garnered from primary and secondary sources. Nine interviews were taken, three each from industry experts, dealers, and consumers respectively. The data was analyzed and interpreted for a better understanding of the market dynamics and the core issue.*

**Keywords:** Brand performance; consumer behavior; marketing strategy; Omore ice-cream.

**JEL Classification:**M31

## 1. Introduction

In November 2020, Ali Bilawal Khan joined Friesland Campina Engro Pakistan Limited (FCEPL) as a Head of Shopper Marketing and Operations. While taking over from his predecessor, he analyzed some of the reports of the company along with the Brand Manager Omore, Sidra Azam and Assistant Manager, Maha Shariq. He was shocked to see the brand performance and market share, especially in non-metropolitan areas, declining net

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profits or loss of PKR (955) million in 2019 and declining earnings per share for stockholders with a slight recovery in 2020. Friesland Campina Engro was one of the leading dairy companies. Ali said, *“I have seen the sales figures. Although, our sales could not meet our targets over time, the marketing department has not supported the brand since share of spend (SOS) also declined, which is an alarming situation. Why did the brand, Omore not obtain support during its crucial time? Why did it switch to the digital media so late?”*

Sidra explained:

*“We are spending a lot on marketing like running ads on TV, radio channels, billboards, banners, and on every other OOH (Out-of-Home) visibility type. Friesland have high-end media but we are unable to sell as much as we are investing in advertisement.”*

Maha added:

*“Surely, Omore has a high expenditure on marketing but the ratio of return to marketing expenses is not satisfactory. We are unable to capture potential large customers.”*

After deep thinking, Ali compared their marketing approach with that of competitors and he found out that their marketing strategy needed to be redesigned.

Ali contemplated:

*“Omore is using a traditional marketing technique called above-the-line-marketing (ATL), which is not letting us focus on our target audience. TV and OOH are mass media strategies, which help capture large portions of the population, but do not let us focus on our targeted people. Our aim is not to appeal to the whole market, instead we only have to capture specific audiences that are middle and lower classes (i.e., socio-economic class [SEC] B and C). Since we are short of funds, we need to use our limited sources through-the-line-marketing to target our exact customers in our relatively weak territories including Hyderabad, Sukkur, Gujranwala, Faisalabad, Multan, and Sahiwal using digital and social marketing. We can also do effective marketing through digital marketing.”*

### **Omores-Friesl and Campina Engro Pakistan Limited**

Friesland Campina Engro Pakistan Limited was one of Pakistan’s leading dairy companies. Its parent company is a Dutch-based multinational corporate firm, Royal Friesland

Campina. In 2005, Engro Foods was launched in Sukkur, Pakistan. When entered into the market, Engro introduced its first three brands. Starting with the ultra-high temperature (UHT) milk brand, Olpers. Next was in the category of tea whitening., i.e., Tarang, introduced in 2007. Subsequently, in 2009, Omore was launched into the ice-cream market as a brand.

Friesland Campina Engro made a strategic partnership in 2016 with Friesland Campina of the Netherlands. This partnership ascended further benefits which helped them in gaining 150 years of dairy expertise, technology, and research and development (R&D) capabilities. Friesland Campina Engro was also experiencing sustainable growth. The company aimed to make sure that its processes remain natural and hygienic. It launched a Dairy Development Program. Knowledge, skills, and standardized practices were shared with dairy farmers to enhance farming productivity.

Training sessions about animals' health and behavior were provided including knowledge about feed and water, milk hygiene, calf nurture, farm economies, and designing a dairy farm. Farmers were also facilitated by providing small loans, so that their production did not get disturbed because of poverty reasons. This program was specially developed for growth and profitability of the dairy farmers. Ali thought, "Our agricultural sector is our main sector of the economy, but due to absence of modern technologies of production, supply chain, and sustainable growth strategies, we are unable to advance in the field."

Friesland Campina Engro believed that entrepreneurs are the real change makers, with an entrepreneurial mindset anything can be achieved. This is why the staff considered their company like their own, and the company also empowered each individual to transform the business with their productive ideas. Most of the new business segments that the company operated were just ideas that were pitched by the employees. The leadership conducted "new venture competition" every year amongst employees, which was called "The Panther's Pitch", where each team either proposed a new and efficient way for conducting existing business or innovated a completely new business segment (Friesland Campina Engro Pakistan Limited, 2023).

All the employees of Friesland Campina Engro had entrepreneurial instinct. They recognized that each individual was different and unique in his/her own way, therefore, every person in the company contributed uniquely towards its success. Diversity and equality were two of the most fundamental values of the company by which every employee lived by. Employees themselves took several initiatives to cascade this journey of diversity and inclusion. "Lean in circles" concept was introduced where small groups of women in the company were brought together on a platform to share their feelings and issues, support each other and acquire new skills. The human resources department embedded diversity as one of the key objectives during the recruitment process. Culture in the company promoted young talent, hence, the company was filled with young leaders. Even the general manager

ice-cream was the youngest PLT (Pakistan Leadership Team) member that Friesland Campina Engro ever had. The Young Leader's Program was launched in 2019, where every year, young and bright-minded individuals from diverse backgrounds were hired.

### ***Launching Omore***

Engro Foods decided to launch an ice-cream brand named as "Omored" (see Exhibit 1) with a tagline "Khushi ki Bite", which meant happiness in every bite. Introduction of Omored started from Lahore, Punjab. It seemed quite difficult to launch it from Karachi, Sindh at the outset, because Walls and Igloo already had a huge share in the ice-cream market and it seemed impossible for a new brand to compete with such big brands. After presenting Omored ice-cream in Lahore's market, the demand scale boosted around 40%-60% for different products within a year. But through Lahore only the whole Punjab region could not be covered, therefore, they started their sales and distribution network in Islamabad, Rawalpindi, and other cities. Gradually, they covered the entire country.

When Omored was successfully spread in the province/ region of Punjab, they launched it in the Karachi region that covered the entire Sindh province. It was their weakest region because Karachi was the strongest region of Walls, as it catered to the whole Sindh region. Before launching their brands, Engro Foods spent a huge sum on marketing in Karachi with their advertising campaigns comprising jingles. But they could not capture a significant market share and in 2016, Omored was operated and controlled by FrieslandCampina. Friesland Campina Engro started flourishing in terms of sales, market share, and profit but unfortunately, the growth of Omored remained unsatisfactory. In 2019, Engro's earnings per share stood negative (Standard Capital, 2022), (see Exhibit 2).

### ***Dare to Lead***

The ice-cream team comprised of the marketing team, sales team, and cold-chain team that reported directly to the General Manager Ice-cream division. The marketing team was led by Sidra Azam, as the brand manager of Omored, who looked after the core marketing strategies, which included both communicating the brand proposition to the customers via various marketing media, and developing new and exciting innovations (new products) based on customer preference and buying behavior.

Next came the sales team, led by Ali Bilawal Khan and four Regional Sales Managers who along with their Areas Sales Managers and Territory Sales Managers deployed freezers in the market and ensured timely supplies to make the product available for the consumers. Ali Bilawal Khan also served as a Head of Shopper Marketing and Operations. The cold chain team was playing the most crucial role in ice-cream's internal environment. An ice-cream that is not frozen is no ice-cream at all. The cold chain team was responsible for

ensuring temperature maintenance throughout the supply chain. From the ice-cream plant to the distribution, and from the distribution to the market, the cold chain team made sure that a certain temperature was maintained, so that ice-cream could reach the consumers in the best quality. Maintenance of temperature controlled primary and secondary vehicles (big vans to supply ice-cream to the distributors and dealers and small vehicles to supply ice cream to consumers in streets) along with the timely maintenance of freezers in the market was the core responsibility of the cold chain team (**see Exhibit 3**). To ensure quality and hygiene, Omore also received ISO 14001 certifications for its plant in Sahiwal and dairy farms in Nara.

### ***Khushi Ki Bites (Happiness in Bites)***

Omore fell under the frozen dessert category which had 69 stock keeping units (SKUs) in total of different forms. The forms included sticks, cones, cups, tubs, bricks, and bulk packs. Each form had its own specific packaging as per the product's use and temperature requirement (**see Exhibit 4**). When Omore was launched back in 2009, the market was highly monopolized by the market leader, Walls. They had built a sturdy brand name with their marketing and business strategies. Hence, to enter the market, Omore used the penetration pricing strategy to take a slice of the market share.

Once Omore made a strong retail footprint nationally, they started using a competitive pricing strategy where prices of all SKUs exactly matched with that of the competitors. Most of the time, Omore followed the price movements of the market leader. Every freezer in the market had a price card pasted on the top that also played the role of communicating product range to the customer. No one knew what was inside a freezer until they opened it, hence, the price card was a very significant tool that helped generate impulse demand for the product. Huge sums were spent every year to provide retailers with updated price cards every time a price increase or decrease took place. Omore was promoted through two major streams, advertisements and trade marketing. Advertising led by the brands' team was usually done via Television, billboards, and Out-of-home (OOH) visibility tools, which were considered as the most effective advertising media for the ice-cream category. Trade marketing led by the sales team involved targeting the shoppers at point-of-sale using POSMs (point-of-sale materials), such as buntings, danglers, product cutouts, posters, stickers, standees, banners, etc. These tools generated impulse demand for the category of ice-cream. As per the latest research of the company, 25% of shoppers changed their brand preferences based on in-store stimuli, which clearly showed the importance of POSMs in the ice-cream category (**see Exhibit 5**).

The supply chain journey of ice-cream started from the Sahiwal ice-cream factory from where temperature-controlled primary vehicles delivered the stock to distribution points. The sales distribution network was spread across four regions which included Karachi, Lahore, Faisalabad, and Islamabad with a total of twelve distributions nationally.

Each distribution setup covered a major city and adjoining towns and villages or peripheries. When the stock reached at the distributors, it was stored in cold stores which were available in every distribution. From there, secondary vehicles delivered the stock to individual retailers in the market, where Omore freezers were already deployed by the sales team at various selected locations. Small vehicles of Omore supplied ice creams to individual consumers while moving around every street and road of the cities and towns. The trend was to attract kids and target consumers by playing jingles and music of Omore.

### ***Stability of Business in Pakistan***

Friesland Campina Engro aspired that reasonable nutrition was available for everyone. Where they were concerned about the production and distribution of the food products, finances also played a major role in the stability of the company i.e., having stable operations. Comparing the financial position of different years in 2019, the revenue of the company stood at PKR 38.9 billion (equivalent to US\$ 237,542,745.48 as US\$ 1 was equivalent to PKR 163.76 in 2019). The revenue of 2019 showed that 90% of the income was generated by dairy, beverages, and other food products. Whereas, almost 10% of the revenue was generated by the ice-cream category including frozen desserts, which made PKR 3.9 billions' revenue (US\$ 23,754,274.54) only (Engro Corporation Limited, 2019), (see **Exhibit 6**). However, Wall Street Journal (2023) provides slightly different figures (see **Exhibit 8.1**).

The revenue figures of 2020 showed that Friesland Campina had boosted up its income from last year. In 2020, they generated a revenue of PKR 44.2 billion (equivalent to US\$ 265,944,645 as US\$ 1 was equivalent to PKR 164.60 in 2020) i.e., an increase of PKR 5.3 billion (equivalent to US\$ 32,199,270.95) from 2019. It increased its revenue by 11.9%, which was a good sign for its long-run growth and stability (Engro Corporation Limited, 2020). Almost 92% of the gross profit was generated by dairy, beverages, and other products that made PKR 40.5 billion (equivalent to US\$ 24,605,103.28). And only 8% revenue was generated by ice-cream and frozen desserts, which was PKR 3.7 billion (equivalent to US\$ 18,651,275.82). The sales revenue of the ice-cream category did not grow and even slightly declined from last year. The company's percentage of sales had increased, but its major reason was growth in dairy and beverages sales, but not for the ice-cream and frozen desserts that incurred some loss in 2018, which increased in 2019, but gained some profit in 2020 (Engro Corporation Limited, 2020), (see **Exhibits 7 and 8**).

### ***The Consumers and Macro Environment***

Majority of the consumer base for Omore ice-cream included kids, teenagers, and youth. Most of them could not buy ice-cream products for themselves, so they relied on the breadwinners of their families, which in fact were the customers who bought the products, but may or may not consume it. Pakistan has very hot weather in most of its regions and



almost all the year except winters. Ice-cream is a tasty food that is eaten and loved by children, youth, adults, and entire families. Quality and variety matter especially, for quality-conscious and affluent consumers. Ice-cream had no direct substitute except a local food called kulfa or kulfi, but it was itself an ice-cream. Usually, ice-cream was made of rich milk, cream, sugar, and other ingredients, but with the intention to cut cost per unit and please the price-conscious consumers, companies started making ice-cream from non-milk ingredients such as vegetable oil sources. People consumed it during different time intervals of the day and it was also served as a dessert taken after lunch or dinner. Children would consume it in schools and neighborhoods. Thus, the demand for ice-cream was ever-growing.

As most of the people in Pakistan fell in the bottom of the pyramid (BoP) segment of the society with limited budgets to think of spending beyond staple foods, most of the consumers did not consider eating ice-cream with milk, cream, and pure ingredients or green and organic ingredients. According to one study, people in Pakistan spent about 40+% of their monthly income on food (Qureshi et al., 2016). However, people in the BoP market also had desires to buy non-essential products such as ice-creams for inner satisfaction and social identity (Raza et al., 2021). Ice-cream and frozen desserts category comprised non-essential products, and hence, were mostly purchased and consumed by the upper class and middle class households. Since Omore was the second most important player in the market after Walls, and did not develop premium brands, it targeted the upper-middle, middle, and lower-class households from socioeconomic classes (*SEC A, B, and C*). *These consumers mostly had clerical, junior-managerial or professional staff to intermediate-level managerial positions. As Ali stated, "Omore targeted people (SEC A-C and in the age bracket of 12-45 years), who wanted a little buzz or excitement in everyday moments but end up living life in the same predictable way."*

Every SKU of Omore targeted a certain consumer. Omore brands came in six forms/formats. The sticks and cups portfolio is often referred to as the kid's portfolio, since it came in exciting shapes and flavors, specifically targeted for kids such as Cool Emoji, Vroom, Orange Pop, and so on. The cones were mostly targeted towards the youth and were categorized as the youth portfolio. It comprised flavors such as chocolate, caramel, and strawberry, which were usually preferred by young individuals. Lastly, the bricks and tubs format were referred to as the family/adults' portfolio, also known as in-home SKUs, which were usually consumed at home with family (see **Exhibit 9**).

The government was always supporting the dairy industry including, ice-cream sector, and encouraged the entrepreneurs in the sector to modernize and upscale their operations with state-of-the-art technology. However, due to legal-political instability in the country, inflation, taxes, and price hikes in utility bills, the cost of doing business seemed to be always rising. There were economic periods of prosperity to slumps. The pandemic, COVID-19 further affected the ice-cream sector, because of frequent lock-downs. Ice-cream

was supplied to children and adults in streets by special vehicles of the big ice-cream companies, but due to lockdowns, their supplies were affected.

### ***Omore and the Competition***

In Pakistan, the competition between the ice-cream and frozen desserts markets was gradually intensifying. There was a huge demand coming from all the socio-economic classes (SEC, A-C). The upper-upper class contained very rich people who usually preferred imported or special-quality ice-cream and frozen desserts. To cater to the demand, the classification of target audience was done in three different segments: kids, youth, and adults. Omore also targeted these three segments. Its positioning was a high-quality brand with a huge variety. According to a national-level study, the market share of Walls was 60% and Engro Foods had 16%. Walls entered the country in 1995, tried to acquire Polka, the biggest player at that time, which later merged with Walls. Walls had a controlling stake in Polka (Arifeen, 2012). The recent figures indicated that market share of Walls was 68% and Friesland Campina Engro Pakistan Limited had 19% (Friesland Campina Engro Pakistan Limited, 2022).

One of the most important reasons for intense competition was that there were a large number of suppliers in the market. Every one of them was trying their best to provide a product, which matched customers' needs and wants at affordable prices for the sake of having satisfied and loyal customers. To cater to this rising demand, there were numerous suppliers, such as Walls by Unilever, Omore, Igloo, Hico, Yummy, and other small local players having various brands with different market shares (see **Exhibit 10**).

### ***National and Global Players***

The global market of ice-cream contained major premium brands such as, Baskin-Robbins, Ben & Jerry's, Breyers, Cold Stone, DelFrio, Haagen-Daz, Movenpick, Swensens, and many others that sell ice-cream through their outlets. Their products were also expensive as compared to ice-cream producers selling products in packaged form and not in their own retail outlets, such as Walls, Igloo, Omore, Hico, and Yummy. The price per pack of ice-cream and per liter ice-cream box of the global brands having their own outlets globally were approximately three to five times higher than those available in Pakistan by national or global brands without their own outlets. However, the brand-conscious consumers believed that they paid a high-price because of high-quality, purity of ingredients including organic ingredients in individual brands and offerings, a wide variety, the ambiance of the outlet with music played, availability of the brands globally, services, enjoying the treat with similar consumers, and the brand image and identity.

The market leader, Walls competed with the global brands (having their outlets) through its premium brands like Vanilla Hazelnut and Magnum as well as rolled ice-cream.



They all were suppliers of the frozen desserts and ice-creams, making the competition tougher and complex in the market. The retail sales of ice-cream and frozen desserts were the highest in Asia, while the region was called Asia Pacific region. The sales in Asia in 2020 stood US\$ 21,812 million. In Pakistan, Walls was the market leader followed by Friesland Campina Engro and others (Friesland Campina Engro Pakistan Limited, 2022), (see **Exhibit 11 and 12**). The global sales of ice-cream and frozen desserts is estimated to grow till 2025 (see **Exhibit 13**).

Omoro suppliers had twelve main distributors in twelve different cities including Karachi, Sukkur, Lahore, Gujranwala, Rawalpindi, Faisalabad, Multan, Sahiwal, Sargodha, Peshawar, Quetta, and Islamabad. These distributors supplied products to the sub-distributors and dealers in nearby cities and towns, which let Omoro expand its supplying network. But Omoro was facing severe challenges in demand and supply, because its economies of scale were declining. The consumers in the non-urban areas included the people who were not brand-conscious. Compared to other regions like Sindh and Punjab, it was weak in getting sales revenues in Balochistan and Khyber Pakhtoon Khawah (KPK) regions. However, the market leader, Walls, had a competitive advantage of the widest coverage of the national market.

### ***The Game Plan***

Omoro's had traditional marketing approaches. Its objective was to drive its 'rich' and 'creamy' ice-cream brands with one communication for all audiences. They heavily advertised on leading TV channels by partnering with multiple media channels. Their target audience comprised the masses or population of all the regions in the country. They captured peak air times, worked with celebrities, and made them their brand ambassadors. Omoro also spent heavily on out-of-home (OOH) visibility such as billboards and banners, but it was yet not able to capture the desired market share. These media were above-the-line (ATL) tools, which covered mass audiences (see **Exhibit 14**).

Before communicating its value proposition to the core target market, Omoro redesigned its tagline from "Kushi ki Bite (happiness in bite)" to "WOW Bhara Bite (Vow, what a bite!)" with a redesigned logo. It was an effort to rebrand it with a superior position in consumers' minds. Ali and his team realized that it was the time to focus on below-the-line (BTL) and through-the-line (TTL) as well, because these strategies will enable it to target specific groups of consumers all over the country. Moreover, most of the young people in the country spend several hours a day on the internet and particularly, social media. According to a study, out of the population of 223 million people in Pakistan in 2021, 61+ million had internet connections, and 46 million were active on social media (Shahid & Qureshi, 2022). Omoro became active on social media posts on its Facebook page, YouTube, and Instagram. These posts were geographically targeted along with other filters like targeting certain age

groups to reach the core target market (see **Exhibit 15 and 16**). A redirection link (shop now button) was also attached in these posts for people who wanted to order ice-cream via e-commerce channels like Panda Mart, Airlift, Cheetay, etc. Omore became very active in digital marketing, which included short teaser advertisements, Facebook videos, Instagram stories, stuff on Snapchat, etc.

Omore's digital marketing analytics team analyzed the results of digital marketing campaigns and identified characteristics of people who were responding to such posts. These people were highly active on Tiktok. Omore team partnered with leading Tiktok influencers on starting a trend on Tiktok with #Wow Bhara Bite (Vow, what a bite!), and it became viral with millions of posts. Some of the consumers even had a chance to win the latest iPhone. This was a breakthrough and Omore was all over Tiktok and sales on e-commerce platforms provided it an upward spike (see **Exhibit 17**). Along with this trade, marketing team heavily spent on improving the in-store visibility of the brand to support advertisements that were running on digital media, TV, radio, and print media through flyers, etc. Thematic-based merchandizing tool were deployed in stores nationally with special focus on areas where these digital marketing ads were airing.

### ***Winning the Battle***

During the past five years, Friesland Campina Engro initiated major projects and strategies to retain the market share of Omore in the ice-cream industry. **Exhibit 2** shows the declining stage of Friesland Campina. Its earning per share (EPS) rate dropped from 4.13 in 2015 to subsequent years and eventually fell down to -1.25 in 2019, due to traditional marketing problems faced by the company. The competitors of Omore, especially Walls, were gaining great market share during these years except in 2019, which affected every major player due to frequent lockdowns amid the pandemic, COVID-19.

Ali Bilawal Khan, the Head of Shopper Marketing and Operations was highly worried about the demand, sales revenue and financial downfall, because they were continually investing in the company and Omore brand, but the returns were not the desired ones. Ali thought, *“We started Omore (Khushi ki bites / happiness in bites) with a mass marketing approach and unfortunately, we were unable to target our audience so, now we start the usage of digital marketing campaigns with a new tagline ‘Wow bhara bite (Vow, what a bite!)’” to achieve our goals with rebranding moves and digital marketing campaigns.*”

Ali questioned himself:

*“How can we improve our brand performance for more market share especially in semi-urban and rural markets, accomplish sales and profit targets of Omore, and decent earnings for stockholders? How can we take*

*the best results from our digital marketing campaigns? Which other customer segments should we focus on? What techniques could create differentiation from that of the competitors' brands? Which new brands can be created for niche markets? How can we ensure future growth of the company with a sustainable competitive advantage?"*

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## Annexes

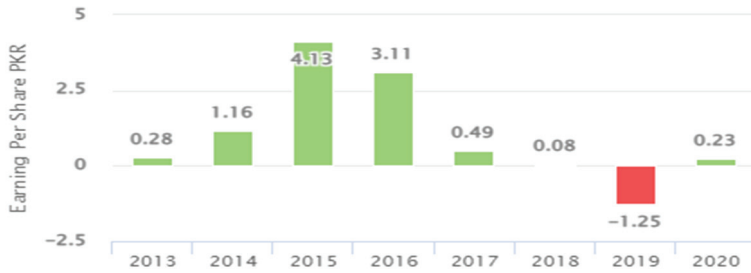
### Exhibit 1: Launching Omore as a First Engro Ice-cream Brand



Engro Foods - Omore Signature | Launch TVC

Source: Friesland Campina Engro Pakistan Limited (2022)

### Exhibit 2: Declining Stage of Engro



Source: Standard Capital (2022)

### Exhibit 3: Hierarchy of Sales Team

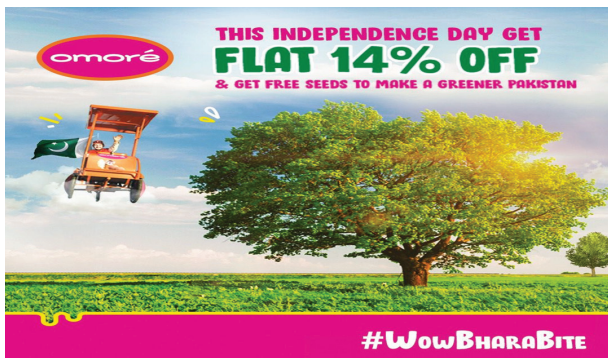


Source: Friesland Campina Engro Pakistan Limited (2022)

### Exhibit 4: Frozen Desserts Formats

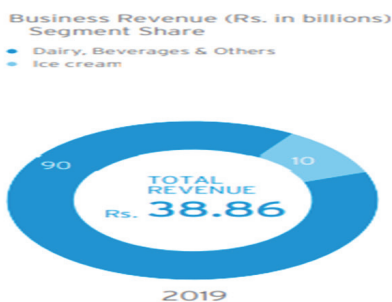


### Exhibit 5: Promotional Deals of Omore



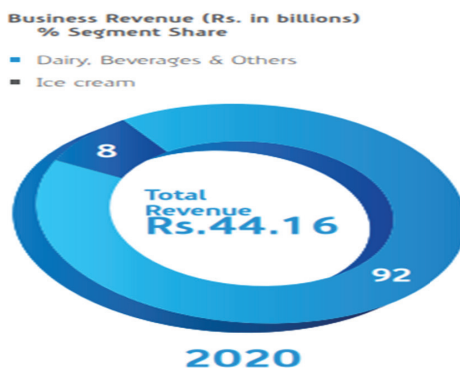
Source: Friesland Campina Engro Pakistan Limited (2022)

### Exhibit 6: Business Revenue in 2019



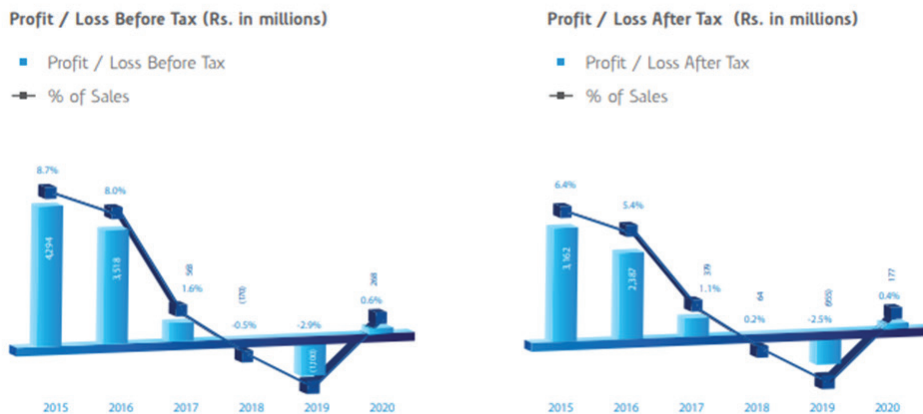
Source: Engro Corporation Limited (2019)

### Exhibit 7: Business Revenue in 2020



Source: Engro Corporation Limited (2020)

## Exhibit 8: Profit / Loss Before Tax



Source: Engro Corporation Limited (2020)

Exhibit 8.1: 5 Years' Comparative Financial Highlights					
Fiscal year in January - December (All Values in PKR Million)	2022	2021	2020	2019	2018
Sales Revenue	73,474	52,094	44,155	38,567	32,439
Sales Growth	41.04%	17.98%	14.49%	18.89%	
COGS Inc. D&A	62,135	43,916	38,611	34,071	27,424
COGS Excluding D&A	60,391	41,621	36,349	31,800	25,536
Depreciation & Amortization Expense	1,744	2,295	2,262	2,271	1,888
Depreciation	1,717	2,265	2,233	2,242	1,919
Amortization of Intangible	27	29	28	29	27
Amortization of deferred charges					-57
COGS Growth	41.49%	13.74%	13.33%	24.24%	
Gross Income	11,339	8,178	5,544	4,496	5,015
Gross Income Growth	38.65%	47.51%	23.31%	-10.35%	
Gross Profit Margin	15.43%				
SG&A Expense	7080	5357	4403	4518	4914
Research & Development	36	24	80	33	6
Other SG&A	7044	5333	4323	4485	4908
SG&A Growth	32.16%	21.67%	-2.55%	-8.06%	
Other Operating Expense	110	80	78	107	-21

Table to be Continued

EBIT	4,149	2,741	1,063		122
Unusual Expense	-925	-473	-284	-291	-365
Non-operating Income/Expense	35	106	123	-49	16
Non-operating Interest income	206	82	15	9	2
Interest Expense	1,380	861	1,239	1,222	675
Interest Expense Growth	60.28 %	- 30.51 %	1.39%	81.04%	
Gross Interest Expense	1,380	861	1,239	1,222	675
Pretax Income	3951	2580	268	-1,100	-170
Pretax Income Growth	53.14 %	862.6 9%	- 124.36 %	547.06 %	
Pretax Margin	5.38%				
Income Tax	1,485. 00	776	91	-145	-234
Income Tax - Current Domestic	1259	155	723	645	437
Income Tax - Deferred Domestic	227	621	-632	-791	-671
Consolidated Net Income	2466	1804	177	-955	64
Net Income	2466	1804	177	-955	64
Net Income Growth	37%	919%	-119%	-1592 %	
Net Margin	3.36%				
Net Income After Extraordinaries	2466	1804	177	-955	64
Net Income Available to common	2466	1804	177	-955	64
EPS (Basic)	3.22	2.35	0.23	-1.25	0.08
EPS (Basic) Growth	37.02 %	921.7 4%	- 118.40 %	1662.5 %	
Basic Share Outstanding	767	767	767	767	767
EPS (Diluted)	3.22	2.35	0.23	-1.25	0.08
EPS (Diluted) Growth	37.02 %	921.7 4%	- 118.40 %	1662.5 %	
Diluted Share Outstanding	767	767	767	767	767
EBITDA	5892	5037	3325	2141	2011
EBITDA Growth	16.97 %	51.49 %	55.30%	6.46%	
EBITDA Margin	8.02%				
EBIT	4,148. 00	2742	1063		122

Source: Wall Street Journal (2023)

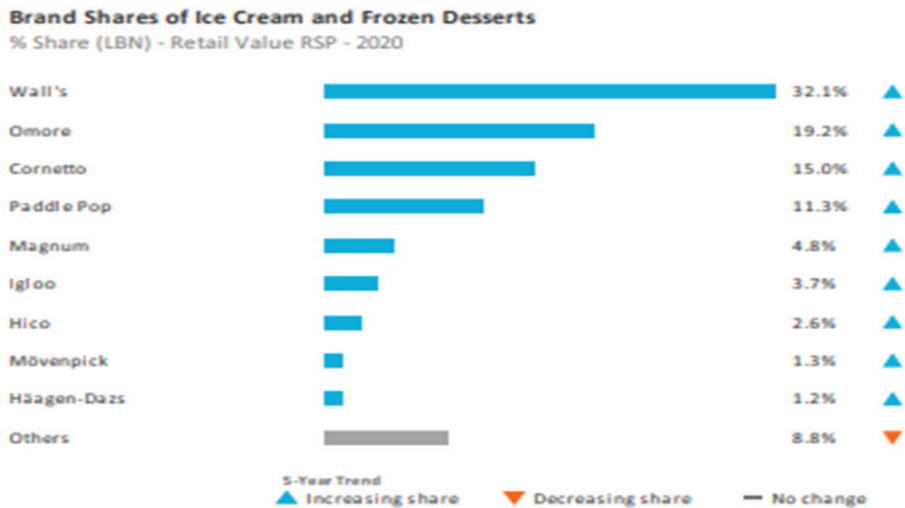


**Exhibit 9: In-Home SKUs**

Class	Social Status	Position of Head of the Household
A	Upper Middle	Higher Managerial, Administrative or Professional
B	Middle	Intermediate Managerial, Administrative or Professional
C1	Lower Middle	Superiors or Clerical or Junior Managerial, Administrative or Professional
C2	Skilled Workers	Skilled Manual Workers
D	Working Class	Semi-skilled or Unskilled Manual Workers
E	Persons at the Lowest Level of Subsistence	State Prisoners or Widows Casual or Lower Grade Workers

Source: Friesland Campina Engro Pakistan Limited (2022)

**Exhibit 10: Brand Shares of Ice Cream and Frozen Desserts**



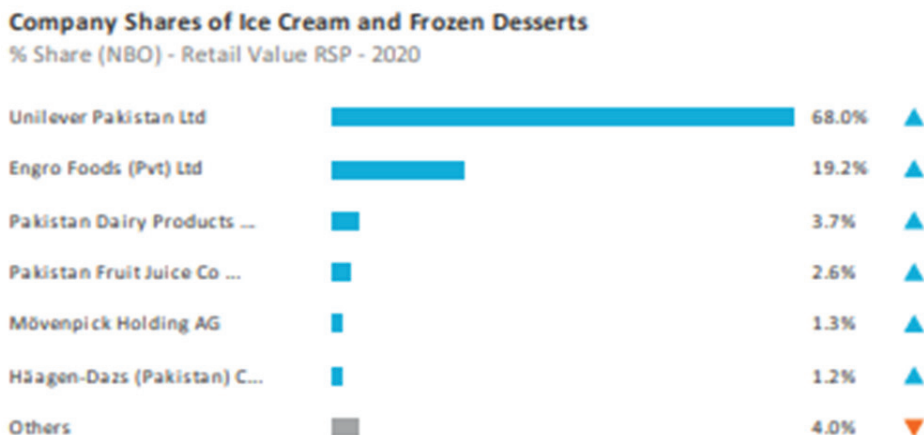
Source: Friesland Campina Engro Pakistan Limited (2022)

### Exhibit 11: Ice Cream and Frozen Desserts Retail Sales by Region



Source: Friesland Campina Engro Pakistan Limited (2022)

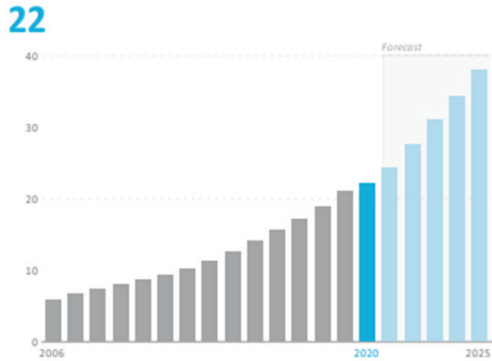
### Exhibit 12: Company Shares of Ice Cream and Frozen Desserts



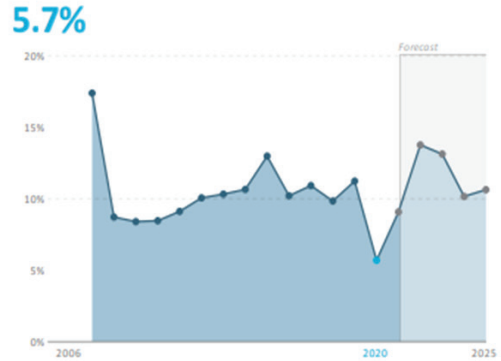
Source: Friesland Campina Engro Pakistan Limited (2022)

### Exhibit 13: Sales of Ice Cream and Frozen Desserts (2006-2025 Estimates)

**Sales of Ice Cream and Frozen Desserts**  
Retail Value RSP - PKR billion - Current - 2006-2025



**Sales Performance of Ice Cream and Frozen Desserts**  
% Y-O-Y Retail Value RSP Growth 2006-2025



Source: Friesland Campina Engro Pakistan Limited (2022)

### Exhibit 14: Traditional Marketing of Ice Creams



Source: Friesland Campina Engro Pakistan Limited (2022)

### Exhibit 15: Redesigning Logo



Source: Friesland Campina Engro Pakistan Limited (2022)

**Exhibit 16: Social Media Platforms**

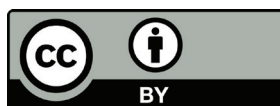


Source: Friesland Campina Engro Pakistan Limited (2022)

**Exhibit 17: Tik-Tok Platform**



Source: Friesland Campina Engro Pakistan Limited (2022)



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# Understanding the Barriers and Challenges Faced by The Women-preneurs of Karachi, Pakistan

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Bazla Mukhtar\*\*\*\*\*

## Abstract

*In developing countries, like Pakistan, entrepreneurship has the potential to be a driving force for economic development, job creation, and societal transformation. Entrepreneurship education prepares people to see life's possibilities, produce creative ideas, and manage critical resources. Moreover, it provides people with the knowledge to launch and sustain new businesses with innovation. Women's empowerment via business may have a substantial influence on gender equality while also contributing to Pakistan's overall economic success. This research shed light on the key motives and challenges that women entrepreneurs face while starting and running enterprises in Pakistan. This research incorporates qualitative technique and semi-structured interviews that allows women entrepreneurs to honestly express their unique experiences. The study's findings center on familial support and personal freedom, with the latter appearing as the most prominent and major motivating force. Cultural limitations are a common and significant hurdle, with respondents indicating a desire to transcend society conventions that frequently impede their aspirations, making it difficult to balance their responsibilities in life. While these ladies are pleased with their accomplishments, they are dissatisfied with the lack of support. This study recognizes a few drawbacks such as its concentration on a specific geographical location (Karachi) and a specific population (young women entrepreneurs). These limitations necessitate care when extrapolating the societal findings in an extensive setting. Future study might broaden the scope to include a more varied population and investigate geographical variances. There are two outcomes for this research. It emphasizes the necessity of specialized support systems and programs meant to deal with the particular difficulties experienced by Pakistani women business owners. It also emphasizes how critical it is to advance cultural sensitivity and entrepreneurship education in order to create an atmosphere that is inspiring for prospective women business owners. The importance of this study is in its original approach to comprehending the driving forces and obstacles faced by Pakistani young women entrepreneurs. Also, it contributes to the expanding corpus of information on entrepreneurship in developing nations b by uncovering their distinct problems and goals. It provides useful information to organizations, legislators, and educators that are proponent of women empowerment and encourage them to pursue entrepreneurship, which will eventually promote gender equality and economic progress.*

**Keywords:** Women entrepreneurship; motivations; challenges; women empowerment.

**JEL Classification:** L26

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## 1. Introduction

The importance of women entrepreneurs in fostering economic development has been established for a considerable period. Around half of the global population consists of women. Therefore recognizing women's entrepreneurship, as an essential indicator of global growth, has become widespread, particularly considering the world's fastest-growing entrepreneurs (Aparicio et al., 2022). Women's empowerment in developing nations is a crucial element in the development process, as it contributes to the provision of renewed vitality, novel perspectives, adequate guidance, and valuable expertise to their families. As a result, it leads to an improvement in their overall standard of living (Byrne et al., 2019). The prevalence of women entrepreneurs in the business sector has increased in the twenty-first century due to the enhanced accessibility of advanced technologies (Ng et al., 2022). Nevertheless, the recognition of women entrepreneurs may be traced back to the early nineteenth century. The significance of women entrepreneurs is well acknowledged globally; nonetheless, their contributions are considerably limited in nations such as Pakistan.

Pakistan is also working to empower women. The critical hurdle to women's empowerment is women's economic dependence Navarro and Santoveña-Casal (2022). Pakistan is in the 164th position concerning women's labor force participation among 176 countries, with a contribution of 24.61% only (The World Bank, 2022). Within this value, women comprise 11% of the formal and 21% of the informal employment. In comparison, the total formal and informal employment percentage for males is 19% and 52.5%, respectively (Government of Pakistan, 2022). In a recent strategy report, the International Monetary Fund (IMF) said that an increase in the GDP can be achieved by decreasing the gender disparity gap in the labor force (IMF, 2022). According to Pakistan's population, the number of women entrepreneurs is significantly lower. Women's business success is impaired by a lack of resources, occupational prejudice, social expectations, and household obligations Saniuk et al. (2020). Women in Pakistan find it challenging to engage in such administrative activities.

Women financial independence is prohibited under existing social norms (Al-Kwafi et al., 2019). In many industries, women entrepreneurs' financial skills are undervalued, making it difficult to receive financial capital and organizational support. According to a research, financial institutions do not help women (Mahmood et al., 2014). Women in Pakistan are considered insignificant than men to start a company (Shakeel et al., 2020).

In Pakistan, the conventional gender hierarchy determines women's role at home, not at work, and men's role as breadwinners. Because of this, the number of women involved in social ventures is pointedly lower, and women spend much less in society. Pakistani women are impoverished for the rest of their lives (Hussain et al., 2019). Women entrepreneurs must balance job and family obligations while limiting access to information, markets, and capital. To meet the hurdles of entrepreneurship, women require familial and societal support. In addition, they need to learn innovative business techniques. However, regardless of the enterprise's nature, type, size, or scale, they received no government or institutional funding (Khan et al., 2020).

The need for adequate representation of women entrepreneurs in Pakistan is apparent despite acknowledging their capacity to drive economic development and bring about social transformation. However, in Pakistan, particularly in Karachi, women entrepreneurs encounter a complicated interplay of motives and impediments. Although, family support and the goal of personal freedom are important motivators, deeply rooted cultural restrictions create considerable challenges. These cultural conventions and gender stereotypes frequently stymie women's business goals, forcing them to walk a fine line between conventional responsibilities and entrepreneurial desires. The global recognition of the importance of women entrepreneurs is well-established, yet in the context of Pakistan, their contributions are significantly constrained. This study aims to investigate the main drivers and obstacles encountered by women entrepreneurs in Pakistan while initiating and managing new business ventures. Promoting women's entrepreneurial activities can significantly affect women's empowerment and improve Pakistan's overall economic situation. Improving women's economic status through entrepreneurship growth may improve Pakistani women's well-being. To ensure these entrepreneurial trainings are essential (Maqbool, 2021). Entrepreneurship can significantly impact monetary improvement, activity creation, and social exchange in growing countries like Pakistan. Entrepreneurship education offers statistics that aid in the ability to discover possibilities in a single's life. Also, the ability to explore those opportunities by developing new thoughts helps cope with essential resources and approach the task with unique perspective (Ratten & Usmanij, 2021).

Furthermore, the social predicaments proscribe their abilities and acumen to embark on their journey towards financial independence. The World Bank argues that Pakistan has used forty percent of its human resource capability, translating into unfortunate economic aspects. To reverse this case, Annette Dixon, the World Financial Institution's president,



clearly indicates Pakistan “to unlock women’s potential”). Women joining the sphere of entrepreneurship will spark societal change and catalyze the country’s economic growth and development. (Alam et al., 2021). Considering the growing significance of women entrepreneurs, research should look into the factors affecting this group’s decision to start a new business. The present research investigates the key motivations and barriers to creating a new business venture and running a new business venture among women entrepreneurs in Pakistan. The significance of women entrepreneurs in Pakistan cannot be undermined. They can boost economic growth, innovation, and social change, making them vital to Pakistan’s sustainable development. The institutional and socio-cultural barriers to their growth must be addressed immediately. Women entrepreneurs must be empowered in Pakistan to maximize their potential. Politicians, financial institutions, and society must be involved. By solving these issues and creating a positive environment, women would benefit, and Pakistan would become more inclusive and prosperous. Future studies in this area will shape national women’s entrepreneurship strategies.

## **2. Literature Review**

### **2.1 *Entrepreneurship***

This chapter reviews how women entrepreneurs in Karachi, start an enterprise, and the support they receive from their society. For many years, Karachi has served as a magnet for entrepreneurs from all over the area. It describes identity-based politics in depth and how it influences the power dynamics in the city. The chapter addresses a number of barriers and challenges that are proven to be potential threats to women entrepreneurship, include cultural barriers, familial barriers, misogyny, harassment, and lack of support in business education and training (Roomi et al., 2018).

Entrepreneurship is defined as the growth and establishment of new businesses while facing all of the risks associated with profit generating, and it should be free of gender biases. Individuals must go through a variety of activities in order to accept the chances that are accessible while keeping their principles (Azoulay et al., 2020). It has been argued that modern meanings of entrepreneurship have also encompassed innovation and disruption (Ahmad & Seymour, 2011). Entrepreneurship is defined from different perspectives. Sometimes entrepreneurship means what an entrepreneur does (Banu, 2021). Entrepreneur’s context acts as an “asset” by providing the opportunities to entrepreneurs and also liability by setting actions under boundaries.

### **2.2 *Global Trends in Women Entrepreneurship***

According to Global Entrepreneurship Monitor there are 187 Million women entrepreneurs around the globe. Considering world’s fastest-growing entrepreneurs, women’s



entrepreneurship is now widely recognized as a significant predictor of global growth (Brush & Cooper, 2012). Taking USA women entrepreneurs into consideration, contribute about 50% in GDP and 54.1% increase in job opportunities for women. Similarly, Indonesia contribute about 55% in GDP and 74 % increase in job opportunities for women. Also, Malaysian women entrepreneurs contribute about 44% in GDP and 56 % increase in job opportunities for women (Ul-Hameed et al., 2018).

A study used data from seventy-seven countries from the Global Entrepreneurship and Growth Institute's Women Entrepreneurship Index (FEI) 2015 report to recognize the value of women's entrepreneurship. The United States is ranked first countries for women's entrepreneurship, Australia was ranked second while the United Kingdom, Denmark, and the Netherlands were ranked third, fourth, and fifth, respectively. In total, 61 percent of countries are ranked below 50, indicating that women are still underprivileged (Sajjad et al., 2020). In Zambia, women entrepreneurs account for 40% of the population. Entrepreneurs can be stimulated to begin their agency for a spread of reasons, such as a loss of other employment opportunities or a willingness to pursue a new opportunity. Possibilities are commonplace in all countries, however they're mainly commonplace in developed economies, wherein they account for three quarters or greater of all businesswomen. Women entrepreneurs are essential to the success of economies (Byrne et al., 2019). Women's participation in entrepreneurial activities has been found to not only support their families' income, but also to play an important role in the society's economic development and social well-being. (Sajjad et al.,2020).

### **2.3 Women Entrepreneurship in the Context of Pakistan**

Pakistan is at 37th position with respect to women contribution and at 165 rank among 191 global economies (Global Economy, 2018), with population i.e., 207 million in 2017. Within this value, women make up to 49% of the total population, among which only 28.85% are educated. It was found in Trade Economics report also, that only 28.8% women in Pakistan get formal education and only 1.18% go for higher education (TE 2017). Employment rate is also not very cheering i.e., 4.3% and also very less in industries.

Taking Pakistani women entrepreneurs into consideration, contribute about 25-30% in GDP and 24% increase in job opportunities for women (Derera et al., 2014). International Monetary Fund (IMF) in 2018 survey says that, increase in the GDP can be done by enhancing the women roles in the labour force (Express Tribune, 2020).

According to the World Bank Development Update report (2017), Pakistan is one of the countries with the lowest representation of women entrepreneurs, with just 1%, compared to 5% in 2012, according to the Global Entrepreneurship Monitor (GEM). According to another report, only 3% of Pakistani women are actually contributing to the economic growth of the country (Zulfiqar, 2017).

In one of its country reports from 2016, the United Nations Development Programmes (UNDP) stated that only a few women in Pakistan can start and maintain their own business. In Pakistan, women's underachievement in the Gender Development Index is 0.742, and Pakistan's 147th position in the Human Development Index (Human Development Survey, 2016) explains the lower ratios of women entrepreneurs. According to World Economic Forum's Global Gender Gap index with respect to gender equality (GGGR, 2017), Pakistan stands at second last place (143rd out of 144 countries). Because of the many challenges that women face as entrepreneurs, reports are clearly depicting that entrepreneurship is a difficult road for Pakistani women.

### **3. Motivations for Women Entrepreneurs**

Entrepreneurial motivation is described as a need or tendency to shape, deploy, and leading administrations, individuals, or thoughts rapidly and self-sufficiently (Johnson, 1990), as well as an inspiration to start one's individual venture (Hessels et al., 2008). Women entrepreneurial motives are often explored in terms of the pull and push classification in literature (Hessels et al., 2008; Paper, 2019). GEM (2012) classified entrepreneurship into two terms, "opportunity entrepreneurship" and "necessity entrepreneurship", i.e., analogous to push and pull classification. Opportunity entrepreneurs are motivated by pull factors, while necessity entrepreneurs are compelled by push factors (Buheji, 2018). A recent study conducted to determine the push and pull factors among women entrepreneurs. The study revealed that success of both includes family support and is the key to those who have will power (Alam et al., 2021). Ownership, autonomy, and self-fulfillment are the frequently found motivators among women entrepreneurs (Cho et al., 2019). It has been seen in developed countries that motives are aspiration of increased pay and being own boss are the key aspects for motivation (Modarresi et al., 2016). Also, recognition by culture (Ismail et al., 2011), need for achievement (Modarresi et al., 2016), and the need for adequate work-life balance (Shastri et al., 2019) are among the essential incentives and motivations of women entrepreneurs. Self-identity, ownership, creativity, and innovation were found to be the motivational factors among Indian women entrepreneurs (Shastri et al., 2019). In developing countries like Pakistan, however, studies show that most self-employed women are compelled to start their own business by financial and communal circumstances such as low salary, poverty, widowhood, high joblessness, and divorce problems in order to meet their basic needs or support their families. Despite this, women entrepreneurs have a low success rate due to a lack of adequate expertise, pertinent skill, training skill, and enough education (Farrukh et al., 2018). A strong desire to contribute to the society needs was found among women of developed countries when compared with women of developing countries, in recent study (Solesvik et al., 2019). Women entrepreneurs occupy a central role in creating employment, and income, promoting education and nation-building and reducing poverty.

### 3.1 *Challenges to Women Entrepreneurs*

For many years, Karachi has been a magnet for entrepreneurs from throughout the area, and this chapter describes how immigrants settle in the city, the kind of enterprises they start, and the support they receive from their ethnic communities. It describes identity-based politics and their influence on the city's power struggle, which impacts the commercial prospects open to both men and women. The chapter discusses the following barriers to women entrepreneurship: limited access to financing for small and medium-sized businesses; cultural barriers resulting from the traditional view of women as homemakers who sacrifice their careers for their family; violence and threats that business women may face; misogyny and harassment; and a lack of support and training. Women entrepreneurs confront a wide range of difficulties. Gender discrimination, work-family conflict, difficulties raising finance, lack of infrastructure, unstable business, economic, and political situations, lack of training and education, and personality differences are among the challenges experienced by women entrepreneurs, according to a recent study (Panda, 2018). Lack of access to capital, gender-related issues, and social and cultural obligations are the most important issues that women entrepreneurs confront (Isaga, 2019).

Due to the significant effect of society and culture norms and standards, women entrepreneurship in Pakistan does not receive the same value and possibilities as male entrepreneurship. Women concerns were exacerbated in a man-dominated nation such as Pakistan. "Pardha (Veil), spatial immobility and lack of institutions offering technical skills to women where issues confront by women entrepreneurs in Pakistan". They added more, a great number of men were against taking guidelines or working under women supervisor due to cultural aspects. In the last decades, a good progress has been observed by women in terms of social, technical, economic, and political perspective. This has facilitated women to move gradually from the homes to the public arena. There are two factors, in terms of which the situation in Pakistan is different from Western or other developed/ developing countries. These two factors are the norm of pardah (veil) and the notion of izzat (honor) (Roomi & Parrott, 2008).

In Pakistan, previously when women were unheard and now are involved in economic activities. As a result of changes in politics, cultural, economics, many women were able to leave their homes to join the public sphere. Women are gaining social recognition as more women become involved in entrepreneurship. Despite the fact that the conditions are not as favorable as they are in the developed world, they have aided women entrepreneurs in comparison to the previous few decades' record (Modarresi et al., 2016). In Pakistan, the conventional gender hierarchy determines women's role at home, not at work, and men's role as wage earner and breadwinners. Women are severely underrepresented in this cause compared to men. As a result, women spend much less in society than men. Pakistani women are impoverished for the rest of their lives (Hussain et al., 2019). According to the Government

of Pakistan Census Report (2017), women make up half of Pakistan's population and they still face concerns regarding social inequality, gender inequality, oppressive treatment, and lack of educational attainment (Shaheen et al., 2021).

Socio-cultural context of Pakistan puts high restriction on women to engaged themselves in venturing (Lindvert et al., 2017). Socio-cultural factors play a chief function in making choices to turn out to be an entrepreneur. Male- dominance in - Pakistan is among the social-cultural obstacles coped by women entrepreneurs (Panda, 2018). Male dominance, fewer opportunities for women, and cultural barriers are socio-cultural variables. Financial restrictions, lack of education, and lack of entrepreneurial, marketing, and business skills are among the key hurdles faced by Pakistani women entrepreneurs. Another issue that women confront when running a business is personal considerations, situational circumstances, and lack of time. Women are responsible for domestic responsibilities, which means they have less time to develop entrepreneurial abilities. Women in developing countries require their husbands' help because their traditional role as a housewife makes it difficult for them to begin working. As a result, a woman's business success is contingent on her family's support (Isa & Noor, 2020).

Finance is the major challenge in the way of women entrepreneurs and due to this fact that entrepreneurs are considered at high-risk category (Rudhumbu et al., 2020). It has also been stated that finance is the major one that hinders in the way of women entrepreneurs. Women find it difficult to raise funds for their businesses due to their social situation and family issues (Ramadani et al., 2015). Women entrepreneurs face challenges in accessing liability primarily because banks are hesitant to lend to women-owned businesses due to the risk involved. Pakistani women entrepreneurs are majorly facing challenges towards financial problems (Maqbool, 2021; Ramadani et al., 2015).

According to ( Uddin, 2021 ), women also compelled to satisfy their "womanly" duties because the male-dominated society expect them to become "successful wife" or a homemaker and that compulsion ultimately intercept their entrepreneurship journey before even it embarks on . Lack of knowledge is another impediment. For venture development, technical schooling, professional training, and information are required. Those who are trained, certified, and knowledgeable, perform well (Mazonde & Carmichael, 2016).

A study conducted in Pakistan on home-based working women found that due to gender roles, educated women do not receive support to participate in the workforce. The study emphasized the importance of understanding societal gender roles and expectations as a means of promoting women's entrepreneurship. This includes policies that support small businesses, flexible work hours, and education to combat gender bias stereotypes (Ansari et al., 2017). Another study based on the interplay between entrepreneurial opportunities, decision making and gender implied that promoting entrepreneurship and providing training

should not only focus on evaluating economic feasibility but also on enhancing passion and drive for success and other non-economic variables like gender (women in particular). Cultivating a strong desire and enthusiasm for both financial and non-financial gains can boost the entrepreneurial mindset and encourage individuals to venture into business (Arshi et al., 2022).

Regulatory frameworks Laws, legislation, and government policies set and enforce formal and informal rules in the regulatory system. Political uncertainty (Rehman & Roomi, 2012), difficult business formation and accounting requirements, as well as a lack of government backing, childcare facilities, and capital are among the regulatory constraints that have been investigated by several studies (Roomi & Parrott, 2008). Majority of the women are not aware about the policies, programs, and some of them are not intentionally involved in these policies and programs due to lengthy and biased procedures (Zulfiqar, 2017).

### **3.2 *Women Empowerment***

Women Empowerment is known as a technique in which women are encouraged with the values and culture in order to develop their personality, a unique place in their family as well as publicly. Education towards entrepreneurship is the key to empower women. It will help grow women to achieve life goals and to gain respect (Maqbool, 2021). According to research provided by the World Economic Forum, enabling women to participate in the global economy could add \$28 trillion to GDP growth by 2025. (World Economy Forum, 2018). As a result, women entrepreneurs can contribute to national economies by creating jobs and growing the economy.

## **4. *Research Methodology***

### **4.1 *Design of the Study***

Within interpretivist paradigm, the present study adopts qualitative approach focused on semi-structured interviews with women entrepreneurs, allowing them to express their unique experiences (Kivunja & Kuyini, 2017). This interview method allowed for the capture of women entrepreneurs' social realities in their own words, as well as their subjective perspectives on entrepreneurship, to explore the motivations and barriers influencing the women entrepreneurs.

The first section of the interview was comprised of demographics of the respondents such as name, age, marital status, no. of children, initial start-up business, education, age, and size of the business. The second section was comprised of information gathered related to motivations and challenges faced by respondents (Appendix 1). The interviewees belonged to Karachi city. They age ranged from 20 years to 30 years. Interviewees were single, married

and widow. Out of 15 interviewees 10 belonged to graduation under process while other 5 completed their graduation degree. These all 15 interviewees are either running their business or started up their new venture. (See Table 1)

#### **4.2 Sampling Technique**

The sample frame consists of women entrepreneurs operating in Karachi city. The sample size of fifteen interviews (see Table 1) is taken into consideration till saturation, suggested by Guest et al. (2006). In order to contact the respondents who fitted the study objectives, respondents had been decided on via non-probability purposive sampling approach. Sample contained both married and unmarried women marketers who work in exclusive strains of business. Moreover, younger groups were integrated inside the sample.

#### **4.3 Data Collection**

A pilot study, consisting of five interviews, was conducted to see if the questions were easily understood and interpreted by the respondents. The results of the pilot study suggested that it met the requirements of reliability and validity, to determine that the information that was desired, had been captured. Interviews were conducted during the months of August 2021 to October 2021, lasted approximately 50-60 minutes. These interviews were planned around the convenience of the respondents and their level of comfort at their workplace during the day. The length of the interviews was also shortened because the respondents were preoccupied with their jobs and needed time to answer to the questions. The interviews were conducted until saturation was achieved (Guest et al., 2006). Both face-to-face interviews and telephone interviews were conducted. The interviewer also took notes and wrote down the thoughts during each interview. Interviews were tape-recorded and interviewed using a semi-structured interview methodology. Interviewees were contacted via appointments and talked about the study, with their consent obtained prior to conducting and tape recording their interviews (Appendix 2). The interviews were made in Urdu and were transcribed in English for the ease of use by the respondents. The respondent's names and their business names are kept confidential.

#### **4.4 Data Analysis**

After conducting interviews, data analysis was done through thematic analysis approach of qualitative methods (Braun & Clarke, 2012). Thematic analysis was used because it is the most commonly used analysis strategy in qualitative designs (Braun & Clarke, 2012; Castleberry & Nolen, 2018). Each interview was transcribed into a story from which themes were generated. At first the data was transformed into codes and sub codes. They later classify into different categories. At last, after seeing repeated patterns, themes were generated.

## 5. Results

All the interviewees said that they had dreamed of being boss of their own and wanted to make decision of their won and this venture they started had made this come true. One of the interviewees stated that,

*“I have started my own event management company where I provide services of birthday parties and wedding events. I enjoy doing challenging thing as every customer ask for a different and unique theme.” (R1).*

*“I have seen my father doing business and that encouraged and motivated me to do business.” (R4)*

*“I have been a good cook and my Husband has always encouraged me to take my cooking skills to next level and commercialize the skill by opening my own restaurant.” (R7)*

Table 1  
*Respondents Profile*

<b>Respondent</b>	<b>Age (in Years)</b>	<b>Marital Status</b>	<b>Age of Business</b>	<b>Nature of Business</b>
R1	30	Married	4 years	Event Management
R2	20	Single	6 months	Hand Embroidery Business
R3	24	Married	1 year	Catering Business
R4	27	Single	8 months	Online Clothing Business
R5	28	Married	2 months	Online Tuition Academy
R6	27	Single	1.5 years	Photography
R7	22	Single	2 years	Shopping Business
R8	23	Single	2 months	Online Teaching
R9	22	Single	8 months	Food Business
R10	28	Single	8 months	Online dessert Business
R11	28	Married	3 years	Tailor Studio/Online tailoring
R12	27	Single	3 months	Food and Health Business
R13	28	Single	6 months	Modest Abaaya Clothing wear
R14	29	Married	1 month	Medicine
R15	28	Married	4 years	Homemade Cooking business/Online Service



Two of the interviewees said that they have started they online education forum where they provide online tuitions.

*“I love to teach, and teaching is my passion. One of interviewee said that “I have been in love with jewelry designing and found that people needs new designs and affordable jewelry.” (R5)*

This interviewee further continued.

*“I always wanted to know for what I do or create. While working as fashion designer you do get well paid, but the other side of recognition seems to be unsatisfactory, and this has been a demotivation factor for me.” (R2)*

Another interviewee has an interesting reasoning which led her to start photography business.

*“My adopted child Chandani who has cerebral palsy is the factor for the business I am in. I once took her picture and that beautiful picture of her encouraged me.” (R6)*

The interview respondents revealed their answers in their semi structured interview about their near future and running businesses. These perception and attitude led to major patterns and themes (Table 2). These themes created dimension of Support and Barriers from cultural perspective, work-life balance, family perspective and financial independency perspective.

Table 2

*Major Theme generated from Interviews*

<b>Category</b>	<b>Pattern</b>	<b>Theme</b>
Male dominated society		
Travelling issues		
Society discrimination	Cultural Barriers	Challenge
Travelling issue		
Safety issues		
Authority		
Growth opportunity		
Independency	Self- Independency	Motivation
Satisfaction		
Being own boss		
Commitments		
Family activities	Work-life Balance	Challenge
Time management		
Learning and experience		
Encouragement and support	Family Support	Motivation
Family motivations		



### ***5.1 Motivations for Women Entrepreneurs Family Support***

Family support was the most important factor in the interview. Here family indicates the members belonging to that includes fathers, brothers, and sometimes uncles and cousins. Five interviewees said that they got investment from their family to start the business which was very motivating for them.

*“...I am married, and my father-in-law is very supporting. He not only supports me in my business, but he also provides some good contacts from the market along with financial support too...” (R3)*

Three interviewees were married and they said that their spouse is a businessman they introduced a new product line and have asked their wives and sisters to join the business and run independently.

*“My brother came to me, asking me to start a business and be independent and he will share all the experiences he had with me to support me in my business...” (R8)*

*“I was inspired by my father-in-law. I take advises from him. Father-in-law has also planned to start a new line of product and introduce me as CEO of the company.” (R14)*

Almost every interviewee said that their parents, spouse and friends have supported, encouraged and guided them to start or elevate their business by different means.

Only one interviewee was without family support where her parents were reluctant to have their daughter do business as they were concern for the safety of their daughter.

On the other side some interviewee who were part of the interview said expressed that their family members barricade them from growth. Negative roles are played by the family members and among them are male members added by interviewee 6. Interviewee 2 said that their male family members like father, brother, uncle and cousin discourages women to start their own businesses.

*“...starting up business is not acceptable by their parents...” (R12)*

After going through these interviews, one could easily understand that there is mix expression over the women doing business, but the majority of the interviewee has faced obstacles for them to start new venture. In addition, the role of males seems to be prominent in every aspect of women’s life. In case of a woman being married, husband who seems to have final say still the women’s’ father and the brother could still be involved.

## 5.2 *Self-Independency*

The sense of authority was the most reply in the interviews where the interviewee responded as they want to be bosses of their own and they don't want to be accountable to any authority. They wanted to be independent and self-decision makers.

*"...I like to take my own decision; I am in charge of myself and accountable to myself of what I do..." (R1)*

*"...being self in charge and having no boss to answer only answering to self is itself a motivation..." (R15)*

Two interviewees endorsed each other that,

*"...having sense of authority and sense of autonomy and looking after employees what they do and who they perform and even creating employment..." (R10)*

And another interviewee added that,

*"...being self-employed give opportunity have vacation without applying for leaves..." (R11)*

Further adding to interviewee 8 said that.

*"...being free from your bosses and 9 a.m.-5 p.m. job and being yourself in your business and exploring yourself further is the most satisfaction thing ever..." (R13)*

Furthermore,

*"...I love freedom, I have all the decision at my end, and free from 9 a.m.-5 p.m. jobs..." (R3)*

Majority of the interviewee said that being self-independent was a dream to achieve and by doing business they have got what they dreamed of.

## 5.3 *Challenges for Women Entrepreneurs*

### *Cultural Barriers*

Almost every interviewee directed toward the cultural barriers in Karachi. Karachi is not only the metropolitan city but also an economic hub of Pakistan. People from different cities, towns and villages are settled here. These women interviewees have faced cultural barriers on their behalf.

Out 15 interviewees 8 were inclined that Pakistani culture is male dominant society where males are encouraged for jobs and business. Where fathers, brothers and husband play vital roles in deciding what women of their families will do. Interviewees said when they do deal or business activity male vendors, they discourage them and entrepreneurs. One of the interviewees, operating in the unconventional lines of business face greater challenges in

terms of acceptance as entrepreneur.

*“Parents discourages to do business because they think what the society will think.” (R12)*

3 interviewees added further that their mother believes that after marriage, in-laws and husband will not accept them as independent women.

*“In our society bread earned by women is assumed as cursed. Our culture takes businesswomen as uncontrolled person and will end up as flirts blasphemous.” (R2)*

One of the interviewees responded very differently.

*“I was out on business meeting with a vendor as soon as the vendor learned that I am widow and I own this business. He did not only help but facilitated me by all means.” (R15)*

#### **5.4 Work-Life Balance**

In the interview, women’s entrepreneurs were asked about the balance of life in their entrepreneurial journey. How the journey has impacted the aspect of their lives. Almost 75 % of the interviewee answered in positive that they had no issue or damages in their personal life, social life, or friendship.

*“...I have been doing business for a long time and lots load of work i.e. meeting with clients and bargaining with vendors for the products and but not once I have ever missed any family event or my friend’s birthday party...” (R1)*

Another interviewee stated that a very few of them are there, who can manage their household while also running a company with manageable time to take care all of their responsibilities. They are continually attempting to strike a balance between their personal activities and family goals.

*“...I only every weekend visits my friends at a café where we discuss about life other than business...” (R6)*

And endorsing to the above another interviewee added that,

*“...being married and living in joint family did not stopped me from doing business. Although having busy schedule I have always given time to my spouse and in law and have taken my children to parks and sit with them to do their homework...” (R11)*

The rest 25% of the interviewee has responded differently that their journey damaged their social life and personal life too. They get to busy and could not take out time for the family and friends. The entrepreneurial journey has it brought modification to their life in different aspects. Interviewee 6 said they have hired maids to do the chores and they have other people to perform day to day task.

*“...we live in a society where we perform multiple roles with limited amount of time. It is very tough for me to manage between these two...” (R14)*

There seems to be an agreement that entrepreneurial journey entails to changes in roles of the life but damaging in other words, Life standard has evolved. While some of the interviewees consider that the entrepreneurial journey did not affect other roles of life but has enriched other life roles. Overall entrepreneurial journey has a great impact on the balance of life.

## 6. Discussion

In developing countries like Pakistan, entrepreneurship has the potential to spur social change, economic expansion, and employment creation. People who have an education in entrepreneurship are better able to see possibilities, allocate resources, and launch and maintain creative businesses. Encouraging women to become entrepreneurs is essential for both economic advancement and gender parity. With an emphasis on Karachi, this research investigates the driving forces and difficulties encountered by women entrepreneurs in Pakistan. This study examines the barriers and motivations faced by the women entrepreneurs running their ventures in Karachi the metropolitan city of Pakistan.

Fifteen interviewees who participated in the in-depth interview-based methodology provided detailed insight of their entrepreneurial journey belonging to Karachi. These 15 interviewees have either running their ventures or near future establisher. These woman are operating in different fields as entrepreneurs like clothing, food, event management, education, jewelry etc. The most common point and most important factor of motivation that clearly indicated in the interviews directed towards self-independent. This reflects freedom of decision making, to earn self-identity, to be boss of oneself and being creative and innovative by serving the society. The next motivation factor which came in lights of analysis from the interviews of our participant that majority of the interviewee were inspired by the number of famous women entrepreneurs of their field. This was not found in the existing literature. The third motivation factor is support from the family. Families having business background should support to their women entrepreneurs. Supporting them morally and financially. The other literature indicates “families with business background” the motivation factor.

In regards with barriers for women entrepreneurs, the literature review shows that women in Pakistani culture or any other culture faces lots of barriers and difficulties. The interview conducted with women entrepreneur’s revealed culture being the biggest barriers. Due to societal conventions and gender stereotypes, cultural restrictions provide significant obstacles. Women need to strike a balance between entrepreneurship and conventional roles. Despite their successes, they voice dissatisfaction at the lack of support from their families and society. This study sheds light on a more serious problem: the widespread domination of men in all socioeconomic domains. Women are viewed by society as “virtuous,” with males acting as their guardians and dictating their duties and actions. This barrier is significant itself, branching to different aspects of hurdles. Under the cultural influence society does not

allow the women to recognize and acknowledge them as professional entrepreneurs. Further in detail to this the cultural norms, they are constructed in such a form that reflects male specific domination.

The interviewees mostly responded they are into businesses to prove them self as their culture does not support them and hang them between the life balance roles. The literature review supports the research that the women entrepreneurs are off more pull factors rather than push factors in their entrepreneurial journey in the aspect of Pakistani culture. As these woman are more inclined towards self-recognition and self-independent.

### **6.1 *Strengths and Limitations***

The strength for our study were the interviewees. Although these interviewees are permanent resident of Karachi, they belong to different cultures. This strength may have contributed better output for the study. The interviews conducted professionally with enthusiasm not only from researcher side, but interviewees found interviews purposeful and engaging. . The interviews were conducted until saturation was achieved. The study covered Karachi city only, which is only a city not completely representing the whole country. As Pakistan is a diverse with different cultures, women from different cities and villages may have other motivation and barriers along with different experience. Although in this study different literature was taken in consideration. The other limitation is the time limitation as well as COVID-19.

### **6.2 *Conclusion***

These findings are in much agreement with the literature review of the study. The uniqueness of this study resides in its approach, which emphasizes women's voices and experiences. Its findings are useful to governments, organizations, and educators that want to encourage women to start businesses while also promoting economic growth and gender equality. One limitation is the narrow geographic and demographic emphasis on Karachi's young women entrepreneurs, which may restrict generalizability. Future study should broaden its reach in order to have a complete grasp of the entrepreneurial ecosystem. The findings highlight the motivation and barriers for the women entrepreneurs of Karachi. The women in the interview revealed that they are satisfied by achievements but dissatisfaction in form of support they deserved. The study further concludes that the women are less aware of the govt subsidize interest rate loans and facilities for example Nojwaan karobar loans and SMEDA.org. These are the facilities that may boost the motivation level and facilitate the women entrepreneurs in Karachi and other regions of Pakistan. For this, the government, and the concerned instituted need to have awareness programs for the women. There is a need to form a platform where opportunities and awareness are available for the women entrepreneurs. A data base of all women' entrepreneurs to be maintained at all levels. The

tracking of these entrepreneurs will track the performance and the output in real time. This data base will determine how efficient the women entrepreneurs are and any barriers they are facing to be solved. In addition, Women entrepreneurs' success stories are shared. Awards and appreciation are publicly announced. This will not only motivate them but will encourage other potential women towards entrepreneurship.

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