Volume 3 Number 2 July 2015
Online ISSN 2307-7921
Print ISSN 2070-0296

JINNAH BUSINESS REVIEW

http://www.jbrc.pk

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EDITOR’S NOTE

Welcome to Jinnah Business Review, Volume 3, No.1. A journey which we started three years back is gradually paying off with improved quality of journal, and its recognition by researchers in academia and international abstracting indexing agencies. The recent success was inclusion of Jinnah Business Review in the Ulrich’s periodicals, which is an international abstracting and indexing agency.

This success would not have been possible without the support of Dr. Muhammad Mansoor Ahmed, Executive Vice President, Dr. Arshad Hassan, Dean Management Sciences, Mohammad Ali Jinnah University, Editorial Board members, reviewers, and Jinnah Business Review team comprising of Mr. Amir Khan Khattak, Mr. Muhammad Bilal Saeed, Ms. Maria Mashkoor and Ms. Rumesa Pervez. Together, we are striving hard to make Jinnah Business Review a symbol of quality at both local and international level.

When reviewing the manuscript, it is generally observed that contributors overemphasize the contents and try to make an impression through excessive use of tables in data analysis. Tables, of course, are an important component of any research; however, excessive use of it generally confuses the reader when he/she is unable to identify a logical connection between objectives of the study and results being reported. It must be kept in mind that the strength of a research article is determined by its parsimony, which is simplest explanation of the findings rather than complex tables and analysis which are difficult to comprehend. The tables reported must be linked with the objectives of the study and hypothesis proposed. All the reported results should be analyzed in the light of the literature again, to find out if they are conveying a different message than usual.

In the end, I would request the community of researchers to submit their quality papers to Jinnah Business Review, to make a substantial contribution to the early development and success of the journal.

Prof. Dr. Sajid Bashir
Editor in Chief
Jinnah Business Review

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IMPACT OF INDIVIDUALISM, COLLECTIVISM, MOOD, PROXIMITY AND SAVINGS ON IMPULSE BUYING BEHAVIOR IN PAKISTAN

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ABSTRACT

The present study focuses on finding out the main attributes that determine the reasons of impulse buying behavior in Pakistan. The data has been gathered through questionnaires from 400 buyers of different cities of Pakistan, like Rawalpindi, Islamabad, Karachi, and Sargodha. The current study focuses on identifying people, who can be classified as "impulsive buyers", and "non-impulsive buyers. Despite the classifications of impulsive and non- impulsive buyers, it also identifies the level of impulsiveness in reference to purchasing, varied from time to time for both the impulsive buyers and non-impulsive buyers. After reviewing the literature, five variables have been taken for the study to determine the dependent variable. Results were analyzed using ordinary least square (OLS) regression and correlation techniques, and data has been tested which appeared significant statistically. The results indicate that impulsive buying behavior is positively associated with the collectivism, proximity and mood and have negative association with savings and collectivism. Further analysis can be done on the more independent variables, such as product specific impulse buying tendency.

INTRODUCTION

"Definition of impulsive buying is an unintentional (unplanned) purchase", (Cobb & Hoyer, 1986). According the Kollat and Willett (1967) impulsive buying is an unplanned purchased. Impulse buying is an immediate purchase having no prior plan or purpose to buy the product (Beatty & Ferrell, 1998). Consumer does impulsive buying when he/she feels vigorous enthusiasm which turns into a want to buy that product immediately (Rook, 1987).

Impulsive buying is an unplanned shopping by the buyers. There is a substantial amount of research conducted on impulsive buying behavior in developed countries. Developing countries have got less concentration on this subject. Some research is conducted on this issue, but not sufficient to determine the actual factors that actually affect the impulsive buying behavior in Pakistan.

Mood is one of the most important factors which affect the buyers because people of Asian countries are more emotional than Europeans. Saving is also having a significant value because Pakistan is a developing country, so the people give most worth to money rather than shopping. Most of the people prefer to save money rather than to use it for unplanned shopping. After studying literature on these variables, it is found that existing research on factors determining the impulsive buying are not enough to explore the actual determinants.

There is a substantial amount of research conducted on impulsive buying behavior in developed countries. In developing countries, very less concentration has been given to this research area. Some researchers studied this relationship before but findings are not sufficient to determine the actual factors that actually affect the impulse buying. Saving is one of the important factors in the Pakistani context because it is a developing country and income level is low over there so Pakistanis are very sensitive in matter of savings. Individualism and collectivism also has effect on the impulsive buying behavior. Mood and proximity have a prominent effect on the impulsive buying behavior because some people like to do impulse buying to release tension or depression

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but others like to do shopping in fresh mood. Pakistanis are very emotional people they feel greater influence of the behavior of the storekeeper. This research will find out the exact determinants of the impulsive buying behavior. After the review of the studies done in other countries, we are intending to do the study in Pakistan's perspective. The benefit of this comprehensive research is that it would be helpful in developing such strategies that would be useful to attract the impulsive buyers by the proximity factors. This research will find out actual determinants of increasing rate of impulsive buying.

REVIEW OF LITERATURE

Impulsive buying

"Definition of impulsive buying is an unintentional (unplanned) purchase", (Cobb & Hoyer, 1986). According the Kollat and Willett (1967) impulsive buying is an unplanned purchased. Impulse buying is an immediate buy having no prior plan or purpose to buy the product (Beatty & Ferrell, 1998). Consumer does impulsive buying when he feels vigorous enthusiasm which turns into a want to buy that product immediately (Rook, 1987).

Impulsive buying is associated with the fashion products and emotions as well (Cha, 2001; Han, Morgan, Kotsiopulos & Kang 1991; Ko, 1993). Purchasing lifestyle explains the type of shopping either its compulsive or impulsive (Cobb & Hoyer, 1986). Impulsive buying has weak association with consumer lifestyle, fashion involvement and post-decision stage of consumer's purchasing behavior, but there is a strong association between impulsive buying and pre- purchase decision stage. Availability of the Varity can also be a factor of impulsive buying (Tirmizi, Rehman & Saif, 2009).

Impulsive buying is actually unplanned or unintentional shopping (Stern, 1962). Itcan provide information to other consumers about the product, so retailer can get more customers' regularity by focusing on them (Verplanken & Sato, 2011).Impulsive buying is strongly associated with urge, behavior, personality emotions and self-control. Someone who has the ability of self-control would be less impulsive buyer as compare who has no or less (Gailliot, et. al., 2007).

Impulsive buying is associated with the self-control and personality traits (Verplanken & Herabadi, 2001). Impulsive buying has no evaluation of alternative and no proper process it occurs just because of urge (Dholakia, Gopinath & Bagozzi, 2005). Main reason of impulsive buying is urge, it can be reduced by repeated physical and cognitive exercises. Cognitive exercise increases the self-control (Muraven, Baumeister & Tice 1999). When the self-control will increase by the cognitive exercises, then impulsive buying will decrease (Sultan, Joireman and Sprott, 2011). Marketers should permute the impulsive buying with association of external rewards. There are the two main aspects of the impulsive buying one is lack of urgency and second is unenthusiastic necessity (Gay, Schmidt and Linden, 2011).

Impulsive buying is a wide spread phenomena in the United States, and impulsive buying commonly exists in the lower price products like chocolates and magazines. Impulsive buying is an instantaneous and complex behavior in which the quickness of the impulse buying resolution procedure envisages considerate and purposeful deliberation of information and option selection. Impulsive buying is the unplanned purchase and most of the time they are used interchangeably (Kollat & Wallet, 1969; Stern, 1962). Impulsive buying is the instantaneous and forceful urge of buying instantaneously (Beaty & Farrell, 1998). Forceful urge bothers the customer to purchase immediately (Rook, 1987). Impulsive buying is the power urge to purchase which bothers the customer to purchase the product.

Level of impulsiveness varies from time to time and between the impulsive buyers and non-impulsive buyers (Vohs & Faber, 2007). Two factors effect impulsive buying, one is desire to purchase, and second is urge to purchase. Reasons of the impulsive buying are the buying urge and desire to buy. Impulsive buying is associated with the age. Young age group is more impulsive buyers then the older people. It increases in the age of 18 to 39 and decreases after the age of the 39 (Bellenger, Robertson & Hirshman, 1978).

There is an inverse relationship between impulsive buying and age. As the age will increase impulsive buying behavior will decrease. It's higher in the age of the 18 to 39 and decreased after the age of 39 (Wood, 1998). Impulsive buying is vary with the gender because men purchase the products on the base of rationality and finance but the women purchases base on the emotional attachment and social identity. Impulsive buying varies with the income (Dittmar, Beattie, & Friese, 1995). Impulsive buying behavior is the gender specific (Dittmar, et. al, 1995).

Mood

There is an association between events and mood (Seligman, Kamen & Nolen-Hoeksema, 1988). Impulsive buying is associated with emotions (Eysenck, Pearson, Easting & Allsopp,1985). Cognition is an important component of impulsive buying (Hoch & Loewenstein, 1991). Cognition is major component of impulsive buying and it has great impact on impulsive buying (Rook & Fisher 1995).

In impulsive buying individuals prefer the short term benefits or relaxation, rather than long term benefit to relax their mood (Puri, 1996). Some individuals prefer the impulsive buying to satisfy their hedonic needs but some are not interested in the rewards (Ramanathan & Menon, 2006). Impulsive buying is associated with depression. People make impulsive buying for the removal of depression or for tension diversion (Duhachek, 2005).

Impulsive buying occurs in response of the emotional disturbance. Impulsive buying is not associated with the cognition or emotion but it is associated with stress, disappointment and depression. An individual make impulsive buying when he is depressed. Age, gender, income, or insurance coverage, hurricane victims are also the determinants of the impulsive buying (Sneath, Lacey & Hensel, 2009). Individual make the impulsive buying for getting pleasure in the stressful life. During the impulsive buying individual forget the stress because of involvement in the shopping (Wolters, Werf & Heuvel, 2008). Individual makes impulsive buying to hide the stressful condition and want to busy in the interesting activity which is shopping.

Mood is also having the strong association with impulsive buying. Impulsive buying is nearly associated with the pleasure, care free, and excitement. Positive mood related to the impulsive buying. Negative mood and bad mood indirectly affect the self-control. Negative mood is also associated with the impulsive buying (Herman & Polivy, 2004). Consumer makes the purchase in the negative mood or in stress to alleviate their sad and negative mood. Pleasure mood, excitement and carefree has strong relationship with the impulsive buying (Rook & Gardner, 1993). People make the impulsive buying in negative mood to alleviate it and to find freeway from the stress.

Proximity

Looks of the retail stores also enhances the shopping of the buyers or the customers, for example store's size, design, importance of the location and its image. Buyer get influenced by the stores physical feature of the retail stores (Eppli & Shilling, 1996). Products' feature has a great impact on the impulsive buyers. If the product would be attractive in the looks and have attractive feature, than the customers will purchase that product impulsively. However, if the product would not be attractive then the customer will ignore that product and will not urge to buy that product. Product features create the loyalty of the customer impulsively and customer would purchase the product frequently (Jones, Reynolds, Weun & Beatty, 2003).

Proximity Customer explained that sometime they purchase those products suddenly for which they have no prior plan. After entering the store, those products attract them so they buy. Other reasons of the impulsive buying are the setting of the shelves, design of the store and the facilitations which a retailer provides the customer. Retailer should identify those products which mostly buy impulsively. Impulsive buying is an unplanned purchased which is urged by the display of the shelves and facilities of the store. Customer buys the some product impulsively (Clover, 1950). Customers stated that they purchase some products for which they have no plan to buy before entering the store, but because of attractive setting of the store and behavior of the store keeper, it bothered us to buy those products (Cox, 1964). Impulsive buying could be enhanced by focusing on the products which are mostly purchased impulsively, design of the store, settings of the shelves and by the behavior of the store keeper (Stern, 1962). Impulsive buying is associated with the proximity factors. Proximity factors affect the impulsive buying. Proximity is also features that smooth the progress of impulsive buying. Consumer accepted that by staring the products in the retail store, or catalogues, it stimulates the urge to buy that product (Rook, 1987). Sensory inputs (touching products in the store and tasting free sample of foods) also stimulate the impulsive buying (Vohs & Faber, 2007). Physical proximity factors also have the strong impact on the impulsive buying. These factors are the store design, free sample tasting of food; sniffing aromas also enhance the impulsive buying.

Savings

People buy the commodities impulsively because they want to give the gift them self to eradicate the depression and disappointment because they have extra money (Sneath, Lacey & Hensel, 2009).The products which are buying impulsively mostly are not costly but are cheap in price or rate (Stern, 1962).

Money is the purchasing power which can control the others (Goldberg & Lewis, 1978). Impulsive buyers are the status conscious and stature people (d'Astous & Tremblay, 1989). Money is the source of worries, but also provide the relief from the depression and worries as well (Yamauchi & Templar, 1982).

Individualism

Impulsive buying occurs when an individual want to satisfy the urge to buy immediately. For the satisfaction of the sudden buying urge, individuals make the impulsive buying instantaneously (Rook & Fisher, 1995). Individual's choice depends on the environment and society in which individual grow. Individual is also responsible for impulsive buying (Beatty & Ferrell, 1998).

With the other perspective, customer is also responsible for impulsive buying contrarily. Not only the product is the cause of the impulsive buying, but the individual is also responsible for this purchase (Rook, 1987).

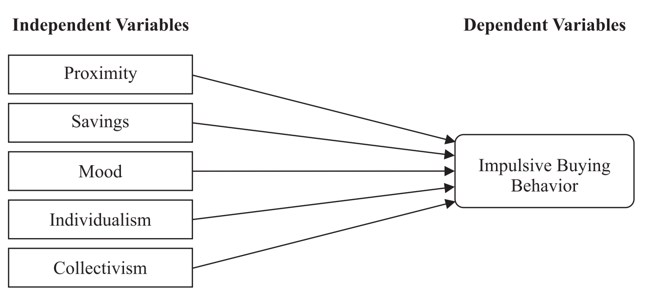
Recent research is focusing on the impulsive buyer and classifying them from the non-impulsive buyers because according recent research, predictor factors of impulsive buying are personal attributes rather than the product. Impulsive buying is caused by the personal attributes rather than the attributes of the product (Rook & Fisher, 1995). The causes of the impulsive buying are the personality traits of the buyers rather than the feature or the characteristic of the products. Individuals are aggravated by their own preferences, need and rights. Individuals give the priority to their own goals and emphasis on the logical and rational relationship with others (Kacen & Lee, 2002). People are classified into two groups, one lies in the individualism and second in the collectivism. The consumer of first group (individualism) has strong relationship with the impulsive buying as compared to the second group (collectivism) (Kacen & Lee, 2002). Impulsive buying is associated with culture. Individualism and collectivism are two main groups of the culture. The people who belong to the individualism are self-oriented, independent and autonomous. The people who belong to the second group collectivism are family oriented, more social and follow the family norms (Trandis, 1995).

Collectivism

Collectivism Impulsive buying is associated with culture. Individualism and collectivism are two main groups of the culture. The people who belong to the individualism are self-oriented, independent and autonomous. The people who belong to the second group collectivism are family oriented, more social and follow the family norms (Trandis, 1995). Impulsive buying strongly associated with the individualistic culture as compared to the collectivism culture (Gutierrez, 2004). Some people claim that they are in the collectivism but in actual they are not in the collectivism (Gutierrez, 2004).

THEORETICAL FRAMEWORK

FIGURE 1



METHODOLOGY

Instrumentation

Questionnaires contained thirty four items and two sections. Section one had twenty eight items which are the research model relevant questions but section two contains six questions related to demographic of respondents.

TABLE 1
Characteristics of sample

Items	Items	Frequency	Percentage
Gender	Male	66	21%
	Female	239	79 %
Age	21 & less	70	22%
	21-25	84	30%
	26-30	49	19%
	31-35	46	16%
	36-40	20	8%
	41-45	15	4%
	46-50	2	0.7%
	51& above	0	0%
Shopping frequency per week	Less than 2 times	75	13%
	2-5 times	250	60%
	More than 5 times	175	27%
Occupation	Students	2	0.7%
	Business sector	89	29%
	Land lords	78	26%
	Job holders	27	9%
	Manufacturer	85	28%
	Education sector	24	8%
Income	Less than 25000	5	2%
	25001-35000	24	8%
	35001-50,000	63	21%
	Above 50,000	213	69%
Qualification	Inter	105	34%
	Undergraduate	96	31%
	Graduate	70	23%
	Post graduate	36	12%

Sample and procedure

The population for data collection was customers of Pakistan. The sample was collected from various cities of Pakistan i.e. Sargodha, Lahore and Rawalpindi and the sample size is 400 customers. The questionnaires were personally administered. Total 400 questionnaires were distributed, out of which 305 questionnaires were received back, making the response rate as76%.

Data was collected from both males and females for avoidance of biased results. So, the characteristics, i.e., gender, Age, Occupation, Shopping frequency per week, qualification and income of the customers vary from customer to customer. All of the above characteristics of the respondents of sample are summarized in the table 1.

In the society of Pakistan females are more shopping lovers than males because of busy schedule of them. In this country mostly females are house wives and they have no concern with the businesses and any other activities. That's why only 21% response is gathered from the males.

RESULTS

Statistical Package for the Social Sciences (SPSS) is used for the results. Correlation analysis shows the relationship among the variables but the regression analysis shows the confidence level, significance and beta. Regression analysis also shows the model summary.

Linear association is checked by the Pearson correlation analysis between the variables in the study which is reported in table 2. Correlation statistics shows the association between the variables that how the two variables are associated with each other, it tells that if one variable moves in one direction the other variable will move in the similar direction or opposite to that. We found that the dependent variable impulsive buying behavior is having significant correlation with all the five independent variables. It has positive association with collectivism, mood and proximity but have negative or opposite association with savings and individualism. The association between the independent variables shows that they are strongly associated between themselves and all of the correlation results are significant at the level of $p<0.01$. Collinearity statistics shows that there is a chance of multicollinearity in the data but variance inflation factor (VIF) which is the test for checking multicollinearity shows that there is no such problem of multicollinearity as all the values of VIF are less than 10 and tolerance values are greater than zero. Correlation analysis indicates that there is a strong and significant relationship among the impulsive buying behavior, proximity, collectivism and mood. But, the relationship of impulsive buying behavior with individualism and saving is strongly negative.

Regression Analysis

Regression test is used to check the relationship between the dependent and independent variables. Regression results from table 3 show the significance of the regression model and its explanatory power. The regression analysis indicates that the value of R Square is 0.678, which indicates that there is 67.8 % variation in impulsive buying behavior is explained by the variables in the study while 32.2% variation is due to those factors, which are not considered in this model. The value of F is 139.787and is significant showing the fitness of the model. The results of the study showed that all the variables have significant impact on impulsive buying behavior.

Result suggests that 1 unit increase in proximity will increase the impulsive buying behavior by 0.438. Mood is also having significant impact on the impulsive buying behavior. Collectivism has positive and strong relationship with the impulse buying behavior. Regression result shows that 1 unit increase in collectivism will result an increase of 0.227 in impulsive buying behavior and the result is significant at the level of $p<0.001$. Individualism and saving have the strong but negative relationship. Results show that 1 unit change in the savings will decrease the impulsive buying behavior by .223. Individualism also have negative impact on the impulsive buying behavior with 1 unit change in it will bring a reduction of .197 in impulsive buying behavior.

TABLE 2
Correlation

Variables	1	2	3	4	5	6
1. Impulsive Buying Behavior	1					
2. Proximity	0.713**	1				
3. Mood	0.692**	0.676**	1			
4. Individualism	-0.700**	0.512**	0.571**	1		
5. Collectivism	0.668**	0.517**	0.619**	-0.815**	1	
6. Savings	-0.748**	0.519**	0.598**	0.679**	-0.711**	1

*N=305, ***p<0.001, **p<0.01, * p<0.05*

TABLE 3
Regression analysis

Predictors	Impulsive Buying Behavior	
	β	R^2
Proximity	.438***	
Mood	.321***	
Individualism	-.197***	
Collectivism	.227***	
Savings	-.223***	.678

*N=305, ***p<0.001, **p<0.01, * p<0.05*

DISCUSSION

Pakistanis are emotional people; they get excited by the advertisement and behavior of the shopkeeper, so they start buying the products. So proximity has strong impact on impulsive buying. Retailers must promote the impulsive buying by the attractive design of the retail store and by promoting the positive points of the impulsive buying. Retailers must be conscious that no negative point of impulsive buying exists in the store. They should promote impulsive buying with any extrinsic rewards or any external rewards (Gutierrez, 2004). Pakistan is high on collectivism, so the people who prefer the family goals are more impulsive buyers because when they go with their families they cannot ignore request of them.

Mood is a very prominent determinant of the impulsive buying behavior. Buying and cognition has great impact on impulsive buying (Rook & Fisher, 1995). In impulsive buying individual prefer the short term benefits or relaxation rather than long term benefit to relax their moods (Puri, 1996). Some individuals prefer the impulsive buying to satisfy their hedonic needs but some are not interested in the rewards (Ramanathan & Menon, 2006). Impulsive buying is associated with depression. People make impulsive buying for the removal of depression or for tension diversion (Duhachek, 2005).

Impulsive buying is 'extensively known phenomena' in the United States. Products categories such as magazines and chocolate and apparels are usually purchased spontaneously. Impulsive buying behavior is unexpected forceful hedonically multifaceted purchasing behavior in which the quickness of the impulse purchase decision process predicts considerate purposeful thought of information and choice option. Researchers found that "individuals" are responsible for impulsive buying contrarily to previous believe that the "product" contributes impulsive buying. In view of these findings, the researchers started redefining the variable "impulsive buying". Several researchers thus conceptualized impulse buying from customers' perspective. According to these researchers impulsive buying is a sudden and powerful urge to buy immediately. The predictor variables in most of the recent researcher are "Personal attributes", as compared to previous researches in which the predictor variables were products. Thus, this research focused on identifying people, who could be classified as "impulsive buyers", and "non-impulsive buyers. Despite the classifications of impulsive and non- impulsive buyers, it also examined the level of impulsiveness in reference to purchasing, varied from time to time for both the impulsive buyers and non-impulsive buyers.

According the results of this study in the Pakistani collectivist culture is positively associated with the impulsive buying behavior because here people live in the joint family systems, and when they go for the shopping they purchase those things which are not the part of their list. They cannot say no to the elders and children so they make impulse buying.

LIMITATIONS

There are two limitation of this study. One is that data is collected only from the Punjab province and the remaining three provinces are not a part of this study i.e. Sindh, Balochistan and Khyeber Pakhtunkhwa. Secondly, product specific impulse buying tendency also has a strong impact on the impulsive buying behavior so in the future study it will be consider. Another limitation is the ignorance of the control variables e.g. age, income, context and personality of the buyers. These limitations should be addressed by future researchers.

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Jinnah Business Review
2015, Vol.3, No.2, 10-18

THE IMPACT OF AUTOMATED SERVICES QUALITY ON BRAND LOYALTY WITH THE MEDIATING ROLE OF CUSTOMER SATISFACTION AND MODERATING ROLE OF CUSTOMER KNOWLEDGE

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ABSTRACT

The aim of this study was to find out the impact of automated service quality on brand loyalty with the mediating role of customer satisfaction and moderating role of customer knowledge. Data was collected through 150 questionnaires completed by randomly selected customers. Descriptive statistics, exploratory factor analysis, and multiple regressions were used to test the direct impact of automated services quality on brand loyalty, and moderating role of customer knowledge. The findings suggest that the automated service quality and customer knowledge have a significant and positive effect on customer satisfaction. The results show automated service quality and customer satisfaction to be significantly associated with brand loyalty.

INTRODUCTION

Automated service quality has been seen as the important and major way to increase the organizational performance (Caruana, 2002). It also remains the considerable and important issue in the marketing literature (Jensen & Markland, 1996). So, the automated service quality and brand loyalty is the core heart of any industry (Le Blanc & Nguyen, 1988). It means for any successful industry, that industry must rely on the customer perception and his expectation which a customer have about it (Yavas, Benkenstein, & Stuhldreier, 2004).

During last two decades the technology has become the cause of reforms in any industry. After the revolution in the technology, the technology created a new world for any industry; where the customer can interact easily and can avail automated services without any hesitation anytime and anywhere. Technology has changed the way of doing businesses, and also discovered the new automated service channels for creating any new product (Edey & Gray 1996; Lang & Colgate, 2003).

The purpose of investigation of this phenomenon is to examine why customer loyalty is decreasing even after providing better services. For any industry, the loyalty of the customers can be explained in these three components (Oliver, 1999). First, customer loyalty can be shown through their behavior. Second, loyalty can be indicated by the attitude that a customer has towards that brand. Third, the combination of the customer attitude and their behavior towards that brand, because higher level of customer loyalty can be helpful for boosting income, and can enhance the company’s operations and performance.

Increasing the customer loyalty for new customers is five times more expensive as compared to maintaining the existing customers (Godes & Mayzlin, 2004).So based on these facts for getting economical benefit of a company, it is necessary to have loyal customers and it’s a great effort which is done by a company. A firm can increase his customer loyalty after providing better service quality.

However, with these services there are some other factors that are required besides service quality. If customers have knowledge about the service, like how to use it, how to properly avail it, then customers always go for information based decision and hence, they will be more satisfied exhibiting higher level of loyalty (Capraro, Broniarezyk, & Srivastava, 2003).

For measuring the customer satisfaction and brand loyalty, the automated service quality is an important feature. Providing the automated service quality can also enhance the brand loyalty, profitability and strength of the relationship with the customer. Any industry that is using traditional delivery channels is facing critical conditions.

After the importance of automated service quality, it is a necessity to understand that how a customer can evaluate the services, and how to give the knowledge or awareness about automated delivery channels, because when a customer is having ample knowledge about automated services, then he will be equipped for adopting the specific automated services and will feel comfortable while using that service. This acceptance of the customer

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brings a new dramatic change in an industry, and also maintains a relationship that is imperative for customer satisfaction as it lead to the brand loyalty (Mols, 2000).

According to the functional theory of attitude, it is argued that attitude toward a brand is stored in the memory, in the form of brand related association. After the attitude activation, the customer makes decision about that brand. This decision is made under different influences like situational factors as well as the customer knowledge about that brand. On the basis of that information, the customer attitude develops and that attitude leads to their action. In recent years, limited studies have been conducted which investigated automated services quality (Joseph & Stone, 2003), so there is a need for further investigation on automated service quality.

REVIEW OF LITERATURE

Automated services quality and followers' brand loyalty

Technological development has changed the way of doing a business, which influences the financial sector development, by introducing new range of products and services, and improving the other different delivery channels (Edey & Gray, 1996). Now the organizations realize that technology has a potential value for getting competitive advantage and this is the part of marketing literature, for example, the banking sector adapted the new technology very quickly and controlled their costs, attracted the new valuable customer, and nowadays, this technology has become the need of every organization. It has become the need of present customers as well. These technologies innovations facilitate each and every organization not only for their customers, but also for their own organizational perspective.

Nowadays, automated services and their predicted innovation channels have become a standard and are also used for getting an organizational competitive advantage (Rogers, 1995). Now the customers having this type of perception regarding their products and services that organization provides services, and when the customers analyze their services through these factors such as reliability, easy to use, user friendly, time factor, real time access to information and the automated services including these factors, they develop brand loyalty.

It is observed in marketing literature that the novelty in product quality and automated services quality plays a major and important role for getting customer satisfaction, and further this satisfaction leads to brand loyalty (Lundvall, 1988). In this competitive economy the success and failure of any organization is dependent on their high quality of automated services that they are providing to their customers (Mouawad & Kleiner, 1996). So, due to this competition, now industries are adapting new technological advancement channels and provide them quality of automated services (Levesque & Mcdougall, 1996). Through these modern delivery channels, organizations can take many advantages like customer satisfaction, brand loyalty, and on the other side they can enhance their productivity, maximize their revenue, improve their performance, and build positive word of mouth regarding their products and services. With all of these advantages, they can attain competitive advantage (Santos, 2003). Lee and Lin (2005) concluded in their study that these modern delivery channels such as internet services quality dimensions (Reliability and responsiveness) have significant impact on customer satisfaction and brand loyalty. The impact of internet service quality on customer satisfaction plays a vital role to create a positive Word of Mouth (Santouridis & Trivallah, 2009).

In an industry, automated services play several roles, like building of brand image and brand loyalty (Alexandris, Douka, Papadopoulos & Kaltsatou, 2008).Automated services may also influence the attitudinal loyalty of the customer, and this experience plays a good role for actual repurchase. So, the relationship between the automated services quality and brand loyalty also matters in every industry and each sector. Hence, it is the need of time for each and every organization to provide advanced technological services for the purpose of developing the brand loyalty (Bennet, Hartel & Kennedy, 2004).

Hypothesis 1. Automated Service Quality will have a stronger positive relationship with Brand Loyalty

Mediating role of customer satisfaction between automated services quality and brand loyalty

Since last three decades, customer satisfaction has been seena fundamental component of marketing theory and practice (Parker and Mathews, 2001). Customer satisfaction refers to a judgment regarding the products and services that a customer has after availing service. But, after availing that service, if a customer perceives the worth of products and services are more than the price he had paid, he would feel satisfied (Huang, 2008).

In literature, the customer satisfaction has been defined in different ways, but according to the marketing literature the customer satisfaction concept, which is widely accepted, is that satisfaction is the feeling from the outcome of customer evaluation of expectation and perception towards that product and service (Kotler & Armstrong, 1996). Oliver (1999) argued that customer satisfaction is the positive outcome of customer need fulfillment. Another definition is, satisfaction is a positive emotion and feeling after evaluating all aspects of a transaction (Wiele, Boseline & Hesselinks, 2002).

Literature suggests that the automated service quality is one of the basic components for getting customer satisfaction (Cronin & Taylor, 1992). Wong and Shoal (2003) concluded that automated service quality has direct and indirect positive relationship with different behavioral intentions. Marketing literature strongly focuses on the importance of automated service quality and its relationship with the customer satisfaction and brand loyalty (Cronin & Taylor, 1992). For example, in the banking industry, the performance of service provider matters; it is considered a core dimension for measuring customer satisfaction (Levesque & Mcdougall, 1996).

In the service industry, the consistency in product quality and automated service quality plays a vital role, and has a stronger impact on customer satisfaction level. Therefore, service provider firms need to improve their services and introduce new automated delivery channels. Gerrard and Cunningham (1997) stated that often customer switching behavior occurs due to the failure of providing the quality in product and services. Hence, it's not enough to just focus on customers' satisfaction rather it is equally necessary to focus on other problems regarding the delivery channels as well. Customer intentions can be determined through the attitude of customer having positive and negative behavior intentions. The satisfaction of a customer is the perquisite for most of the behavior intentions like customer relationships increase loyalty (Athanassopoulos, Gounares & Sathakopoulos, 2001).

Higher levels of customer satisfaction lead towards repurchase intentions. Anderson and Sullivan (1993) related high level of customer satisfaction as one of the causes of low level of customer switching, and increase in the customer repurchase intentions. Muslim and Zaidi (2008) concluded that the higher level of customer satisfaction is the outcome of higher level of automated service quality, which also leads to the brand loyalty. Caruana (2002) indicated the customer dissatisfaction decreased customer loyalty level, and also concluded that customer satisfaction is the backbone of brand loyalty

This means the customer satisfaction and brand loyalty are two highly related constructs and are negatively related with customer dissatisfaction that promotes customer intentions to switch. Automated service quality has a significant positive relationship with customer satisfaction, and this satisfaction has a significant positive relationship with brand loyalty.

Hypothesis 2: Customer satisfaction will mediate the relationship between automated service quality and brand loyalty

Moderating role of Customer knowledge between Automated Services and Customer Satisfaction

Customer knowledge is a combination of experience, value and insight information, which is required to create and absorb during the use of products, and while availing the automated services that an enterprise is providing to their customers. Researchers classified the customer knowledge in different ways (Bueren, Schierholz & Brenner, 2005). There are three types of customer knowledge: knowledge about customer, knowledge for customer, and knowledge from customer.

First group is knowledge about customer in which the requirement of a customer is important. Second group is knowledge for customer in which a customer should be aware about the products and services that the organization is providing for the purpose of satisfaction, while the third group is knowledge from customer which includes what a customer feels after using the product of service. However, this paper focuses on one of the customer knowledge category, which is knowledge for customer.

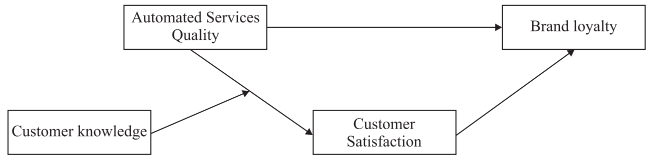
For the purpose of knowledge management, companies are adapting CRM & KMS to enhance new customer knowledge. Nowadays, many leading companies recognize the power of CRM. For the purpose of customer satisfaction, in an industry where the organizations share the information about their products and services which the customer is using, they can easily measure the customer satisfaction, post purchase behavior, predict the repeat purchase behavior, and brand loyalty (Lin, Su & Chien, 2006). There are several advantages of CRM, like organizations expand customer value and market share, and also create loyal customers through this (Lin & Su, 2003). CRM strategies create the customer satisfaction and business excellence (Lin & Su, 2003). However, even in the 21st century, unfortunately, companies ignore the CRM importance and have limited knowledge about it, and due to this ignorance they are losing their customers. Companies must examine how they can better manage customer knowledge. Knowledge Management (KM) is the key to success for any industry because KM addresses the issue of capturing and delivering the knowledge to their customers (Dacenport & Prusak, 1998). CRM and KM both have positive impact on reducing the cost and increasing the customer value and also maximizing the revenue and get customer satisfaction.

Dyche (2002) concluded that all organizations must adapt and implement their own KM and CRM system. For creating customer value and getting competitive advantage, customer must be aware of having complete knowledge about all of their transactions (Giudici & Passerone, 2002). Many companies use IT as a tool for providing their products and services, and introducing the modern delivery channels, such as through internet customers can easily access the information regarding that product and services; this information influences the customer purchase decision. So, on the basis of these services, companies can also predict customer behavior (Song, Kim & Kim, 2001)

In the high knowledge group, where the customers have much more knowledge about products and services, the customer satisfaction level will be high, but in low knowledge group the relationship of automated services and loyalty is indirect only through satisfaction (Garbarino & Johson, 1999). Oliver proposed an expectation theory stating that when a customer is fully aware about the usage of products and services, then his/her expectation level will be high and he/she would notice whether the provided services will be value for money or overvalued.

Hypothesis 3. Customer Knowledge moderates the relationship between Automated Service Quality and Customer Satisfaction

THEORETICAL FRAMEWORK
FIGURE 1



METHODOLOGY

Sample and Procedure

Data was collected through personally administered questionnaires. The measurement of the variables was done through questionnaire items by use of ‘‘five-point Likert scale from 1 to 5’’, rating from ‘‘strongly disagree’’ to ‘‘strongly agree" Convenience based sample from the population of twin cities was selected. The participants included university students from Arid Agriculture University Rawalpindi and Muhammad Ali Jinnah University Islamabad, Pakistan. A total of 180 questionnaires were distributed; however, 150 were useful and complete which made the response rate 83%, and it seemed sufficient sample size according to academic practices for analysis of results. Participation in this study was completely voluntary. Respondents were assured of confidentiality of their provided information, which was used for analysis.

The respondents in the age group of below 18 were none, 89.7% lied in the age bracket of 18-25, 10.3% lied in the age bracket of 26-33. 79.5% of respondents were male and 20.5% were females. 4.1% of the students were in intermediate. 64.4% of the students were bachelor. 31.5% of the students were masters. After collecting the answered questionnaires, these questionnaires were indexed and entered into SPSS sheet for further correlation, regression analysis and also to determine the reliability of data. The scales used to measure the hypothesis in this study were derived from the instruments designed for previous studies and it calculate the reliability and validity of data.

MEASURES

Automated Service Quality (ASQ)

Independent variable Automated Service Quality was measured by using five point Likert scale. Measurements related to the ASQ fields, Automated Service Quality were adopted from the study of Al-Hawari (2006). The value of the Cronbach’s alpha was .789. Sample question included for Automated Service Quality is “Brand x has a sufficient numbers of Automated services”.

Customer satisfaction

To measure overall customer satisfaction with the brand, one of the most frequently employed measurement proposed by Oliver (1980) have been used. The value of the Cronbach’s alpha was .864. Sample item includes “My choice to use Brand x is a wise one”.

Brand loyalty

To measure brand loyalty, five items on repurchase and recommendation intentions have been used. These were taken from the first dimension of the ‘behavioral intentions’ scale proposed by Zeithmal et al. (1996). Items included in the scale were like. The value of the Cronbach’s alpha is .863. Sample item is “I bought this brand because I really like it”.

Customer Knowledge

To measure the Customer Knowledge, the scale of Wang and Feng (2012) was adopted. The construct was measured by three questions. The value of the Cronbach's alpha was .768. Sample question of this scale includes "I have full knowledge of this Service and I feel comfortable to use it".

RESULTS

Table 1 presents correlation among the model variables. Automated Service Quality was positively and significantly associated with brand loyalty (r = .718).

TABLE 1
Means, Standard Deviations and Correlations

Variable	Mean	SD	1	2	3	4
1. ASQ	3.45	0.81	1			
2. CS	3.60	.95	.757**	1		
3. CK	3.57	1.0	.762**	.591**	1	
4. BL	3.54	1.0	.718**	.712**	.645**	1

*** Correlation is significant at the 0.01 level (2-tailed).*
** Correlation is significant at the 0.05 level (2-tailed).*

Automated Service Quality was positively and significantly associated with customer knowledge (r = .762). Automated service quality was positively and significantly associated with customer satisfaction (r = .757). Customer satisfaction was positively and significantly associated with brand Loyalty (r =.712). Customer satisfaction was positively, and significantly associated with Customer knowledge (r =.591). Customer knowledge positively and highly significantly associated with brand loyalty (r =.645).

Regression Analysis

Table 2 shows the beta values and significance values of the independent variable Automated Service Quality shows a significant relationship with customer loyalty (p < .01; β = 0.821**) which means that Automated Service quality has a significant impact on customer loyalty. Likewise, customer satisfaction has a significant impact on brand loyalty (p < .01; β = .747**) which shows a strong impact between these two variables. Similarly, automated service quality has a strong and significant impact on customer satisfaction (p < .01; β = .783**), this shows that customer satisfaction is mediated between the path of automated service quality and brand loyalty.

TABLE 2
Regression for Outcomes

Predictors	Customer Satisfaction			Customer Loyalty		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1						
Demographic Variables		0.278			0.162	
Step 2						
Automated Service Quality	0.783**	0.657	.379**	0.821**	0.540	0.378**
Customer Satisfaction				0.747**	.528	.365**

** p< .05, ** p < .01, ***p<..001*

TABLE 3
Moderation Analysis

Predictors	Customer Satisfaction			Customer Loyalty		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Step 1						
Demographic Variables		0.278			0.162	
Step 2						
Customer Knowledge						
(Controlling ASQ, CK)		0.658	0.380	0.821**	0.540	0.378**
Customer Satisfaction				0.747**	.528	.365**
Step 2 (Interaction Term)						
ASQxCK	0.016	0.719*	0.1*			

** p< .05, ** p < .01, ***p<..001*

Table 3 shows the moderated regression analysis. According to this table, researcher first controlled the effect of both variables (Automated service quality and Customer Knowledge) and further developed the interaction term of these variables. After finding the regression of interaction terms (Automated service quality and customer knowledge), the regression was run that also shows a significant impact of combined effect of moderator and independent variable with the mediator ($p < .05$; $\beta = .016$).

Table 4 is about mediated regression analysis between two variables; automated service quality and customer loyalty. For this, the mediator was controlled to find the impact of independent variable on the dependent variable. The result was significant ($p < .05$; $\beta = .497$). This exercise illustrates that the mediator: customer satisfaction is playing partially mediated role between the variables.

TABLE 4
Mediated Regression Analysis

Predictors	Customer Loyalty		
	β	R^2	ΔR^2
Step 1			
Demographic Variables		.162	
Step 2			
Customer Satisfaction	.413**	.528	.365**
Step 3			
Automated Service Quality	.497*	.593	.066*

** p< .05, ** p < .01, ***p<..001*

DISCUSSION

On the basis of above analysis in the regression table, the significant impact was observed between two variables; automated service quality and brand loyalty, which indicated the acceptance of Hypothesis 1. Hence, study proves the impact of automated service quality on customer loyalty. The use of automated services has become widespread in majority of the services. It has put numerous opportunities for business professionals to enhance current marketing and customer loyalty among the products (Joseph & Stone, 2003). It has been revealed further that there exists a strong impact of automated service quality on customer satisfaction. Majority of the respondents in the questionnaire agreed to this, and these observations further added up in the past theories.

The study sought to investigate the relationship between automated service quality and brand loyalty. The result showed that automated service quality plays a vital role for enhancing customer satisfaction, as well as brand loyalty. Previous studies examined automated service quality with no consideration to determine importance of customer knowledge for getting brand loyalty. Literature suggested that the automated service quality has provided and innovative way to enhance the customer satisfaction and brand loyalty (Zineldin, 2000)

Caruana (2002) argued this in a way that automated services put a great influence in the mind of the customers about the use of innovated ideas to get the services they want. They further get high impression and feel proud of the services they use. This exercise further helps them to get satisfied and they start loving it which accomplishes the task of the companies. Third, regression was run between customer satisfaction and customer loyalty after controlling the demographics. This result was also significant and helpful to find the impact of satisfaction on loyalty among the customers. There are several studies which show this relation. This study also played another role in validating the relationship. Customer loyalty encompasses loyalty attitudes which are opinions and feelings about products, services, brands, or businesses that are associated with repeat purchases. This happens when customer gets satisfied first. Customer satisfaction therefore helps the customers to get loyal (Huang, 2008). Analysis is clearly showing a mediating impact of customer satisfaction between automated service quality and customer loyalty. Research further illustrates that there is a partial mediation between these two variables after controlling the impact of mediator customer satisfaction. This significant impact helped to put a hallmark on the mediating impact of customer satisfaction between automated service quality and customer loyalty. So, hypothesis 2 is accepted. To get the moderating impact it was necessary to find the interaction term which was further regressed after controlling the individual impact of customer knowledge and automated service quality. This interaction term was also playing a significant role on the customer satisfaction. So, there exists the moderator which is strengthening the relationship. Hypothesis 3 therefore is accepted. Often failure occurs when customers don't know how to use the services. This can be put down to complacency when customers are given the knowledge of how to use the automated service and then get satisfied (Gabardine & Johson, 1999).

The industries should pay their attention to improve the automated service quality that leads to the brand loyalty, attraction of new customers, retention rates, may benefit by information about the effect of automated service quality on brand loyalty. From this evidence the industries should focus on improving automated service quality and also focus to deliver the proper knowledge about those automated channels to their customer. The findings of this study also predicted that customer knowledge has a strong positive relationship between automated service quality and customer satisfaction. So, it means if the companies properly deliver the information and knowledge about their Automated Services to their customers in an effective and efficient manner, then their customer will be more satisfied.

THEORETICAL AND PRACTICAL IMPLICATIONS

This study shows that automated service quality has indeed a role for getting customer satisfaction and brand loyalty. The study demonstrated that there is a role of customer knowledge towards the products and services. Youth (18-25 years) pay much role for using automated service quality. So, organizations can target them and give incredible knowledge about that automated service because they will be the consumers of tomorrow. Decision makers of organizations should put positive strategies in their products and automated services in order to attract customers towards them. Therefore, organizations should work on different strategies to deliver the knowledge about those automated services towards them. This study can suggest marketing managers in particular to formulate the appropriate marketing strategies to let customers to buy more products. In this way, they can earn more profits.

LIMITATIONS AND RECOMMENDATIONS

This study is not without limitation. The sample size is not as much appropriate as it could be. Data was collected from two universities of Pakistan, and also from general public, though sample of informants indicated representation of population of two cities of Pakistan. During data collection some difficulties were faced and the sample was too small to lead to generalizability of results. The potential for key informant bias may still exist. Thus, research employing more number of respondent's designs, or direct investigator observation would be useful to confirm results. The sample included Pakistani citizens and the study cannot guarantee that these results can be generalized for different countries.

Finally, purpose of this research study was on the issue of automated service quality within traditional and automated context on brand loyalty and examined the importance of customer knowledge toward those automated services quality for enhancing more customer satisfaction and brand loyalty. Further study is suggested to include others variables such as customer trust. Future studies in additional industry and country contexts would help establish generalizability.

CONCLUSION

In conclusion, the purpose of this research revealed a positive relationship between the automated services and brand loyalty. According to the literature and framework of this research, it helps to understand the important of customer knowledge about automated service quality's impact on customer satisfaction. Customer knowledge is an important antecedent of customer satisfaction and automated services channels have a positive role in shaping the customer satisfaction.

The findings emphasize that industries should realize the importance of customer knowledge towards those automated services channels for getting their higher level of customer satisfaction. The results indicate that customer knowledge of Pakistani consumers had significant relationship among all the variables of reference group influence. Although, hypothesis were supported but this study could also be directed well by increasing the number of respondents in survey and get more desirable results accordingly. There is no doubt that automated services quality and customer knowledge should have a positive impact on brand loyalty.

According to the results of this study, the industries should pay their attention to improve the automated service quality, that leads to the brand loyalty. Industries should examine customer knowledge about those automated services and response to the automated services channels.

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Jinnah Business Review
2015 Vol.3, No2, 19-29

IMPACT OF ACHIEVEMENT MOTIVATION AND SELF-EFFICACY ON EMPLOYEE PERFORMANCE MEDIATING ROLE OF LEARNING AND MODERATING ROLE OF ORGANIZATIONAL CULTURE

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ABSTRACT

The aim of the study was to find out the impact of Achievement motivation, self-efficacy on employee performance moderated by organizational culture, and mediated by learning. Data was collected from 150 employees. Results indicated that Achievement motivation and self-efficacy has positive and significant effect on employee performance. Results also indicated that learning has a partially mediation effect between achievement motivation, self- efficacy and employee performance .The organizational culture also moderated the relationship between achievement motivation, self-efficacy and learning. Hence, the combined effect of achievement motivation, self-efficacy and organizational culture enhanced the learning of employees, which in return increased the effectiveness of their performance.

INTRODUCTION

A psychologist's description is considerably comprehensive than a layman's point of view that: "it is what we did when we went to school" where as in actual we are in continuously state of learning because learning occurs all the time (Robbins, Judge, Sanghi, 2009). "Learning is the key to performance. Learning provides an opening for workers and organizations to inhibit and embrace a strategic view of overwhelming challenges, and to incorporate the use of such creative synergies and managerial practices and expertise to measure organization innovative performance. The establishment of learning systems in organizations is fundamental step towards increase employee satisfaction and performance.

The research findings of Egan, Yang and Bartlett (2004), shows than learning is a primary source of employee satisfaction and motivation in attaining long term goal; hence, improving employee commitment towards organization and high performance, therefore creating learning opportunities in an organization leads to better employee job performance. In literature, researchers interested in organizational development continue to identify new trends to explore how various learning concepts affect employee performance outcomes in different organizational cultural settings.

The organizational culture has many dimensions and aspects; however, the most influencing and important dimension of OC is performance. . If we know the influence of each dimension, we can "correct" them. Thus, we can manage the performance (Ginevičius & Vaitkūnaite, 2006). One of the most diverse definition given by the author Schien is "organizational culture is a pattern of shared basic assumptions, which are formed, when members of organization solve the problems of external adaptation and internal integration." In today's competitive environment, an organization needs to build learning organizational cultures in order to improve employee performance.

Learners' have a rich core context of principles, goals, potentials, moods, and motivations that can improve, increase or affect with the quality of intellectual ability and information processing. The relation between emotions and behavior of an individual underlies the psychological health and functioning of a person, as well as their learning efficacy. Thus, facilitating learning and motivation to learn is an important aspect of reality. When folks are motivated to learn, enabling the increase of higher order learning policies and thinking skills has been shown to improve learning efficacy; thus, when individuals are helped to feel well about themselves and see their inner worth and core competencies, they can access their simple basic motivation to learn to give their best performance (McCombs,1991). Individuals have a natural motivation to learn, develop and rise in ways which are self-determining and according to their needs and expectations. According to expectancy theory, a person is motivated to engage in a task given when he or she is confident enough that they can perform it effectively and efficiently, thus at this very point self-efficacy comes

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in to play, which is defined as a belief of an individual to perform a task confidently to meet situational demands (Bandura, 1997).

Using expectancy theory and McClelland's theory of needs as underpinning theoretical force, an integrative framework has been developed that interpret the impact of achievement motivation; that, is an innate dispositional factor which is characterized by consistent concern for setting and meeting the standards of excellence and self-efficacy on employee effective performance through proper channel of learning, because high self-efficacy will not produce a desired competent result when mandatory knowledge, skills and abilities are lacking. Therefore self-efficacy for learning is important because it motivates an individual to increase their core competencies to enhance effective creative performance of an employee through adopting effective organizational learning culture.

An important area to explore and examine relations among achievement motivation, self-efficacy and learning is goal orientations. People have goal characters or orientations that imitate their beliefs about the reasons that affects performance outcomes, where Task and ego orientations are of particular interest. Our study focuses on this lack of empirical research where past literature shows some evidence. Task oriented employees associate learning with skills and strain themselves with continuous efforts to improve their skills to perform well, whereas ego oriented employees think that learning is crucial as a means of looking capable and proficient in an organization (Schunk,1995).The decision to include these variables was not only predicted because of their significance in OB, applied psychology and HRM, but also because of their continuous usage in European western contexts. Therefore, this will be our benchmark which will allow us to see whether our findings will be of similar or different nature from western context.

This study investigates whether learning act as a mediating variable between individual self-efficacy and motivation to get desired output as employee performance. Previous research findings suggest that people who have a low efficacy feel reluctant from difficult tasks, which they recognize as personal threats. They have low aims and weak commitment to the goals they select to persuade, whereas, people with high efficacy take difficult chores as challenges to be mastered rather than as intimidations to be avoided. Such a person nurtures interest and deep obsession in activities (Bandura, 1993). In line with the above discussion, the present study assumes that if an individual is given a process goal of learning on their progress, it increases task orientation and decreases ego orientation, where achievement motivation and self-efficacy are positively related.

Second, organizational culture will be studied as a moderating variable in relationship with learning, motivation and self-efficacy. Past literature suggests that employees tend to have high organizational commitment when they perceive high organizational learning culture (Joo & Shim, 2010).Strong organizational cultures can be disastrous as well as a source of competitive advantage. According to a study, it was perceived that organizational culture was more significant in shaping employee commitment than person-organization fit (Meyer, Hecht, Gill & Toplonytsky, 2010). Research findings suggests that individual; characteristics, learning, goal orientation and self efficacy are influenced by work environment and organizational culture. When employees recognize the organizational culture is aligned with their core values and self-interests, then they are likely to classify their personal goals with those of the organizational goals, and to put in greater effort pursuing them (Brown & Leigh,1996).

THEORETICAL FRAMEWORK AND HYPOTHESES

Achievement Motivation and employee performance

One of the key issues in organizational behavior is motivation and employee work performance, and motivation is the key factors affecting employee work. Motivation, according to expectancy theory, is defined as that people consider that the effort they put out at work, the performance they attain from that effort and the rewards they obtain from their effort and performance will lead to increase level of motivation, as individual will know that desired effort will lead to desired performance and desired rewards (Lunenburg, 2011). Employees who are rewarded for increasingly demanding performance standards on a task, spend much more time on the activity than those who are rewarded for achieving a constant level of performance, or than those who are not compensated for meeting the desired performance standards (Pierce, Cameron, Banko & So, 2012).

There are different ways in which an individual can be motivated to achieve the set goals. An individual might be motivated to endorsed mastery goals or performance goals. An individual motivation related to mastery goals can be related to achievement motivation. Achievement motivation is a universal feature of daily life. In the school room or at the workplace individuals strive to be proficient in their activities. Prior research suggests that mastery; performance approach goal and competence expectancies are antecedents of achievement motivation (Elliot & Church,1997). Employee differences in achievement motivation effect how they respond to challenge, and may therefore moderate the welfare of exploratory learning. Higher mastery orientation generally harvests increased determination in response to challenge, whereas higher performance orientation harvests withdrawal, proposing that mastery orientation may help employee's better cope with and learn from exploration (Decaro, Decaro & Johnson, 2015). The findings in past literature suggests that factors at all levels (individual or collective) influence indicators of achievement motivation (Niederkofler, Hermann, Seiler, & Gerlach,2015).The innate tendency to focus on the development of competencies through task mastery appears to be significant at employee satisfaction at work (Avery, Smillie & Schaw, 2015). These employees derive pleasure from the continuous exertion of the efforts they exert to increase their competency level. There are two different foci that motivate an employee to behave in a set pattern towards attainment of a goal. The employee motivation can be backed up by positive reinforcement and feedback, which lead to high performers because individual feel their work context favorable and needs fulfilled (Voigt & Hirst,2015).

Interests and goals are two important motivational factors that have an effect on individual performance. Researchers illustrate to types of achievement goals that is mastery (learning) goals and performance (ego) goals. These two goals develop hand in hand by both intrinsic and extrinsic sources of motivation to motivate individuals to acquire and learn skills to improve performance (Hidi & Harackiewiciz, 2000). Mastery of skills requires achievement motivation for an employee to create a competitive edge in this challenging environment. Those organizations which face challenges of innovation and creativity require their employees to be both intrinsically and extrinsically motivated to enhance work performance. Based on the above argument,

Hypothesis 1. Achievement motivation has a positive and significant relationship with employee performance.

Self-efficacy and Employee performance

Self-percepts of efficacy has an impact on thought designs, actions and emotional stimulations. The higher the level of self-efficacy; the lower the level of emotional stimulation and higher the level of performance and accomplishments of tasks (Bandura, 1982). Self-efficacy is defined as the belief in one's own ability to successfully accomplish something. Self-efficacy expectations are behaviorally specific in behavior. According to Bandura (1982), there are three behavioral consequences, (a) approach versus avoidance behavior, (b) quality of performance and (c) persistence. Self- efficacy theory and counseling on the basis of this theory have specific effectiveness as a means of enhancing perceived career options and for increasing and improving success in work performance and the possibilities for upgrading in choosing new careers (Betz, 2004). Numerous efficacies comes in to play for creative work and that creative work efficacy and job efficacy set the criteria for employee creative work performance. It was found interesting that employees believe they have creative ability when they work with leaders who build their self-confidence and serve as models for accomplishing activities to creative performance (Tierney & Farmer, 2002).

Individuals who efficiently evaluate their own intellects and behaviors create a weak or strong perceived self-efficacy toward themselves. Keeping in mind that the individual demonstrates constant development from early childhood to death and come across a diversity of situations thus individuals with a high perceived self-efficacy may encounter more easily with changing tasks, and more successful than individuals with a low perceived self-efficacy (Cikrikei & Odaci, 2015). Literature suggests that employees' creativity relates positively to leader's ratings of their job performance. This entails that managers can acquire the benefits of employee creativity by opting for, or developing, creative individuals with creative self-efficacy as it reflects knowledge and skills as well as intrinsic motivation to be creative and innovative (Gong, Huang & Farh,2009). The above all discussion clearly states the significance of individual high self-efficacy to increase creative employee performance. On the basis of this argument:

Hypothesis 2. Self efficacy has a positive and significant relationship with employee performance.

Mediating role of learning between Achievement motivation and employee performance

Encouraging lifelong learning has received increasing consideration recently from the business communities. Scholars have identified the significance of a continuously refining and technologically competent workforce that can compete in challenging global markets. The relation between moods, attitudes and behaviors are important cognitive factors to facilitate both learning and motivation required to learn hence it can be said that motivation to learn is an innate naturally occurring phenomena or capacity of a human being (McCombs, 2010). In the past literature it was found that organization learning capability mediates the relation between TQM and business innovativeness to increase financial performance (Akgüna et al.,2014).The success of Knowledge management depends on knowledge sharing in five areas organizational context: interpersonal, team characteristics, cultural characteristics, individual characteristics and motivational factors. It is important for an organization to shape and facilitate employee perception of knowledge and ownership to enhance their internal satisfaction and motivation to learn and compete (Wang & Noe, 2010).

Learning and goal orientations of performance are linked with innate beliefs about capability and effort to perform well. Developing competency, mastering and acquiring unique set of skills and learning from past experiences is learning goal orientation. Hence, learning goal orientations enhance motivation and learning outcomes and employee performance (Vande Walle, Cron, & Slocum, 2001). Past researches shows that strategic HR practices affects organizations creative performance through their intellectual capacities they cultivate the level of capacity in acquiring knowledge, sharing and then applying it which in turn increase employees creativity, and enhance their innovative performance. Motivation is important for the transfer of training and learning because without motivation the newly developed knowledge and expertise will not be functional at work (Gegenfurtner, Veermans, Festner & Gruber, 2009). The term knowledge management has gained significance due to increase in awareness of organizational knowledge for the survival and core competency of the firm. Knowledge is a fundamental resource of a firm where learning act as a mediator. It was found that employees who have a motivating leader perceives the meeting sessions with their mentor as fruitful learning experience as the mentor direct them to achieve their goals efficiently and effectively (Eisele, Grohnert, Beausaert, & Segers, 2013). Base on this argument:

Hypothesis 3. Learning will mediate the relationship between achievement motivation and employee performance.

Mediating role of learning between self-efficacy and employee performance

Employees with a learning orientation are likely to gather experience of successful mastery with the passage of time. With this range of skills and experiences, these employees should be more self- efficacious when it comes to creative performance (Gong et al., 2009). A strong sense of self efficacy is a vital motivational factor in ensuring the effectiveness of sustained efforts and commitment to achieve a desired goal (Alessandari et al., 2014). Intellectual capital is becoming a vital factor for an organization long term profit and performance where organizations identify their core values as invisible assets (Hsu & Fang, 2009). According to the researches when employees are in a higher level of need for cognition, they appreciate more from mental involving in challenging tasks, and they always select the situations that decrease their intellectual tensions (Dabbashi, Oreyzi, Nouri & Akrami, 2015).

Self-efficacy has appeared as a highly effective factor of motivation and learning. For measuring performance, self efficacy differ conceptually from related motivational concepts, such as outcome expectations, self-concept, or locus of control etc. Self-efficacy influences individuals learning as well as motivational processes (Zimmerman, 2000). According to the research findings, one of the sources of creative self-efficacy is knowledge. As employees come to comprehend the requirement of their jobs, they are more likely to feel confident and assured that they can be creative in their work roles; hence, learning plays a vital role and act as a mediator between self-efficacy and employee performance. Individuals who have low self- efficacy for learning retain from tasks and who have high self- efficacy participates. Self-regulated skills of an employee require goals to be realistic, challenging in nature and attainable because these types of goals require training and learning (Schunk,1990). It was found out that learning was significantly aligned with self-efficacy of high ability individuals and high level of individual’s performance (Bell & Kozlowski, 2002). Therefore I hypothesize that:

Hypothesis 4. Learning will mediate the relationship between self-efficacy and employee performance.

Moderating role of organizational culture between motivation and learning

Individuals in different cultures have extremely different analysis of their selves and of others. These can influence, and determine, the individual experience, including cognition, emotion, and motivation. According to Hofstede (1994) culture of the national environment in which an organization functions affects the management process through the shared mental programming of its members and managers. Organization culture is defined as “culture is reflected in shared cognitions, standard operating procedures, and unexamined assumptions” (Triandis, 1996). With the increase in global competition, the development of multinational organization structures has become renowned. Now organizational culture has become a favored focus and a standard for approaching HRM problems (Adler & Jelinek,1986). The organizational development specialists understand the significance of culture in a business organization. Culture serves as a base for an organization's management system.

The literature suggests that organizational development experts and executives should focus on transforming their culture to a supportive organizational learning culture (Pool, 2000). The supportive learning organizational culture will have positive effect on employees to engage them to put forth effort and this will motivate them to learn and acquire new skills to enhance their synergies for creative performance. Organizational support moderated the transfer of learning in practice in an organization (Futris, 2015). Organizational culture has a social importance in building and creating interactions and relationships it also has a significant effect on psychological states of an individual. It initiates the motivation desired for learning to perform challenging tasks and attainment of those goals (Bate,1984). In light of the above argument I hypothesize that :

Hypothesis 5. Organizational culture moderates and strengthens the link between motivation and learning of an employee.

Moderating role of organizational culture between self-efficacy and learning

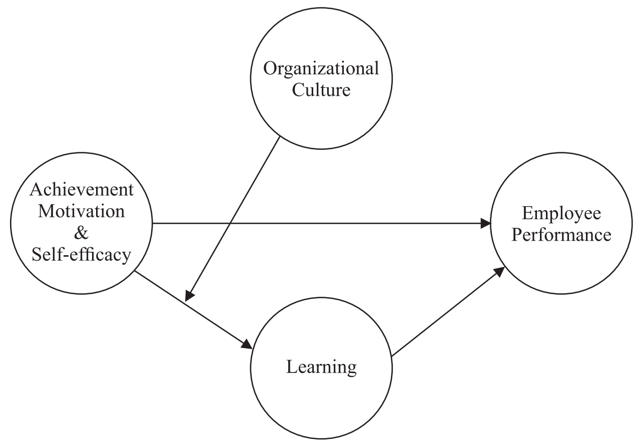
Organizational culture can be a strong enabler or an hurdle in implementing change in organizations thus organizations require some efforts to bring this cultural shift. However culture by its definition means stability, endurance or predictability thus organizational culture should be supportive to aid in the achievement of strategic goals (Levin & Gottlieb, 2009). Organizational culture has various functions it establishes a distinction between different organizations. It holds organization together by providing do's and don'ts for employees. It became a liability when shared values are not aligned with what is required by the organization to increase its effectiveness (Simpson & Cacipope, 2001). Knowledge sharing is positively related to organizational culture. Indication from the research findings suggests that upper level management and human resources managers need to nurture an organizational culture that encourages knowledge-sharing practices system in the organization that will eventually benefit both organizations and its employees, and increase overall job satisfaction criteria (Tong, Tak & Wong, 2014). Self efficacy is a self-concept, where individual is master of his or her skills and is confident enough that he or she can perform effectively in a given situation.

Self efficacy belief motivates individuals to use learning strategies. Employees with strong beliefs will indulge themselves in learning to master their skills. Individuals having more positive expectations towards themselves and future accomplishments are more likely to perform better if they recognize to have the necessary skills to accomplish work-related tasks. Whereas lack of confidence would weaken the behavioral expression of this inner capital, in terms of motivation (Alessandri et al., 2014). Knowledge enables employees to approach organizational issues more accurately and effectively that's why now organizations shows more interest in their employees expertise and skills to establish a breakthrough in the market through continuous process of learning. Research shows that the top management and organizational setting work as a model for knowledge sharing and learning (Islam, Jasimuddin, & Hasan, 2015).

Hypothesis 6. Organizational culture moderates and strengthens the relation between self-efficacy and learning of an employee.

THEORETICAL FRAMEWORK

FIGURE 1



METHODOLOGY

Sample and procedure

Participants for current study were 300 employees working in private banking sector of Pakistan. It is a cross-sectional study. The data was calculated in one time frame due to time constraint. The sampling was done using the convenient sampling method due to limited resources and budget constraint. The effective response rate was 50 percent. Before carrying out the survey, employees were assured of confidentiality. All data was collected on the site during the working hours. The sample use for the final analysis for the current study was 150. 50.7 percent respondents reported as male and the remaining 49.3 percent reported as females with an average age ranging from 26 to 33. 64 percent respondents reported as bachelor, 31.3 percent as masters, 4 percent as MS/MPhil and so on with an average tenure of 5 to 10 years in a bank.

MEASURES

Achievement Motivation

The data for achievement motivation were collected adopting an instrument used by (Hart & Albarracin, 2009). Total of 4 items were there with sample items such as: 'I find satisfaction in working as well as I can' , 'I hate to see my bad workmanship' and 'I get a sense of satisfaction out of being able to say I have done a very good job on a project. The Cronbach alpha was 0.614. Ratings were completed on a five point Likert scale ranging from 1(strongly disagree) to 5 (strongly agree).

Self efficacy

The data for self efficacy were collected by adopting an instrument used by (Perrewé et al., 2004). Total of 9 items were there with Cronbach alpha 0.498; thus, two items were deleted and again reliability of the instrument was measured hence the new Cronbach alpha calculated for N=7 was 0.11. which was greater than 0.7. Hence, reliable. Ratings were completed on a five point Likert scale ranging from 1(strongly disagree) to 5 (strongly agree) with sample items such as: 'I have confidence in my ability to do the job', 'There are some tasks required by my job that I cannot do well' and 'When my performance is poor it is due to my lack of ability'.

Organizational Culture

The data for organizational culture were collected by adopting an instrument used by Van Muijen (1999). A total of 21 items were there in the scale. The scale measured four components of organizational culture that is support orientation, innovation orientation, rules orientation and goal orientation with sample items such as: 'How many people with personal problems are helped?', 'How often does your organization search for new markets for existing products?', ' How often are instructions written down? And 'How often is competitiveness in relation to other organizations measured?' Ratings were completed on a five point Likert scale ranging from 1(strongly disagree) to 5 (strongly agree). These items were averaged to form a single index of organizational culture (Cronbach alpha 0.751).

Learning

The data of learning were collected by adopting an instrument used by (Santhanam, Sasidharan, & Webster, 2008). A total 0f 7 items were there in the scale with sample items such as: 'The opportunity to learn new things is important to me', 'The opportunity to do challenging work I important to me' and 'I prefer to work on tasks that force me to learn new things'. Ratings were completed on a five point Likert scale ranging from 1(strongly disagree) to 5 (strongly agree). The Cronbach alpha of this scale was 0.719.

Employee Performance

The data of employee performance were collected by adopting the instrument developed by (Williams &Anderson,1991). Total of 5 items were there in the scale with sample items such as: 'I adequately complete duties assigned to me', 'I fulfill responsibilities specified in my job description' and 'I performs tasks that are expected of myself'. Ratings were completed on a five point Likert scale ranging from 1(strongly disagree) to 5 (strongly agree). The Cronbach alpha of this scale was 0.796.

Control Variables

In current study, gender, age, education and tenure are taken as control variables. Prior research studies show that these demographic variables are predictors of employee performance (Ang, Van Dyne, & Begley, 2003).

Correlation analysis

Table 1 shows the mean, standard deviation and correlations. The mean value of achievement motivation and self-efficacy is 3.5281 (SD=0.48848). The mean value of learning is 4.3933 (SD=0.41836).The mean value of organizational culture is 3.9308 (SD=0.53582). The mean value of Employee performance is 4.5453 (SD=0.50495). The correlation matrix indicates a positive relation between employee performance and independent variables (i.e. achievement motivation and self efficacy) with value of 1.000**. The correlation values between employee performance and organizational culture is also strongly correlated with the value of 0.332**. However, the correlation between learning and employee performance is not correlated with the value of 0.058.

TABLE 1
Correlation Analysis

Variables	Means	S.D.	1	2	3	4	5
Achievement Motivation	3.5281	.48848	1				
Self-efficacy	3.5281	.48848	1.000**	1			
Organizational Culture	3.9308	.53582	.332**	.332**	1		
Learning	4.3933	.41836	.058	.058	.339**	1	
Employee Performance	4.5453	.50495	.234**	.234**	.214**	.299**	1

**p< 0.05, ** p< 0.01, N=150*

Regression Analyses

To test hypotheses, several regression analyses were performed in which gender, age, qualification and tenure were taken as control variables. First of all, the relationship between the two independent variables, that is achievement motivation and self-efficacy, and their effect on employee performance was measured. The results obtained shows the beta values of independent variables (AM & SE) 0.242 at $p < 0.05$ with the value of R square 0.055.This means that there is a positive and direct relation between these two independent variables (AM & SE) and dependent variable (EP). This proves the first two hypotheses are accepted.

To test for mediation and moderation, we followed the procedure outlined by Baron and Kenny (1986). According to Baron and Kenny (1986), four criteria need to be met to support full mediation. First, the independent variables (i.e., Achievement motivation & Self efficacy) needs to be significantly related to a mediator (i.e., learning). Second, Achievement motivation and Self efficacy needs to be significantly related to employee performance. Third, learning needs to be significantly related to Employee performance. And finally at the fourth step, the relationship between independent variables and dependent variables must disappear when mediator is introduced into the regression equation predicting dependent variable. If the coefficient between independent variables and dependent variables after introducing mediator into the regression equation remains significant but is reduced, there is evidence for partial mediation. Table 2 represents the results of mediation following the steps suggested by baron and Kenny 1986. At first step the effects of control variables and mediating variable on dependent variable was tested. At second step the effect of independent variables on dependent was checked and so on.

TABLE 2
Results for mediation Analysis

Predictors	Employee Performance		
	β	R^2	ΔR^2
Step 1			
Control Variables		. 034	
Step 2			
Control Mediator Learning	.357***	.115***	0.082***
Step 3			
Achievement	.265**	.176**	.060**
Self-Efficacy	.265**	.176**	.060**

*P< .05, ** p < .01, ***p<.001*

The third and fourth hypotheses stated that learning mediates the relationship between independent variables (i.e. achievement motivation & Self-efficacy) and employee performance. To find mediating role of learning three steps regression analysis was conducted In the first step demographics were controlled the value obtained for R square was 0.034. In the second and third step Independent variables were regressed on dependent variable controlling the effect of mediator that is learning, the value obtained were such that the Beta value was 0.265** at p=0.001 which was significant this means that partial mediation effect of learning is present between independent and dependent variables.

TABLE 3
Regression Moderation Analysis

Predictors	Learning		
	β	R^2	ΔR^2
Step 1			
Control Variables		.066	
Step 2			
Control Variables			
Achievement Motivation	-.026***		
Self-efficacy	-.026***		
Organizational Culture	.288***	.179***	
Step 3			
AM×OC	-.535**	.225**	.046**
SE×OC	-.535**	.225**	.046**

** p< .05, ** p < .01, ***p<.001*

The table 3 shows the results of moderation. The moderated regression analysis as shown was used to examine the interactive terms of independent variables (achievement motivation & self-efficacy) and organizational culture. Firstly, control variables were entered into the model, in the second step the impact of independent variables and moderating variable were controlled, then, in the last step, the interaction terms were entered, and the result were significant as shown in table 3. The results of interacting factor (β=-.535**at p=0.004). The negative sign indicates that it weakens the relationship. Hence the results are contrary to the 5th and 6th proposed hypotheses, it weakens the relationship rather strengthening it however organizational culture did moderated the relation between independent variables and learning.

DISCUSSION

The purpose of the current study was to examine the relationship between achievement motivation , self-efficacy and employee performance by focusing on learning as a mediator and organizational culture as a moderator acting between the independent variables and mediating variable. Consistent with the prior research findings of (e.g. Lunenburg, 2011; Hidi & Harackiewiciz, 2000; Tierney & Farmer, 2002) the results obtained in this study shows positive association between achievement motivation, self efficacy and employee performance i.e achievement motivation is something related to consistent efforts to achieve set goals which requires persons high self-efficacy, that is the ability or the confidence that a person can do it, thus these two factors shows a strong impact on employee performance . However, contrary to our expectations, the results of correlational analysis of self-efficacy were more strongly bonded with employee performance then achievement motivation; This shows that employees have strong inner beliefs.

Secondly, in the present study it was mentioned about learning goal orientations that individuals are task and ego oriented. According to Schunk (1995), task oriented individual associate learning with skills and ego oriented with proficiency and capability. According to the results employees were mostly task oriented they associate learning with skills. Learning and goal orientations are linked with performance. According to the study findings employees master and learn new and unique skills to enhance task performance. Therefore the results are consistent with the prior research findings of (Gong et.al., 2009) that employees enhance their knowledge capacities and master skills with the passage of time to increase synergies and enhance creative performance. However the results of mediation were partially related but empirical findings are there in literature, which shows that learning has some mediating effect between achievement motivation, self efficacy and employee performance, but again association is stronger with self efficacy.

Third, it was found that organizational culture did moderated the relationship between the independent variables and mediating variables that is organizational culture has weaken impact on learning of an employee, that is, if the organization is supportive it will motivate individual to learn new things; this motivation will enhance their self-efficacy too, that is, their inner belief and confidence of doing things effectively in an efficient manner. Hence, self-efficacy motivates employees to use learning strategies where supportive learning organizational culture plays an important role. The result findings are consistent with the previous findings of (e.g. Pool, 2000; Futris, 2015; Tong), that employees with strong beliefs master skills with more positive expectations and high motivation towards future goals where environment friendly set up allows them to approach organizational issues more effectively.

The possible differences in result outcomes between the current study and previous empirical studies may be due to the cultural differences, as mostly the previous studies are conducted in western cultures, and this study was conducted in eastern culture where culture is highly collectivist, and power distance is high. Therefore, in a culture like this where power distance is high, the management in top hierarchy set the rules and culture of an organization and individual in an organization is bounded to follow those rules. Such organizations are mostly non friendly to change, hence, does not allow learning of new skills and the decision is mostly dependent on group thus individual has to perform in a way other member wants. However, the trend is now changing every organization now welcome change and forming organization culture in a way which motivates their employees to learn, build their confidence to put their efforts to create synergies for efficient performance which is mandatory in today's competitive environment.

Theoretical and practical Implications

Our findings indicate a more understanding of what drives the level of effective employee performance. With a more focus on learning strategies and employee motivation mechanisms in their work roles, organizations can enhance their performance. It is appeared on the basis of the above results and discussion that by motivating employees we develop a sense of confidence in their inner capabilities which arouses their innate dispositional factors, strength in one's self that an individual can perform a task efficiently.

There are several practical implications that can be derived from our findings. First by creating a greater sense on the importance of knowledge management and supportive organizational culture, a more positive impact can be created on employee performance. To promote greater feelings of motivation and high self-efficacy management in top hierarchy should clearly describe a vision and mission that motivates employees to take greater sense of responsibility for their work roles at all organizational levels. Goal identification and clarification of specific tasks, roles, and rewards may also facilitate feelings of high motivation among employees.

Limitations of the study

One of the main weaknesses of this study was the use of a cross-sectional data collection because the data should be collected in different time lags to study more in detail cause and effect of specially the mediation, that is, learning, and its effect before and after on employee performance.

Second limitation of the study was the characteristics of the sample and common method variance bias which was not controlled due to time constraint and limited supply of necessary resources.

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Jinnah Business Review
2015, Vol.3, No.2, 30-39

BOARD COMPOSITION, OWNERSHIP STRUCTURE AND DIVIDEND POLICY IN PAKISTAN

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ABSTRACT

The aim of this study was to examine the impact of board composition and ownership structure on dividend policy of the firms listed in Karachi stock exchange. For this purpose, the data of 150 non-financial firms from 2008 to 2012 was employed. This study used descriptive as well as fixed effect and logit models for the estimation purpose. Results showed that CEO Duality and ownership concentration have an insignificant impact on dividend policy. Profitability measures and institutional ownership showed a positive significant impact on both dividend payout ratio and dividend decision. Board independence showed a significant positive impact on dividend payout ratio; however, it remained insignificant in case of dividend decisions.

INTRODUCTION

The world has become a global village where every firm, either financial or non-financial, is trying to become profitable. The profitability of a firm depends upon many factors out of which the indicators like corporate governance and board composition are important. The firms hold a set of contracts between the shareholders and the management. The relationship as a result of this contract is known as an agency relationship. In this relationship, one party is known as an agent and second is known as a principal. Agent, usually known as management team, is a party who works on behalf of their principal, and principal, also known as shareholders of the firm, are actually the owners. It's the moral responsibility of the management that they should work in the best interest of shareholders of the firm. So, as a result, shareholders maximize their wealth. Sometimes, due to difference of interest and future prospective, the agent does not work for their principals and use firm's discretionary resources for their own benefits. Under this condition shareholders of the firm monitor the management's behavior, and for that they bear cost known as the agency cost.

Corporate governance is an effective tool to control the agency cost. It is the combination of management strategies, policies to manage the organization and its employees; thus, mitigating agency costs. Firms having good corporate governance can give incentives to their boards of directors and management for acknowledging their efforts, as a result of which the overall shareholders wealth maximizes. For safeguarding the shareholders' interest, corporate governance is considered as an effective tool (Kowalewski, Stetsyuk, & Talavera, 2007). Under the effective control of corporate governance, the management will not be able to misuse the organizational resources, because of low cash available to them. So, as a result, the dividend payout decreases. Corporate governance includes board of directors, CEOs, auditors, senior management, and shareholders of the firm. For aligning the interest of both parties, shareholders vote for the board of directors. These boards set the company vide policies, advise the CEO and senior management, hire and fire the management in case of negligence. Firms have different ownership structures. These structures include managerial ownership, ownership concentration, individual ownership, foreign ownership, private ownership, state ownership etc. These structures exercise specific techniques towards monitoring of management, so that they have a contribution towards dividend. In Pakistan, due to family owned businesses, our study includes relatively dominating variables such as managerial ownership and ownership concentration for a proxy for ownership structure. Profitability variables are controlled in order to assess the true relative impact of independent variables upon the dependent variable.

Besides corporate governance, dividend is also a tool to control agency costs. Dividend is the payment given by a company to its equity holders, usually after a company earns a profit. Dividends are not considered as a business expense but as a distribution of recognized assets among the shareholders. Dividend policy is an important decision made by the board of the directors and this decision is no doubt, one of the fundamental

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components of corporate policy. So, in this way, it has become the most debatable matter in literature of corporate finance. According to financial economists, explaining of corporate dividend policy is not an easy task, as more we try to investigate, more it seems to be confusing (Black, 1976).

Developed capital markets like Japan and USA provided more than enough literature on dividend policy. However, in case of Pakistan, the researchers majorly explored the determinants of dividend policy (Afza & Hamza, 2010; Ahmad & Attiya, 2010; Naeem & Nasir 2007). Moreover, Mehar (2005) and Afzal and Saba (2010) explored the effect of corporate governance on the dividend payouts, but the results were somewhat inconsistent. The purpose of this study is to investigate the impact of board composition and ownership structure on dividend policy non - financial firms listed on Karachi Stock Exchange (KSE), Pakistan, during the period of 2008 to 2012.

REVIEW OF LITERATURE

The work on dividend policy was initiated by Miller and Franco (1961) who argued that dividend policy is irrelevant in determining firm value and share price. Therefore shareholders can adopt any desired stream of payment by purchasing and selling equity. According to this theory, under the assumption of perfect capital market such as freely and easily available information, investors are assumed to be rational, and thus act accordingly. Moreover, capital budgeting policy is not dependent of its dividend policy (Friend & Phuket, 1964; Black & Scholes, 1974). Litner (1962) and Gordon (1963) argued regarding the bird in the hand theory that in the presence of imperfect information and increasing of uncertainty, the higher dividends are linked with higher firm performance. So, investors prefer dividend to the risky future capital gains. Other researchers found out that dividend can reduce the information asymmetries that exist between the agent and the owners, by giving a signal regarding the future expected cash flows of the firm, and reduce the agency problems between the agent and the owner of the firm (Bhattacharya, 1979; Miller & Rock, 1985). Some theories have built up the opinion that due to the presence of taxes in the market, dividend policy is not irrelevant (Litzenberger & Kraishna 1980). Similarly, Jensen and Meckling (1976) argued that agency theory originates due to the division between the management and control. Sometimes management exploits discretionary resources of the organization by giving preference to their own benefits, so for effective monitoring of the management actions, the shareholders of the firm bear a monitoring cost which is known as agency cost. As a result of dividend payouts, the free cash available to management decreases, so dividends mitigate the shareholders-managers conflicts and agency cost is reduced Rozeff (1982) and Easterbrook (1984). Similarly, Rozeff (1982) argued that for dividend, when a firm raises external capital, it becomes necessary for a firm to release new information. So, we can say that dividends help to monitor management whereas the other effective monitoring mechanism becomes inactive.

Institutional Ownership and Dividend Policy

Institutional ownership maintains check and balance upon management activities and provides incentives for shareholders against their value maximization mechanism strategies such as reducing utilization of funds in low return projects, and distributes free cash flow as a dividend. Hence, it has a positive relationship with dividend payouts (Al-Gharaibeh, Zurigat, & Khaled, 2013). This result is also supported by Manos (2002), Han, Lee, & Suk (1999), and Abdulsalam, Sabri, & Ahmed (2008). However, Guizani & Kouki (2009) argued that there is an inverse association between the dividend payouts and institutional ownership, as many times banks also play a role of institutional owner as a shareholder. So, they give preference to paying interest to themselves rather than to distribute dividend to shareholders. Hence, the following hypothesis can be developed:

Hypothesis 1. There is a significant effect of institutional ownership on the dividend policy

Ownership Concentration and Dividend Policy

Ownership concentration increases the tendency of firms to announce low dividend payout, as they extract their private benefits in improving low dividend policies, (Khan, 2006). Similarly, other researchers argued that as the ownership concentration increases, the dividend payouts decrease (Shleifer & Vishny, 1986); Harada & Pascal, 2011; Gugler & Yurtoglu, 2003). As larger stockholders exploit the interest of minority shareholders for their own benefits, and they omit the dividend announcements; hence, concentration of ownership has an inverse influence on dividend payouts. Hansen & Kumar (2010) explored the dividend policy and corporate monitoring and described that inverse relationship exists between dividend payouts and ownership concentration, flotation cost, growth rate in total assets. As large shareholders have enough resources to monitor the management actions, they announce high dividend payouts. As a result, incentive for shareholders increases, free rider problems decreases and value and profitability of the firm improves (Shleifer & Vishny, 1986; Harada & Pascal, 2006, Ahmad & Attiya, 2010; Mehar, 2005). Similarly, Leng (2007) explored that ownership concentrations does not have a significant effect on dividend payouts .The result indicated that an ownership concentration does not have a necessary skills to give a valuable impact towards dividend policy. They can exploit the resources of the shareholders upon their own benefits. This finding is consistent to those found by Sanda & Rubani (2001), Mat-Nor & Redzuan (1999) and Faizah (2002).

Hypothesis 2. There is a significant effect of ownership concentration on the dividend policy.

Board Independence and Dividend Policy

Rozeff (1982) and Farinha (2003) argued that for controlling agency problems, dividend is used as a monitoring mechanism. The presence of non-executive independent directors may also play a role of monitoring mechanism. So, they both substitute each other. We can say that when monitoring by outside independent directors becomes insufficient, higher dividend payouts can be for the same purpose. Similarly, Boumosleh & Cline (2013) investigated that outside directors follow a check and balance approach, and accurately monitor managers for reputational concerns. Use of stock option may attract qualified directors, and as a result of that they can work in the favor of shareholders of the company. Therefore, we don't have to sustain another monitoring check such as dividend. We can say that an inverse relation exists between board independence and dividend policy. Similarly, Fosberg (1989) and Harris & Raviv (2008) argued that when inside directors are more skillful as compared to the outside directors, outside directors will not be able to perform monitoring check. Hence, higher dividend is used to reduce agency problems. Sharma (2008) explored a positive relationship between firm tendency to pay dividend and (1) board independence (2) director tenure, and an inverse relationship between firm tendency to pay dividend and (1) busy directors (2) greater equity incentive in director pay. Afzal and Saba (2010) argued that independence of board has shown an insignificant effect on dividend payout ratio, as roles of non-executive directors are not accurately defined according to the code of corporate governance of Pakistan, or the board includes non-executive directors who are not capable, and they fail to bring objectivity on board. Similarly, Abdulsalam et al. (2008) found out an insignificant association between independence of board and dividend ratio.

Hypothesis 3. There is a significant effect of board independence on the dividend policy.

CEO Duality and Dividend Policy

In CEO Duality, the decision to control their management and implementation remains restricted to one person only. As a result, exploitation increases and performance is affected. Thus, dividend is used as a monitoring mechanism. Researchers investigated positive associations exists between CEO Duality and dividend payouts (Hu & Praveen, 2004; Ghosh & Sirmans, 2006). Ghosh & Sirmans, (2006) explored that strong positive relationship exists between CEO entrenchment level and dividend payouts without a nomination committee, because under this circumstance, CEO has a complete control over nomination and selection process, and CEO duality and tenure make him more entrenched and powerful. As a result, agency cost increases. As entrenched CEOs want to save their position, they declare higher dividends and make resistance against hostile takeover and build up shareholders trust and confidence. Similarly, with nomination committee, CEO entrenchment is less result producing towards dividend policy. Leng (2007) found out that CEO Duality and chairman of audit committee do not have any significant effect on dividend payouts due to shortage of necessary expertise and skill. These results were supported by the results of Reehner and Dalton (1989), Baliga, Moyet, & Rao (1996), and Brickley et al. (2002). Mansoutinia and Milad (2013) argued that CEO Duality has an insignificant effect on dividend policy. This result was also supported by Abdulsalam, et al. (2008).

Hypothesis 4. There is an insignificant effect of CEO duality on the dividend policy.

EPS and Dividend Policy

Turki and Ahmed (2013) studied the firms of Saudi Arabia stock exchange and found that EPS has a significant positive impact on DPR, which reveals that when earning of a firm increases, their dividend payout ratio increases. Mohammad & Mohammad (2012) in their research on multiple factors which can affect dividends policy decision results found that EPS has a significant and positive impact on the dividend payout policy. Taher (2012) examined multi factors which can affect the dividend payout ratio. Evidence comes from a study of Bangladesh which described that EPS has a negative effect on dividend payout ratio, which means higher the earnings of share, greater the firm's intent to reinvest instead of giving out as dividends.

Hypothesis 6. There is a significant effect of EPS on the dividend policy.

ROE and Dividend Policy

Amidu and Abor (2006) found out that profitability has a highly negative impact on dividend payout ratio, which shows that firms are usually interested in reinvesting of their earning instead of paying earning as a dividend. Baker and Gandhi (2007) investigated the impact of return on equity on dividend payout ratio, and found that ROE has a negative impact on dividend payout ratio, which means that firms prefer to retain earning instead of distributing it as a dividend. Kun Li and Chung–Hua (2012) described that firms are more likely to raise their dividend payout ratio when they earn a profit, which indicates that profitability has a positive impact on dividend payout ratio. Generally, firms which can earn higher profit usually do not afford free cash flows to distribute some of their earnings as dividends.

Hypothesis 6. There is a significant effect of ROE on the dividend policy.

METHODOLOGY

This study employed a sample of 150 non-financial firms from six different sectors. Corporate dividend policy was considered as a dependent variable. For measurement of dividend policy, two proxies were used. The first proxy was Dividend payout ratio, whereas, the second proxy was dividend decisions. This variable was a dummy variable whose value was 1 if a firm decides to pay dividend, and 0 if otherwise. Related data of the firms was collected through the annual reports, financial statements and balance sheet analysis.

The econometric models for this study are as follows:

$$DPR_{it} = \alpha_o + \alpha_1 BIND_{it} + \alpha_2 CEOD_{it} + \alpha_3 INTOWN_{it} + \alpha_4 OWNCON_{it} + \alpha_5 EPS_{it} + \alpha_6 ROE_{it} + \mu_{it} \ldots\ldots\ldots\ldots(1)$$

Where

DPR = Dividend payout ratio calculated as Cash dividend per share/ Earning after tax per share (Abdulsalam et al., 2008; Saba & Afzal, 2010 and Al-Malkawi, 2007).
BIND = Board independence measured as a ratio of Non-executive director to total number of directors in a board.
CEOD = CEO Duality measured as a dummy that takes value of 1 if it exists or 0 otherwise.
INTOWN = Institutional ownership measured as number of share held by institutions/Total number of shares outstanding (Kouki & Guizani, 2009; Abdullah, Zuraidah, & Shashazrina, 2012).
OWNCON = Ownership Concentration measured as number of share held by top 10 shareholders/Total number of shares outstanding (Shah, 2012; Chen, Yan, & Aris, 2005).
EPS = Earnings per share.
ROE = Return on Equity
μ = Error term

$$DDecision_{it} = \beta_o + \beta_1 BIND_{it} + \beta_2 CEOD_{it} + \beta_3 INTOWN_{it} + \beta_4 OWNCON_{it} + \beta_5 EPS_{it} + \beta_6 ROE_{it} + \mu_{it} \ldots\ldots\ldots\ldots(2)$$

Where

DDecision = Dummy variable 1 if dividend is paid and 0 otherwise (Afzal & Saba, 2010).
BIND = Board independence measured as a ratio of Non-executive director to total number of directors in a board.
CEOD = CEO Duality measured as a dummy that takes value of 1 if it exists or 0 otherwise.
INTOWN = Institutional ownership measured as number of share held by institutions/Total No of shares outstanding (Kouki & Guizani, 2009; Abdullah et. al. 2012).
OWNCON = Ownership Concentration measured as No of share held by top 10 shareholders/Total No of shares outstanding (Shah, 2012; Chen et al., 2005).
EPS = Earnings per share.
ROE = Return on Equity
μ = Error term

TABLE 1
Descriptive statistics of firms during the period of 2008-12

	Mean	Median	Std. Dev.	Min	Max
DPR	0.203082	0.031778	0.273281	-0.3844	0.895522
DDecision	0.526667	1.000000	0.499622	0.000000	1.000000
BIND	0.469788	0.461538	0.268230	0.000000	0.928571
INTOWN	0.104186	0.071746	0.099848	0.000000	0.341887
OWNCON	0.743007	0.774831	0.164114	0.303591	0.993617
EPS	5.445158	2.985000	9.550034	-16.19	26.96000
ROE	0.122823	0.115050	0.222307	-0.3711	0.606300

For the purpose of analysis panel data regression and logit models were employed. The panel data regression analysis was used because of its advantages of capturing variability and greater degree of freedom. The logit model was also employed to capture the impact of dividend decision.

This section starts with the results of descriptive statistics. Descriptive statistics describe the behavior of the data by using measures of central tendencies and measures of dispersion techniques. Similarly, correlation coefficients were used to check whether multicollinearity exists in the data or not.

Table 2 shows pearsons correlation matrix that describes the degree of association between the independent variables. Board independence has a positive correlation with Earning per share, CEO-Duality, institutional ownership and return on equity, whereas negative correlation exists between board independence and ownership concentration. Similarly, CEO-Duality has a positive correlation with ownership concentration and return on equity, whereas it has a negative correlation with institutional ownership and earnings per share. Institutional ownership has a positive correlation with return on equity and earnings per share whereas negative correlation exists between institutional ownership and ownership concentration. Similarly, ownership concentration has a positive relationship with return on equity and earnings per share. Earnings per share has a positive correlation with return on equity. The highest correlation amongst the covariates is between control variables such as ROE and EPS which is 0.5395682. The lowest correlation among the covariates is the correlation between CEO Duality and ROE which is 0.0095749. Overall the ratio of association, or the correlation between the independent variables is either low or moderate, which describes that no multicollinearity exists between the independent variables. As described by Bryman and Cramer (1997), the pearsons- correlation between the independent variables should not be more than .80.

TABLE 2
Correlation Coefficients of Non-Financial Sector (2008-12)

	DPR	DDecision	BIND	CEOD	INTOWN	OWNCON	EPS	ROE
DPR	1							
DDecision	0.6977	1						
BIND	0.2402	0.11603	1					
CEOD	-0.0342	-0.0213	0.04153	1				
INTOWN	0.30312	0.28826	0.03312	-0.1024	1			
OWNCON	0.06782	-0.002	-0.0705	0.05353	-0.0388	1		
EPS	0.39941	0.66174	0.07229	-0.0342	0.20948	0.07618	1	
ROE	0.37919	0.46472	0.02851	0.00957	0.14504	0.08881	0.53957	1

TABLE 3
Fixed Effect Model of Non Financial Firms

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0.09117	0.07455	1.22295	0.2218
BIND	0.14113	0.05373	2.62677	0.0088
CEOD	0.05695	0.04927	1.15582	0.2482
INTOWN	0.31575	0.12588	2.50839	0.0124
OWNCON	-0.0404	0.091	-0.4439	0.6573
EPS	0.00369	0.00113	3.27375	0.0011
ROE	0.08537	0.04199	2.03326	0.0425
R-squared	0.72045			
Adjusted R-squared	0.6475			
F-statistic	9.87628			
Prob (F-statistic)	0			
Hausman Test	33.52***(0.000)			

Table 3 presents the statistical analysis of fixed effect model. The model has an explanatory power of 0.72. Significant P-value of Hausman test shows that fix effect model is more suitable method for estimation. The results indicate that board independence has shown a significant positive association with the dividend payout ratio (DPR). Board independence is a tool of corporate governance and used as monitoring device. When non-executive directors play an effective monitoring role, dividend is normally not used as a monitoring device because they substitute each other, and firms declare fewer dividends. However, if monitoring of non executive directors is not up to the mark, the firms may declare higher dividends for monitoring mechanism (Farinha, 2003). This analysis describes that in Pakistan board independence may include non executive directors which are not well aware of their job responsibilities. Therefore, we can accept our hypothesis, and our results are consistent with the results of Fosberg (1989), Harris and Raviv (2008) and Sharma (2008) and who also supported their arguments by agency theory. FEM results describe that an insignificant association exists between the CEO Duality and DPR. This indicates that CEOs of the firms have a minor contribution towards dividend payouts. These results are similar with the results of Leng (2007), Mansoutinia and Milad (2013) and Abdulsalam et al. (2008).

Profitability is measured by using two proxies: one is earning per share and second is return on equity which are considered as control variables in this study. Results of FEM analysis reveal that (EPS) earnings per share has a positive and significant impact on the dividend payout ratio which means when the earning of the firms increases, they prefer to distribute their earning as a dividend instead of building up reserves to deal with the unexpected future critical market conditions. Sometimes, it may depend upon the availability of profitable financial projects which can affect the decision making of the firm whether to distribute earning as a dividend or make reserves for future investment in a profitable financial projects. These results are in accordance with the results of Turki and Ahmed (2013) and Mohammad & Mohammad (2012). Similarly, return on equity has shown a positive but significant impact on the dividend payout ratio. These results favor the results of Kun Li & Chung–Hua (2012) who also supported by dividend signaling theory arguments.

Table 4 presents the logit regression analysis of dividend decision. When dependent variable is qualitative nature, we use logit or probit approach. It depends upon the nature of the data. Results of logit approach shows that board independence has a positive insignificant association with the DPR. This means that in our country, board may include non executive directors who remain unsuccessful in giving a valuable contribution towards dividend decisions. These results are consistent with the results of Afzal and Saba (2010) and Abdulsalam et al. (2008) whose results indicated that non executive directors are, perhaps, incapable and remain unsuccessful to give newness and justice to the policies and strategies of the company. Consequently board independence has shown an insignificant result.

CEO who also performs the duties of chairman of the board has shown positive and insignificant result (e.g. Leng 2007; Abdulsalam et al., 2008). A significant positive relationship exists between the institutional ownership and dividend payout ratio. This describes that in Pakistan, institutions usually prefer to increase shareholders wealth. Similarly, for effective scrutiny through the external market they declare higher dividend. This result is consistent with the results of Han et al. (1999), Manos (2002), Al-Gharaibeh et al. (2013) and Abdulsalam et al. (2008), who also defended by dividend signaling and agency theory arguments. Similarly, concentration of ownership did not have any significant effect on dividend decisions due to deficiency of necessary expertise and skills as is supported by the results of Ruhani and Sanda (2001), Leng (2007) and Faizah (2002).

TABLE 4
Logit Model of Non Financial Firms

Variable	Coefficient	Std. Error	z-Statistic	Prob.
Constant	-1.7366	0.58329	-2.9772	0.0029
BIND	0.71127	0.40658	1.74939	0.0802
CEOD	0.31192	0.26429	1.18022	0.2379
INTOWN	5.06363	1.15619	4.37957	0
OWNCON	-0.6413	0.66378	-0.9661	0.334
EPS	0.31611	0.02975	10.6256	0
ROE	2.18625	0.67435	3.24202	0.0012
McFadden R-squared	0.50125			
LR statistic	520.094			
Prob (LR statistic)	0			

Profitability is measured by using two proxies: one is earning per share and second is return on equity. Results of logit model reveals that earning per share has shown a positive and significant impact on the dividend decision, which means that when the earning of the firms increases, they prefer to distribute their earning as a dividend instead of building up reserves to deal with the unexpected future critical market conditions. Sometimes it depends upon the availability of profitable financial projects which can affect the decision making of the firm whether to distribute earning as a dividend or make reserves for future investment in a profitable financial projects. Return on equity has shown a significant positive impact on the dividend decision. Overall, the model is significant with a R^2 48.54%. These are consistent with the results of Turki & Ahmed (2013), Kun Li & Chung–Hua 2012 who supported their arguments by dividend signaling theory.

CONCLUSION AND RECOMMENDATIONS

Good quality corporate governance is necessary for smooth and effective running of the organization. Board of directors is responsible to make strategies and policies which can protect the investor's rights. This paper can contribute towards introducing the importance of corporate governance culture in an emerging market like Pakistan. Empirical statistics reveals that only 20% firms are paying dividend, either regularly or irregularly. Fixed effect model analysis described that independence of board has a positive significant effect on the DPR and remains insignificant in case of dividend decision. So, it is observed that in Pakistan, board independence may include non executive directors who are not well aware of their job responsibilities. Mostly, board includes non-executive directors who are, perhaps, not capable in term of expertise and skills and remain unsuccessful to give newness and justice to the policies and strategies of the company. These results are supported by the results of Afzal and Saba (2010) and Abdulsalam et al. (2008). CEO Duality has shown an insignificant impact on both dividend payout ratio and dividend decision. These results are supported by the results of Leng (2007), Mansoutinina (2013) and Abdulsalam et al. (2008). Similarly, institutional ownership which is 9.84% on average has shown a significant positive result, which describes that institutional ownership keeps a check and balance approach upon management and increases shareholders wealth by reducing utilization of funds in low profitable projects, and increasing dividends. This result is also maintained by Han et al. (1999), Manos (2002), Al-Gharaibeh et al. (2013) and Abdulsalam et al. (2008). Ownership concentration has not shown any significant effect on dividend decision and dividend payout ratio due to scarcity of necessary expertise and skills as sustained by the results of Ruhani and Sanda (2001), Leng (2007) and Faizah (2002). EPS and ROE which are control variables and measures of Profitability have a positive and significant impact on the dividend decision and dividend payout ratio which explains that firms prefer to distribute their earning as a dividend in case of earning profitability. These results are consistent with the results of Turki and Ahmed (2013), Afzal & Saba (2010), and Kun Li & Chung-Hua (2012).

Pakistan is a developing country; we are not well familiar with the importance of corporate governance. In fact, due to weak corporate governance and accounting irregularities, we have a need for transparency of operations; so we have to work upon clarity of operations. In this context, if we talk about the corporate boards; basically it can perform three roles (Goodstein, Gautam, & Boeker, 1994). First role which is performed by boards is institutional role; second one is related to the monitoring and discipline of inefficient management. The third role of board is to pave for the future growth path of a firm and this role is strategic in its nature. During study, it has been closely observed that some firms work without any independent non-executive directors, thus responsible authorities should make it possible that board includes at least one independent non- executive director in the board. The organization-mix should be well balanced and well organized which can be done by promoting a balance between the executive and non-executive directors. On the basis of the findings, this paper contributes to the literature and gives suggestions to the policy makers and industrialists that board of director should be well equipped with financial knowledge, and should be sound and capable strategically. SECP should take a step forward and promote awareness within the organization regarding the roles and responsibilities of executive and non-executive directors so that capability in terms of expertise, skills and knowledge may increase. CEO Duality should promote unity of leadership in facilitating organizational effectiveness (Fayol 1949; Gulick & Urwick, 1937). Family owned businesses should make sure that they gain related expertise and skills which can help them in organizing and monitoring the management. They can have a check on the management team on the basis of their resources. As a result, free rider problems may reduce, resulting in expansion of corporate governance mechanisms (Shleifer & Vishny, 1986); Harada & Pascal, (2006); Mehar, 2005). Similarly, minority shareholders' rights should be well protected because when minority shareholders' rights are not well protected, they want to get major portion of shareholding to protect their own right themselves, resulting in concentration. Hence, SECP should manage the shareholding pattern and give protection to the minority shareholders. According to the results, only profitable firms pay regular dividends, thus it is the responsibility of our government to protect operations of these firms nationally and internationally. The firms which can pay regular dividend should be encouraged with financial benefits and rewards. This exercise will motivate non-dividend paying firms to do the same. This study is limited up to the five year time duration 2008-12 including only non-financial firms. In future, researchers can increase the time span and sample size by taking both financial and non-financial firms.

FUTURE RESEARCH DIRECTIONS

In future, researchers can extend the study area by taking not only the board independence and CEO Duality as a measure of board composition, but also all the related characteristics of board of directors such as age, gender, industry experience, educational and professional qualification. The more effective element of corporate governance which is audit committee should be tested against dividend policy. Similarly, research can be extended by taking all the related variable of ownership structure as well such as managerial ownership, individual ownership, foreign ownership, local ownership, government ownership etc. Board specifically approves dividend policies. However, these decisions are indirectly influenced through investment opportunities, CEO compensation and financial leverage etc. The researchers can expand this research in future by taking investment opportunities, financial leverage and compensation to CEO as a control variables.

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Jinnah Business Review
2015, Vol.3, No.2, 40-51

INFLUENCE OF SOCIAL CURRENCY ON CUSTOMERS PURCHASE INTENTION, MEDIATED BY BRAND EQUITY ELEMENTS: A CASE OF SMART PHONE MARKET IN ISLAMABAD

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ABSTRACT

Current study highlights the contribution of social currency in developing brand equity and purchase intention, and validate the formative construct of social currency not only to develop brand equity but also to significantly improve customer's purchase intention. The main objective was to find out the mediating role of brand equity elements in relationship between social currency and purchase intention in smart phone industry. Data was collected from smart phone brand users in Islamabad. 600 questionnaires were distributed and 396 complete responses were received, making a response rate of 66%. Data was analyzed through SPSS and AMOS Graphics. Reliability, Validity, Confirmatory Factor Analysis and Path analysis was performed to test the hypotheses. Results indicated that social currency has a positive and significant impact on brand equity elements (i.e. brand trust, perceived quality and brand image). Also, brand trust, perceived quality and brand image partially mediates the relationship between social currency and purchase intention. This study contributes to social capital and consumer socialization perspective of social currency in developing brand equity and purchase intention. The study also contributes to smart phone industry, and provides guidelines to improve brand equity and purchase intention through social media and engaging customers over the online and offline platforms. At the end, conclusion, limitations, and future research directions are also discussed.

INTRODUCTION

Today, brands involve in every activity to spread out brand information to get competitive advantage (Brown, Zablah, Bellenger, & Donthu, 2012). Social media and internet empowers brand to improve customer engagement to spread positive word of mouth for better brand advocacy (Keller, 2007; Kumar, Bohling, & Ladda, 2003). Now, apart from traditional marketing activities, customer-to-customer interaction is important for brands to attain competitive advantage. Online communities provides platform to customers (Zaglia, 2013) to provide relevant, adequate and trustworthy information to enhance the sense of affiliation (Fournier & Lee, 2009). Members identify (Dholakia, Bagozzi, & Pearo, 2004) and affiliate with brand when the community provides asocial backing (McMillan, 1996). Online brand communities are very impulsive, due to fast growing web technologies (Brogi et al., 2013). So, creation of brand's social value (i.e., social currency) is more important, that is the result of customer to customer interactions in their everyday social life (Lobschat, Zinnbauer, Pallas, & Joachimsthaler, 2013). Social currency impacts perception of quality (Netemeyer, et al., 2004) and elements of social currency has significant positive effect on purchase intention (Kim & Hyun, 2011).

Marketers are planning to invest more in social media and digital marketing (Baer, 2014) and expressing their greatest interests to social listening (Redsicker, 2014). 98% of marketers decide to increase their marketing budgets like email marketing, social media marketing and content marketing (Young, 2014).Why marketers are investing more on social media and content marketing? Is this really generating the brand's social currency? These problems require empirical investigation to find out their importance in Pakistani context.

Pakistan imports mobile phones of worth US$ 544 million as demand of smart phone has increased over the last few years in Pakistan, and 76.6% mobile phone penetration has been achieved (Pakistan Telecommunication Authority, 2014). In 2008, 139.29 million Smartphone had been sold, while in year 2014,

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1.24489 billion smart phones has been sold globally and 276.39 billion US$ was the revenue earned. Word of mouth conversations has become more challenging for marketers to control as communities of Smart phone brands can spread negative flow of information about other competing brands. Moreover, brand communities exist because of the rivalry and conflict among users of different brands, and they often ridicule the opposite brand and the followers of opposite brand, even publicly (Ewing, Wagstaff, & Powell, 2013). Conflicts and rivalry among different communities can generate negative word of mouth. Hence, the objective of the study is to examine the influence of social currency on perception of quality, brand trust and brand image. Also, the aim of this study is to examine the influence of social currency on purchase intention with intervening role of brand trust, perceived quality and brand image.

REVIEW OF LITERATURE

Theoretically, social currency is based on "Bourdieu's (1977) and Coleman's (1988) idea of social capital", as cited in Zinnbauer & Honer (2011) that describes that customers get benefit from their social interactions. Also "consumer socialization" is a process through which consumers "acquire skills, knowledge, and attitudes" from society through interacting with each other as a part of their social life (Ward, 1974).

Social Currency

Social currency is defined as "the extent and modality with which consumers share a brand with others, or information about a brand, and derive social benefit from interacting with other brand users as part of their everyday social lives" (Lobschat, et al., 2013). They also describe that social currency is an emerging concept of social capital theory in which individuals and groups derive benefits while interacting with each other. Social currency comprises of six facets: 1) Information; 2) Identity; 3) Conversation; 4) Affiliation; 5) Advocacy; and 6) Utility.

Information

Information portrays the amount of benefits which a customer can obtain while interacting with other customers and these benefits craft informational value to customers (Zinnbauer & Honer, 2011; Lobschat, et al., 2013). The desirable information leads to more brand equity, brand image, and unattractive information regarding brand can diminish brand equity (Ward & Ostrom, 2003). Also word of mouth information can be accessed through social communities on social media (Liberali, Urban, & Hauser, 2013). These communities were developed to benefit both the members and the community (Lu & Yang, 2011).

Identity

Identity refers to act of customers to introduce themselves across different brand communities (Zinnbauer & Honer, 2011). Social identity refers to users willingly and actively looking for a "sense of belonging" to specific community and willingness to improve their brand equity. Community identification significantly influences spiritual sense of brand community (Carlson, Suter, & Brown, 2008). Also brand identity and brand identification are key determinant of customer trust on the brand.

Conversation

Conversation is defined as the positive information regarding brand which customers obtain from any medium type while interacting with other customers (Zinnbauer & Honer, 2011; Lobschat, et al., 2013). The conversation about any aspect of brand is very useful for the brand equity development. Even though these conversations might be very complex in nature, they are helpful to categorize different opinions and decisions regarding improvement in brand services (Takeuchi, Subramaniam, Nasukawa, & Roy, 2009). Conversation economy is a newly introduced phrase for two-way conversation. Marketing and brand managers need to integrate these brand related conversations while taking organizational level branding initiatives.

Affiliation

The sense of belonging and sense of association in a brand community from many kinds of personal or non-personal relations is termed as affiliation (Zinnbauer & Honer, 2011; Lobschat, et al., 2013). Membership, guidance, integration, fulfillment of needs and commitment to stay positive and together is the essence of community (McMillan & George, 1986). Members are considered to boost up the sense of community by being honest, by having emotional safety, through having a sense of belonging and by helping and providing support to other members. If an authority is available to control the conflicts that arises within the community then it will generate productive results for the whole community (McMillan, 1996).

Advocacy

How actively a customer is acquiring, promoting and recommending brand's positive information from and to other customers in terms of volume is called advocacy (Zinnbauer & Honer, 2011; Lobschat, et al., 2013).

Brand advocacy and favorable recommendations lead other customers to behavioral and intentional outcomes like purchase intention (Keller, 2007). Also, satisfied customers show more brand advocacy (Fullerton, 2005).

Utility

Utility is defined as a motivational aspect of social currency that stimulates customers to interact with other customers for their own satisfaction and for their personal reasons (Zinnbauer & Honer, 2011; Lobschat, et al., 2013). How much information is useful to make decisions is more important. The diversity and density of arguments is the main determinant of perceived usefulness (Willemsen, Neijens, Bronner, & Ridder, 2011). Consumer's expected utility is the consequence of perceived quality which is the outcome of decrease in both information costs and perceived risk (Menictas, Wang & Louviere, 2012).

Brand Equity

Brand equity can be defined as "the differential effect that brand knowledge has on consumer response to the marketing of that brand"; whereas, the core concept of brand equity depicts that "the power of a brand lies in what resides in the minds and hearts of customers" (Keller, 2013). Customers' "expectation that the brand will perform its promise" is called as brand trust (Lee & Back, 2008). Perceived quality of a brand is defined as "customers' perception of the overall quality or superiority of a product or service compared to alternatives and with respect to its intended purpose" (Keller, 2013). Brand image is the perception of brand attributes and brand benefits in the minds of customers, and the attraction, like ability and distinctiveness of brand attributes and brand benefits develops positive brand image (Keller, 1993).

Relationship between Social Currency and Brand Trust

Customer interaction with each other impacts brand trust (Choi, Yoon, & Lacey, 2013). Social support, that is the result of social interactions among customers, is a key source of developing brand trust (Hajli, 2014). It is very critical to develop communication channel to improve trust that helps to improve brand equity (Loureiro, 2013). Brand trust is the proven way of generating profits by charging premium prices (Allender & Richards, 2012). Moreover, customer to customer interactions derive social benefits that influence brand trust. Therefore, it can be assumed that social currency impacts the brand trust.

Hypothesis 1. Brand's social currency is positively related to brand trust.

Relationship between Social Currency and Perceived Quality

Perceived quality is the "consumer's perceptions of the functional benefits and performance of the branded product" (Tsai, 2005). Customers utilize their social interactions to develop perception of quality (Hajli, 2014), and brands are providing risk free online environment to improve perceived quality (Loureiro, 2013). Undesirable information lead customers to perceive a brand as a low quality brand (Homer, 2008). In addition, online brand communities and social media provide customers a platform to interact with each other which create brand's social currency, leading them to improved perceived quality of that brand (Lobschat et al., 2013). Also, word of mouth conversations has significant effect on perception of quality (Rezvani, Hoseini, & Samadzadeh, 2012). Therefore, on theoretical basis, it can be proposed that brand's social currency impacts perceived quality of a brand.

Hypothesis 2. Brand's social currency is positively related to brand's perceived quality.

Relationship between Social Currency and Brand Image

The communication of brand image is more important to develop favorable outcomes and this is where social media plays its part (Larsen, 2014). In corporate sectors, marketing managers are concentrating on developing the brand image (Naqvi, Ishtiaq, Kanwal, Ali, & Inderyas, 2013). Now branding is involved with social media activities to engage customers online, and word of mouth conversations are considered as triggering cues to building brand image over the social media (Severi, Ling, & Nasermoadeli, 2014). Therefore, literature proves that brand image can be influenced by amount of information available over the social media as a result of customer to customer interactions. Therefore, it can be supposed that social currency influence the brand image in the minds of customers.

Hypothesis 3. Brand's social currency is positively related to brand image.

Purchase Intention

The probability of buying the brand is called as purchase intention (Keller, 2013). Also it inspires customers to recommend the brand to other customers (Hsu & Cai, 2009). Plentiful research is available in the field of purchase intention (e.g., Magnini, Karande, Singal, & Kim, 2013; Rodríguez-Entrena, Salazar-Ordóñez, & Sayadi, 2013; Lu, Chang, & Chang, 2014). Numerous studies were conducted in relation to variable that are also a part of this research like perceived quality (Roest & Rindfleisch, 2010; Das, 2014) and brand image (Diallo, 2012). But literature lacks in accordance to social currency.

Relationship between Social Currency, Brand Trust and Purchase Intention

Customer's propensity to trust branded product is important to pull purchase intention (Hsu & Chen, 2014). In online settings, brands needs to have a very strong reputation which is necessary to build brand trust (Eastlick, Lotz, & Warrington, 2006), as trust is important to increase brand purchases (Chiu, Hsu, Lai, & Chang, 2012). Hajli (2014) found that supportive environment provided by brands increases brand value which manipulates customer intention to do business with brand. Additionally, word-of-mouth conversations and social interactions increase brand trust and customers with strong brand trust show more intensity to purchase intention (Ponte, Carvajal-Trujillo, & Escobar-Rodríguez, 2015). Therefore, on the basis of literature, it can be assumed that social currency of a brand is important to embellish customer's purchase intention with a mediating effect of brand trust.

Hypothesis 4. Brand trust mediates the relationship between social currency and purchase intention.

Relationship between Social Currency, Perceived Quality and Purchase Intention

Social media provides customer with access to knowledge, information, experiences and emotional support that significantly affect quality (Hajli, 2014) and informational quality of brand impact purchase intention (Ponte, et al., 2015). Perceived quality is a key driver of brand's purchase intention (Besharat, 2010). The information shared by customers in their daily lives, about the brand, is significant to perceived quality; whereas, perceived quality is important to increase purchase intention. Therefore, it can be assumed that social currency is important to increase purchase intention with the mediating effect of perceived quality.

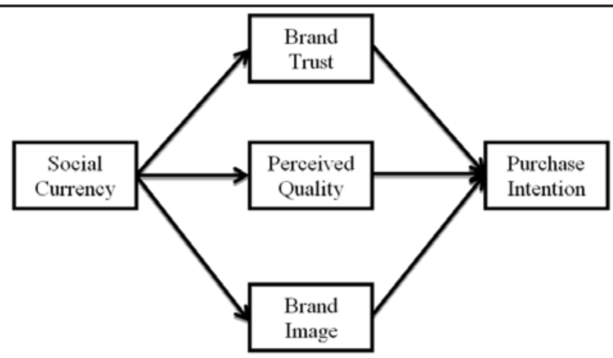
Hypothesis 5. Perceived quality mediates the relationship between social currency and purchase intention.

Relationship between Social Currency, Brand Image and Purchase Intention

Online brand information is necessary to improve brand image (Malik et al., 2013). Empirical evidences have proved that brand related social information is very important to brand image (Cheung, et al., 2014) that ultimately leads to purchase intention (Vlachos & Vrechopoulos, 2012). Moreover, research in consumer behavior illustrates that brand image is the main element which directly influences the brand purchases (Esch, Langner, Schmitt, & Geus, 2006). Therefore, on theoretical grounds, it can be assumed that social currency effects consumer's purchase intention with a mediating effect of brand image in the minds of customers.

Research Model

FIGURE 1
Research Model



METHODOLOGY

Current research is quantitative and data was collected from individuals through questionnaire survey. The study is causal as it tested the relationship between social currency, brand equity elements and purchase intention. This study focused on smart phone users in Islamabad, so unit of analysis is an individual smart phone user. Current study is cross sectional and non-contrived.

Research Instruments

The instruments used for this study were adopted from existing researches that were previously validated. For research instrument, scale of conversation was based on the research of Godes and Mayzlin (2004). A scale employed by Zeithaml, Berry and Parasuraman (1996) and later on by Price and Arnould (1999) was used to measure advocacy. Information was measured by the scale adopted from Muniz and O'Guinn (2001) and Mathwick, Wiertz and De-Ruyter (2008). Affiliation is a beneficial aspect of social currency; it was examined through McAlexander Schouten and Koenig (2002) scale. Algesheimer, Dholakia and Herrmann (2005) conducted research on brand community and scale of utility was adopted form their research. The scale for identity was adopted from the study of Sprott, Czellar and Spangenberg (2009). Scale for perceived quality is acquired from Grewal, Monroe and Krishnan (1998), brand trust was adopted from Chaudhuri and Holbrook (2001) brand image was adopted from Aaker (1991) and Keller (1993), and Purchase intention was measured by the scale acquired from Yoo, Donthu, and Lee (2000) and Shukla (2011). Table 1 shows the full detail of all the constructs of the current study.

Population and Sample

According to PTA (2014) cellular subscribers in Pakistan are 139.9 million. The population for this study was individuals from Islamabad who were actual users of smart phone brands. A list of selected smart phone brands was incorporated in the questionnaire to make it clear that they were actual users of the smart phone brands. Most of the individuals in the population were from other cities working with federal government organizations, educational institutes, public and private sector universities, non-governmental social organizations and private sector organizations. So, to some extent, Islamabad is the city mixed with almost all cultures of Pakistan. The questionnaires were administered personally as convenience sampling was used for this research.

TABLE 1
Measurement items and Reliability

	Construct	Author	No of Items	Cronbach's Alpha
1	Conversation	Godes & Mayzlin (2004)	2	.767
2	Advocacy	Zeithaml et al. (1996) and Price & Arnould (1999)	3	.766
3	Information	Muniz & O'Guinn (2001) and Mathwick et al. (2008)	4	.729
4	Affiliation	McAlexander et al. (2002)	3	.844
5	Utility	Algesheimer et al. (2005)	3	.748
6	Identity	Sprott et al. (2009)	2	.746
7	Perceived Quality	Grewal et al. (1998)	4	.821
8	Brand Trust	Chaudhuri & Holbrook (2001)	5	.754
9	Brand Image	Aaker (1991) and Keller (1993)	9	.883
10	Purchase Intention	Yoo, Donthu, & Lee (2000) and Shukla (2011)	3	.845

The table 2 and 3 shows demographics of the study.

TABLE 2
Sample Properties regarding their gender, age, education and occupation

Category	Age					Gender		Education				Occupation			
	<18	18-25	26-33	34-41	42+	M	F	U	G	Ma	M.ph	S	B	E	O
Frequency	17	226	111	33	9	206	52	108	76	136	76	227	58	110	1
Percentage	4.3	57.1	28	8.3	2.3	52	48	27.2	19.2	34.3	19.2	57.3	14.6	27.8	.3

N = 396, M = Male, F = Female, U = Undergraduate, G = Graduate, Ma = Master, M.ph = M.Phil/MS, S = Student, B = Business, E = Employee and O = Other.

TABLE 3
Sample Properties regarding their use of smart phone and social media

Category	Smart phone							Use of internet				Social website		
	Sa	A	Q	N	So	B	LG	D	W	F	M	Fa	Tw	G+
Frequency	139	91	66	68	16	11	5	195	133	32	36	329	39	28
Percentage	35.1	23	16.7	17.2	4	2.8	1.3	49.2	33.6	8.1	9.1	83.1	9.8	7.1

N = 396, Sa = Samsung, A = Apple, Q = Q Mobile, N = Nokia, So = Sony Ericsson, B = Blackberry, D = Daily, W = Weekly, F = Fortnightly, M = Monthly, Fa = Facebook, Tw = Twitter and G+ = Google+.

Data Analysis

This research found significant evidence for convergent validity. Measurement items of all the variables of study show significant inter-item correlation, and provides significant evidences to convergent validity. The results of correlation analysis provided considerable evidences to discriminant validity. Although the variables of the study are theoretically different from each other, but literature shows that they do have positive significant relationship with each other (Lobschat, et al., 2013).

Social currency is formative construct, and items of different variables of social currency showed significant positive correlations, but the maximum values were well below .3, and all the values were below .43. Brand equity elements (brand trust, perceived quality and brand image) and purchase intention also showed significant correlation across their measurement items, but all the values were well below the acceptance level with a maximum value of .41. The correlation among different items of all variables of the study show significant positive but weak relationship. So, it can be concluded that this study demonstrates the evidences for convergent validity.

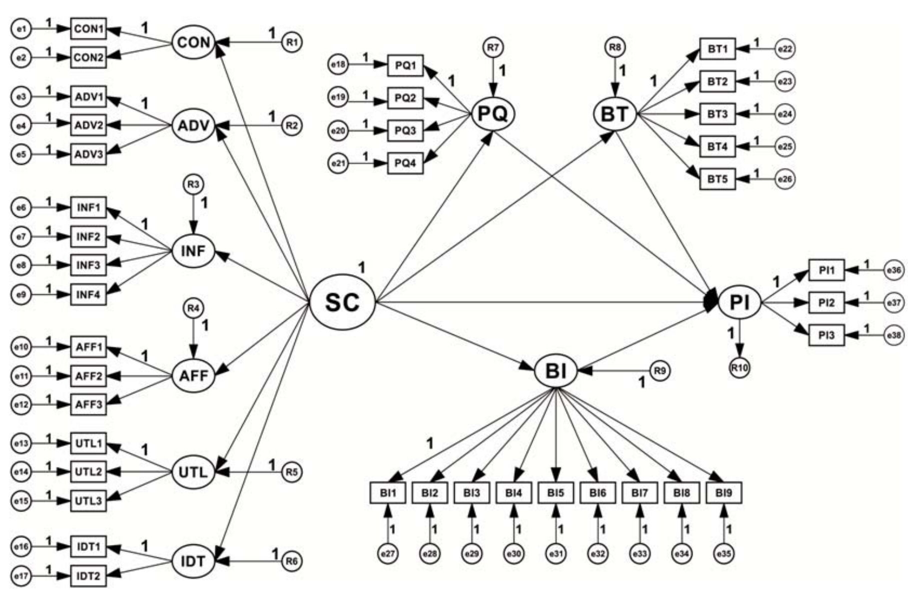
TABLE 4
Correlation Analysis

	Mean	SD	GDR	AGE	EDU	OCC	SPH	IFQ	SOS	SC	PQ	BT	BI	PI
GDR	1.48	.500	1											
AGE	2.48	.799	-.024	1										
EDU	2.45	1.09	.175**	.501**	1									
OCC	1.71	.882	.064	.453**	.471**	1								
SPH	2.45	1.45	-.057	.087	.048	.060	1							
IFQ	1.77	.941	-.002	.054	.016	.026	.069	1						
SOS	1.24	.569	-.041	.084	-.042	.023	.124*	.202**	1					
SC	3.96	.399	.015	.072	.067	.022	-.028	.043	.054	1				
PQ	3.97	.533	-.072	.100*	.054	.057	-.129*	-.076	.008	.575**	1			
BT	4.02	.502	.001	.083	.045	.072	-.068	-.011	-.041	.440**	.404**	1		
BI	4.14	.395	.003	.143**	.112*	.176**	-.139**	.076	-.014	.387**	.412**	.407**	1	
PI	4.05	.488	-.029	.160**	.147**	.191**	-.109*	-.044	-.038	.481**	.508**	.434**	.518**	1

***. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed), SD = Standard Deviation, GDR = Gender, AGE = Age, EDU = Education, OCC = Occupation, SPH = Smartphone brand, IFQ = Internet Frequency (usage), SOS = Social Site, SC = Social Currency, PQ = Perceived Quality, BT = Brand Trust, BI = Brand Image, PI = Purchase Intention*

.

FIGURE 2
The Structural Model



Confirmatory Factor Analysis was performed for measurement model. As for this research, social currency construct being formative in nature; the first step was to examine the impact of social currency elements in defining social currency as a single dimension. So social currency was analyzed separately, and second-order confirmatory factor analysis is performed to find out the model fit evidences for the measurement model of social currency.

TABLE 5
Properties of social currency

			Estimate	S.E.	C.R.	P
CON	←	SC	.373	.040	5.718	***
ADV	←	SC	.815	.032	11.146	***
INF	←	SC	.997	.033	8.339	***
AFF	←	SC	.570	.030	8.819	***
IDT	←	SC	.254	.034	3.343	***
UTL	←	SC	.566	.035	8.567	***

The Table 5 represents that all six dimensions of social currency contributed significantly to social currency with a significant chi-square (chi-square = 242,295.2, df = 153 and p < 0.001). Also good model fit was indicated (GFI = .880, AGFI = .831, CFI = .845, RMR = .041). Not all the factor loadings were above .50 (min = .25, max = .99) but they were significant with significant t-value and p-value. All t-values (C.R.) were above 2 (min = 3.34, max = 11.14) with p-value < 0.001. Model re-specification was not applied to formative constructs only on the basis of data (Lobschat, et al., 2013).To confirm the measurement model of brand equity elements and purchases intention, first-order confirmatory factor analysis was performed. The model fit summary showed a poor model fit. The value of CMIN/DF was 10.9 which is above the threshold value, the value of GFI was .675 which is also not good and all values of AGFI, CFI, TLI and RMSEA were not fulfilling the criteria of a good model fit. Table 6 shows the results of factor loadings of brand equity elements and purchase intention. As model fit summary does not indicate a good model fit in case of brand equity and purchase intention, the model needs re-specification.

Model Re-Specification

The items with factor loading below 0.6 were deleted to improve model fit. Also in CFA researcher can identify covariance among error terms of the items of a single variable. So covariance was drawn to those items only which were belonging to the same construct. Also, two items from brand trust (BT2 and BT4) and three items from brand image (BI5, BI8 and BI9) were removed from the model. The results of model re-specification showed good model fit as shown in table 7.

TABLE 6
Factor loading of Brand Equity Elements and Purchase Intention

			Estimate	S.E.	C.R.	P
BT1	←	BT	.692	---	---	---
BT2	←	BT	.297	.076	5.438	***
BT3	←	BT	.856	.082	14.317	***
BT4	←	BT	.286	.077	5.230	***
BT5	←	BT	.842	.083	14.160	***
PQ1	←	PQ	.767	---	---	---
PQ2	←	PQ	.681	.076	10.679	***
PQ3	←	PQ	.738	.067	13.528	***
PQ4	←	PQ	.737	.079	12.434	***
BI1	←	BI	.803	---	---	---
BI2	←	BI	.828	.055	17.521	***
BI3	←	BI	.622	.054	12.803	***
BI4	←	BI	.698	.060	13.860	***
BI5	←	BI	.527	.062	10.344	***
BI6	←	BI	.842	.059	17.280	***
BI7	←	BI	.673	.060	13.985	***
BI8	←	BI	.470	.053	9.029	***
BI9	←	BI	.469	.054	9.016	***
PI1	←	PI	.700	---	---	---
PI2	←	PI	.837	.081	14.579	***
PI3	←	PI	.876	.094	14.690	***

TABLE 7
Results of Re-Specified Model

Fit Indices	Values (Before Re-Specification)	Values (After Re-Specification)	Outcome
CMIN/DF	10.9	2.91	Good Fit
GFI	.675	.933	Good Fit
AGFI	.590	.887	Good Fit
CFI	.659	.961	Good Fit
TLI	.609	.941	Good Fit
RMSEA	.115	.070	Reasonable Fit

Hypothesis testing

The path analysis of structural model of social currency and brand trust shows that social currency has a significant positive impact on brand trust (R =.42, t-value = 7.7, p < 0.001). The results validated and accepted the first hypothesis (H_1) of the current study that was brand's social currency is positively related to brand trust. Also, factor loadings of brand trust were significant with t-values above 2 and $p < 0.001$. Table 8 shows the values of path analysis of social currency and brand trust. Hence, H_1 of current study is accepted. The result of path analysis of social currency and perceived quality showed that social currency has a significant positive impact on perceived quality (R = .44, t-value = 7.91, $p < 0.001$). The factor loadings of items of perceived quality indicates an acceptable level (min = .68, max = .76) and all values of factor loading were significant with t-values above 2 (min = 10.6, max = 13.5) and $p < 0.001$. Table 8 shows the values of path analysis of social currency and brand's perceived quality. The overall results of the analysis validate the statement that brand's social currency is positively related to brand's perceived quality. Hence H_2 is also accepted. Path analysis of social currency and brand image demonstrated that social currency has a significant positive influence in developing the brand image in the minds of customers. (R = .27, t-value = 5.16, $p < 0.001$). The factor loadings of items of brand image have shown a satisfactory level (min = .47, max = .84) with significant t-values (min = 9.01, max = 17.5) and $p < 0.001$. Table 8 shows the values of path analysis of social currency and brand image. The results of the analysis approve the statement that brand's social currency is positively related to brand image. Hence H_3 is also accepted.

TABLE 8
Path Analysis of Social Currency and Brand Equity Elements

			Estimate	S.E.	C.R.	P	Results
BT	←	SC	.426	.029	7.707	***	H_1 Accepted
PQ	←	SC	.442	.032	7.912	***	H_2 Accepted
BI	←	SC	.268	.035	5.166	***	H_3 Accepted

The application of mediation was based on Baron and Kenny (1986) propositions about analysis of mediation. As the first three hypothesis of study were accepted and confirmed that the relationship between social currency and brand equity elements is significant, the second condition of mediation analysis was already fulfilled. Table 9 represents the results of path analysis between social currency and purchase intention which shows that social currency has a significant positive impact on purchase intention (R = .50, t-value = 9.32, $p < 0.001$). Hence, the first condition was also fulfilled to apply the mediation analysis. Also, the result showed strong set of factor loading for purchase intention (min = .70, max = .87), and all factor loadings were significant with strong t-values (min = 14.57, max = 14.69) and $p < 0.001$.

The path analysis of social currency and purchase intention was performed after including brand trust as mediator in structural model. After that the relationship between social currency and purchase intention decreased down from 0.50*** to 0.25***, but still it is significant. So, according to Baron and Kenny (1986), it can be said that brand trust partially mediates the relationship between social currency and purchase intention. Hence H_4 of this study is accepted. The path analysis of social currency and purchase intention was performed after including perceived quality in structural model. So, after the inclusion of mediator in the model the relationship between social currency and purchase intention decreased from 0.50*** to 0.15***. It decreased to very low value but still it is significant. So, there is a partial mediation between social currency and purchase intention. Hence H_5 of the study is also accepted. The path analysis of social currency and purchase intention was performed after including brand image in the model. The relationship between social currency and purchase intention decreased from 0.50*** to 0.41*** which is still significant. So, according to the results of the study, there is a partial mediation between social currency and purchase intention. Hence H_6 of the study is also accepted.

DISCUSSION

Educated people are more attracted to use smart phones because of the nature of their jobs or businesses. Mostly students are fascinated to engage in using smart phone brands to fulfill their hedonic and social needs. Samsung is the leading smart phone brand in Pakistan as 35% of the respondents are using Samsung. Current study shows that Facebook captures the maximum market share of Islamabad as 83% of the respondents marked Facebook as their primary social media site.

TABLE 9
Result of Mediation Analysis

					Estimate	S.E.	C.R.	P	Results
PI	←	SC	←		.505	.025	9.322	***	
PI	←	BT	←	SC	.258	.025	5.118	***	H_4 Accepted
PI	←	PQ	←	SC	.152	.020	3.574	***	H_5 Accepted
PI	←	BI	←	SC	.410	.024	8.058	***	H_6 Accepted

The internet also gains importance in our everyday social life as 49% of the respondents use internet daily. Overall, this research shows that social currency significantly predicts brand trust, perceived quality and brand image. On the other hand, brands can enhance their purchases by developing brand trust, brand's perceived quality and brand image through social currency.

CONCLUSION

Overall the purpose of the research has been achieved. The objective of the study was to investigate the emerging concept of consumer socialization and consumer social capital called as social currency. The results and findings of the study have clearly shown that, in today's arena of digital marketing, social currency does play a pivotal role in developing and enhancing brand equity, and in return increasing purchase intention in the minds of customers. Also, current research clearly describes that influence of social currency is more in smart phone industry of Islamabad as smart phone brands have high customer involvement in Pakistan.

The findings of the research also proved that social currency is important to increase purchase intention with mediating role of brand trust, perceived quality and brand image. So, to increase purchase intention, smart phone brands in Islamabad need to implement the idea of social currency. By engaging customers online and offline, smart phone brands can increase their social currency which significantly impacts their brand equity. Marketing managers of smart phone brands must focus on implementation of social currency in smart phone industry which would significantly improve brand equity in the minds of customers, namely brand trust, perceived quality and brand image. Furthermore, purchase intention can be derived through many ways among which social currency is an important factor with the intervening role of brand equity elements.

Limitations and Future Research Directions

Only three dimensions of brand equity has been used for this research, whereas there are other dimension of brand equity, like brand associations and brand loyalty, which can be incorproated for future researches in the field of social currency. This study only investigates the impact on customer intentions. The impact of social currency on actual behaviors, like actual purchase behavior and repurchase intention can be established and studied. Current study is a cross sectional and in future, longitudinal research can be done. Also the unit of analysis was individual smart phone users in Islamabad, so, groups, based on age, gender and cultures can be taken into considerations in future researches. Also a large population and sample size can be used in future researches to investigate this relationship.

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Jinnah Business Review
2015 Vol.3, No2, 52-59

IMPACT OF PRODUCT QUALITY & UNIQUENESS ON PRICE PREMIUM WITH MEDIATING EFFECT OF SOCIAL IMAGE

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ABSTRACT

The purpose of this paper was to understand the importance of product quality, its uniqueness that can be used in order to achieve a price premium for consumer packaged food. 300 questionnaires were distributed among packaged food consumers. The response rate was about 50 percent. The results showed that product quality and uniqueness has significant impact on price premium, while social image fully mediates the relationship of product quality and price premium. Social image also partially mediates the relationship of uniqueness and price premium.

INTRODUCTION

Around the world, consumer product markets, traditional manufacturers and brands face intense price competition. One of the forces behind the price competition has been the retailers, who, with growing power, have developed and marketed their own store brands, or private labels (Verhoef, Nijssen & Sloot, 2002). Much of the research work has been done on brand equity (Yoo & Donthu, 2001; Washburn & Plank, 2002; Kim & Kim, 2005) with more focus on why customers choose, prefer and buy, and less on why customers want to pay more or less.

Studies that have focused on customers' willingness to pay have just measured product related perceptions (Kalogeras, Valochovaska, Baowrakis & Kalaitzis, 2009) or only one type of determinants such as origin (see Unahanandh & Assarut, 2013). Qualitative, explorative and conceptual study is one exception by Anselmsson and johansson (2007), which suggests that there are five dimensions: awareness, product quality, loyalty, uniqueness and non-product-related brand associations including associations to corporate social responsibility (CSR), social image and origin which determine the customers' willingness to pay for food brands.

Primarily, to overcome the competitive situations as well as to avoid the price war for consumer packaged food brands, the retail sector focused on the product quality (Ghose & Lowengart, 2001; Steenkamp, Van Heerde & Geyskens, 2010). The main idea behind that concept is, by increasing the product quality; a brand can create a differentiated position for itself in the market, which motivates the customers to pay more. Within the food industry, brand managers seem to prioritize a quality image in their efforts to build strong brands (Davcik & Rundquist, 2012).

In past empirical studies, the link between uniqueness, price premiums and loyalty has been statistically, established but none of them have focused solely on consumer. Uniqueness, "to what degree customers feel that the brand differs from competing brands" (Netemeyer et al., 2004, p. 211), is closely related to the concept of differentiation and unique selling proposition. Anselmsson and Johansson (2007) have presented the propositions regarding the food brands. However, there are only a few studies which have investigated that how social image, which is the most important non-product factor, can motivate consumers to pay more for the products. For instance, there is still need to conduct research on the factors which influence social image, and how social image drives customer's willingness to pay more. This study will be helpful to fill this gap.

Brand equity literature shows specific user image construct (i.e. perception about user of certain brand or typical buyer), that relates the social image as an important component when building brand equity and brand loyalty (Keller, 2001). In the present study, the idea behind to take social image as a mediator is to provide the customer means to express themselves, and their ideal or specific dimensions of themselves, and how it drives price premium.

REVIEW OF LITERATURE

Product quality and price premium

A brand gets a price premium when the total that customers are willing to pay for items from the

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brand is higher than the whole they are willing to pay for comparable items from other significant brands (Aaker, 1996). According to Aaker (1996), "Price premium may be the best single measure of brand equity" (p. 107). Price premium is the most useful indicator of brand equity (Aaker, 1996; Sethuraman, 2000). Price premium is relatively stable over time, yet captures variations in the brand's health, and is a powerful predictor of market shares (Ailawadi, Lehmann, & Neslin, 2003). Doyle (2001) even argued that a price premium is the most important path through which brands can make shareholder value, because it requires no direct investments to charge a higher price. Price premium is a relative measure that is significant for all brands, even for low-cost brands, for which customers are willing to pay more for one brand than for another. Price premium appears to have a central place in branding theory.

Mostly in brand equity models, product quality is a central component (Lassar, Mittal & Sharma, 1995; Aaker, 1996). Productquality is a salient concept (Acebron & Dopico, 2000). Anselmsson and Johansson (2007) and Kalogeras et al. (2009) proposed it to be a determinant of price premium. As with customer based brand equity, and in contrast to objective quality, product quality is a subjective mental notion that exists in customers' minds and differs from the objective quality by having a higher degree of abstraction (Zeithaml, 1988; Keller, 1993; Aaker, 1996). Product quality lends value to a brand in several ways: high quality gives consumers a good reason to buy the brand and allows the brand to differentiate itself from its competitors, to charge a premium price, and to have a strong basis for the brand extension (Aaker, 1991).

Positive relationship between product quality and price premiums has already been confirmed in different empirical studies (Netemeyer et al., 2004). Sethuraman (2000) explained price premium as a result of product quality. Product quality is considered a core element of customer based brand equity, because it has been associated with the willingness to pay a price premium, brand purchase intention and brand choice. Product quality may also be a substitute for other elements of customer based brand equity (i.e., PVC), and it is applicable across product classes (Aaker, 1996; Keller, 1993). Research within the customer-based brand equity field has become more systematic, a distinction between determinants brand image and outcomes brand strength (Feldwick, 1996; Wood, 2000; Persson, 2010). Brand image (brand knowledge or brand description) has been defined as any information linked to the brand in the customer memory (Keller, 1993), meaning that the associations and beliefs that the customer has regarding the brand would convince him/her to pay more for a brand. Brand strength, in contrast, is most often described as a global evaluation or an intention to behave, such as an intention to buy or pay for a brand (Netemeyer et al., 2004). Brand strengths and outcomes of brand image are price premiums, loyalty and satisfaction (Aaker, 1996; Netemeyer et al., 2004; Keller, 2001).

Hypothesis 1. Productquality will have a positive significant impact on a price premium.

Uniqueness and Price Premium

Uniqueness, meaning "to what degree customers feel that the brand differs from competing brands" (Netemeyer et al., 2004, p. 211), is one of the most central cornerstones in the marketing literature, and is firmly identified with the concept of differentiation and unique selling propositions. Also, in brand equity theory, uniqueness is fundamental, as the degree of uniqueness in a brand's associations, together with the favorability and strength of those associations, determines its equity (Keller, 1993). In previous empirical studies, the link between uniqueness, price premiums and loyalty has been statistically confirmed (Kalra & Goodstein, 1998; Netemeyeret al., 2004). Willingness to pay a price premium is viewed as a result of managing other customer based brand equity facets as well, where PQ, PVC, and uniqueness are important reasons for the willingness to pay a price premium (Blackston,1995; Keller, 1993).

If the brand product is not as unique from competitors, it will have a difficult time in supporting a higher price relative to other brands. Brand uniqueness is considered a core customer based brand equity facet (Aaker, 1996; Agarwal & Rao, 1996). Judgments of a brand's uniqueness can be inferred via differentiating advertising claims or from direct experience with a brand. Regardless of how it is formed, if a brand is considered unique, it can command a price premium in the marketplace (Aaker, 1996). Choice theory offers an explanation as to the effectiveness of the uniqueness as a core customer based brand equity facet. When faced with a choice among brands, features common to alternative brands may cancel each other out because they offer little diagnostic information towards preference (Dhar & Sherman, 1996). In contrast, unique features do offer diagnostic information by differentiating the brand from other brands. Unique aspects of a brand affect both preferences and the willingness to pay a higher price fo ra brand (Carpenter, Glazer & Nakamoto, 1994; Kalra & Goodstein, 1998). Uniqueness is likely related to PQ judgments in which consumers may infer that unique aspects have value or quality. As such, a strongly held unique association implies that PQ, and uniqueness are related.

Hypothesis 2. Uniqueness will have a positive significant impact on a price premium.

Mediating role of Social Image between Product Quality and Price Premium

In the general branding literature, social image, or the social role and symbolic meaning of brands is often emphasized (Martin & Brown, 1990; Biel, 1992). However, in brand equity literature, user image construct i.e. perceptions about the typical buyer or user of a certain brand relates to the very same idea and is seen as an important component when building brand equity and customer loyalty (Keller, 2001). Social image provide customers with means to express themselves, their ideal selves or specific dimensions of themselves (Belk, 1988; Ball & Tasaki, 1992).

Social image is indeed relevant and influences customers' response in a variety of categories, not only capital and shopping goods but also effects relative cost (Lassar, et al., 1995). According to exploratory work by Anselmssonet al. (2007), and Tikkanen and Va¨a¨riskoski (2010), social image has also been shown to be a price premium driver.

Caminal and Vives (1996) found that market share was positively associated with quality, with the former, in customers' point of view, being a positive signal underlying a future high product quality. Customers who are familiar with a specific brand or logo tend to evaluate the product quality of the brand's product highly and willingly pay a price premium for the product (Dawes, Meyer-warrden & Driesener, 2015). For this reason, it is widely accepted that social image positively influences customers' perceptions of a brand's quality (Macdonald & Sharp 2004; Baldauf, Cravens & Binder, 2003).

Product quality is related to a consumer's opinion on the extent to which a particular product will be able to meet his/her expectations. In this regard, product quality has nothing to do with the actual performance of the product. However, product quality can have a great impact on a brand's equity. The higher the product quality of a brand, the greater will be its brand equity. It is important that a customer perceives a brand to be of high quality because it will increase the brand preference and build brand equity. Quality and quality improvements are often used as the primary, and sometimes single, dimension. In seeking to manage the development process of the image, a company will focus on the element it can control, namely its identity. Ultimately, the image is formed in the mind of the receiver. In short, the identity is sent, while the image is received or perceived. These truisms regarding the image and identity are relevant at all levels of marketing imagery (Meenaghan, 1995).

Functional benefits, especially those based upon attributes, have direct links to the customer's decisions and user experiences. If a brand can dominate a key functional benefit, it can dominate a category. However, Vranesevic and Stancec (2003) found in their study that consumers do not value products based exclusively due to their physical characteristics. In the process of making a purchasing decision when choosing an alternative, the consumers will first perceive the brand as "a sign of quality", and then other evaluation criteria (physical appearance and packaging, price, and the reputation of the retail network).

The brands and products can become symbols of a person's self-concept. A brand can thus provide a self-expressive benefit by providing a way for a person to communicate his or her self-image. When a brand provides self-expressive benefits, the connection between the brand and the customer is likely to be heightened (Aaker, 1996). Self-expressive benefits focus on the following: self rather than feelings, public settings and products rather than private ones, aspiration and the future rather than memories of the past, the permanent rather than the transitory, the act of using the product rather than a consequence of using the product (Aaker, 1996).

Hypothesis 3. Social Image will mediate the relationship between Product Quality and Price Premium

Mediating role of Social Image between uniqueness and Price Premium

Purchasers' requirement for uniqueness is grounded in Snyder and Fromkin's (1980) uniqueness theory, which clears itself in the individual's search of material goods to differentiate themselves from others. Consumers willingly risk social disapproval to establish their uniqueness by selecting products that deviate from group norms though unpopular choice counter-conformity consumer behavior (Tian, Bearden & Hunter, 2001). Interestingly, their risky behavior may ultimately increase their self-image. These consumers are not concerned about criticism from others; in fact, they tend to make purchase decisions that others might consider to be strange (Simonson & Nowlis, 2000).

Researchers have concluded that consumers' with a high need for uniqueness tended to adopt new products or brands more quickly than those with a low need for uniqueness. Consumers tended to purchase high-quality products not because of their desire for uniqueness but despite it, which helps to create their image in the society. This leads towards relative premium (Amaldoss & Jain, 2005). The results of those studies support the idea that consumers' brand perceptions are related to their need for uniqueness and price premium.

Consumer need for uniqueness drives individuals to pursue dissimilarity through consumption in an effort to develop a distinctive self and social image (Tian, Bearden & Hunter, 2001). A unique image is considered desirable. Choices (especially creative ones) made by unique individuals are often adopted by others who wish to develop their uniqueness.

Value proposition is an element in a brand identity system proposed by Aaker (1996). The core concepts in the value proposition are functional, emotional, and self-expressive benefits. The functional benefits are based on a product attribute that provides the customer with functional utility. Such a benefit will usually relate directly to the functions performed by the product or service for the customer. A brand's price is also related to the benefits that the brand provides (Aaker, 1996). Moreover, the fifth benefit, namely a social benefit has also been introduced (Bhat & Reddy, 1998; Long & Schiffman, 2000).

Hypothesis 4. Social Image will mediate the relationship between uniqueness and Price Premium.

METHODOLOGY

Instrumentation

A four item scale adopted from Netemeyer, et al. (2004) was used to measure Uniqueness, while Social image was measured using a three item scale developed by Sweeney and Soutar, (2001). Price premium was measured using a three item scale developed by Netemeyer et al., (2004). All the items were measured on a five point Likert scale with "1" representing strongly disagree and "5" representing strongly agree.

Population and sample

The population for this research was the consumer of packaged food (store brands or private label). The sample consisted of students mainly studying in different universities like Pir Mehr Ali Shah Arid Agriculture University, Rawalpindi and Mohammad Ali Jinnah University, Islamabad. In addition, few members of the households in Pakistan were also part of the sample. Data was collected using convenience sampling method because the population is just too large that it is impossible to include every individual.

Initially, 300 questionnaires were distributed and 158 were received back. Out of these questionnaires, 8 were incomplete and were omitted. Consequently 150 questionnaires were used for the study, representing a response rate of 50%. The respondents were asked not to mention their name anywhere on the questionnaire to ensure confidentiality. In order to get honest and true information from the respondents, the questionnaires were kept anonymous.

Sample characteristics

The sample constitutes 66% males and 34% females. In terms of qualification, 1.3% of the respondents had Masters Degree, 98% were graduates, and 0.7% with education up to intermediate level. The sample consisted of respondents belonging to different age groups. 51.3% were under 20, 48% between 21 and 30 years, 0.7% between 41 and 50 years. Respondents belonged to different universities and some members of the households were also part the sample.

RESULTS AND DISCUSSION

Table 1 presents the correlation between variables. The control variables i.e. gender and age are positively associated with Price Premium (Sig 0.161, 0.200) respectively and qualification is negatively associated with Price Premium (Sig .038). While quality, uniqueness and social image are significantly associated with Price Premium.

TABLE 1
Correlation analysis and reliabilities of measures

Variable	Mean	SD	1	2	3	4
PQ	3.6378	.85132	(.784)			
UNI	3.6467	.84503	.557**	(.788)		
SI	3.3889	.92154	.474**	.514**	(.725)	
PP	3.6689	.85005	.482**	.527**	.628**	(.750)

*(N= 150, PQ = Product Quality, UNI = Uniqueness, SI= Social Image, PP= Price Premium) **p=Correlation is significant at the 0.01 level*

This table 1 shows correlation values of product quality, uniqueness and social which are .428, .527 and .628 respectively, these values show the degree of association between these variables of study and provide the initial support to the proposed hypothesis of my study. While values in parenthesis shows reliabilities (Cronbach's Alpha) of the scales used for present study.

TABLE 2
Regression analysis for outcomes

Predictors	Social Image			Price Premium		
	β	R^2	ΔR^2	β	R^2	ΔR^2
Product quality						
Step 1						
Control variable					.043	
Step 2						
PQ				.282*	.337	.293
Uniqueness				.387*	.337	.293

*Control variables: qualification; n =150.*p < .01*

In table 2 shows that qualification is the only demographic which is needed to be controlled in case of price premium. While other demographics i.e. gender and age are insignificant in case of price premium as dependent variable so that there was no need to control insignificant demographics. Product quality β (.282) with the positive sign and significance (p<.05) has positive significant impact on price premium so with this significance this hypothesis is accepted and positive impact which reflects from the positive sign of beta (β). Uniqueness β (.387) with the positive sign and significance (p<.05) has positive significant impact on price premium so with this significance this hypothesis is also accepted and positive impact which reflects from the positive sign of beta (β).

TABLE 3
Mediated regression analysis

Predictors	Price Premium		
	β	R^2	ΔR^2
Mediator analysis			
Main effects: Product quality & Uniqueness			
Step 1			
Control variables		.043	
Mediation: Social Image			
Step 2			
Social Image	.662**	.408	.365
Step 3			
Product quality	.154	.467	.05
Uniqueness	.209*	.467	.05

*Control variables: qualification; n =150.*p < .01*

Table 3 shows social image is taken as mediator in two relations; first is product quality and price premium, second is uniqueness and price premium. In the first relation, product quality has non-significant beta (β) value, while on the other hand in the direct relation of product quality and social image it has significant beta (β) value. Therefore in this relation of product quality and price premium, social image fully mediates. It also shows the acceptance of this hypothesis of mediation. In the second relation of uniqueness has significant beta (β) value and on the other hand it was also significant beta (β) value in the direct relation of uniqueness and social image that's why in the second relation, social image partially mediates and it also a proof of the acceptance of this mediation.

In general a good support was found for majority of hypothesis. Especially the full mediation of social image provides us a new dimension in explaining the relationship between product quality and price premium among packaged food.

The first hypothesis which examined relationship between product quality and price premium was accepted. Anselmsson & Johansson (2007) and Kalogeras et al. (2009) proposed it to be a determinant of price premium. Empirical studies have confirmed the positive relationship between product quality and price premiums (Netemeyer et al., 2004).

The second hypotheses was also accepted which examined the relationship between uniqueness and price premium. Uniqueness is an important reasons for the willingness to pay a price premium (Blackston, 1995; Keller, 1993). If a brand is considered unique, it can command a price premium in the marketplace (Aaker, 1996).

The present study suggests that relationship between product quality and price premium cannot be fully explained unless social image is not taken into account; lending support to accept third hypothesis. In our findings social image fully mediates the relationship between product quality and price premium. Empirical studies showing that product quality perceptions alone can explain only a small share of the price, consumers are willing to pay for different packaged food products (Sethuraman, 2000).

In the last hypothesis, social image partially mediates the relationship between uniqueness and price premium. Consumer need for uniqueness drives individuals to pursue dissimilarity through consumption in an effort to develop a distinctive self and social image (Tian, Bearden& Hunter, 2001). A unique image is considered desirable, choices (especially creative ones) made by unique individuals are often adopted by others wishing to develop their uniqueness.

These findings contribute significantly in our understanding of price premium among food sector. The findings can help the managers in food sector to develop such strategies which can create the image of an individual apparently by providing product quality and uniqueness. Consumers tended to purchase high-quality products not because of their desire for uniqueness, but for their desire to create their image in the society and in fact this leads towards price premium.

The important role of social image is the most novel finding in the present study. Indeed, there are some general and explorative studies that have proposed how social image matters for food brands. Quality and quality improvements are often used as the primary, and sometimes single, dimension. In seeking to manage the development process of the image, a company will focus on the element it can control, namely its identity. Ultimately, the image is formed on the mind of the receiver. Customers' willingness to pay a price premium is, in this food context, first and foremost driven by its social image, and its ability to stand out from the competition (uniqueness). Social image has the strongest impact on price premium.

LIMITATIONS AND IMPLICATIONS FOR FUTURE RESEARCH

Although these findings help us to better understand price premium food industry in Pakistan, but there are certain limitations which must be addressed by the future researchers. First is that small sample size has been taken which may not be applicable to whole population. A larger and more diverse sample can provide more comprehensive information on the issue. Similarly it will be useful to collect data longitudinally. Secondly geographical area covered for the study is a constraint i.e. Twin Cities. The variable studied may have more implications; they can give more effective results in other geographical boundaries i.e. Pakistan's other cities. Due to convenient sampling technique, it may have given birth to biasness in results.

A future study could take the investigation further, and study determinants of actual price premiums, margins and purchase behaviors. Future studies could look into the interplay between quality, price premium and loyalty, perhaps in different consumption situations (e.g. purchases during workdays, weekends and for special occasions such as inviting friends for dinner).

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Jinnah Business Review
2015, Vol.3, No.2, 60-67

THE IMPACT OF SOCIAL MEDIA MARKETING ON BRAND LOYALTY: THE MODERATING ROLE OF WORD OF MOUTH

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ABSTRACT

This study is based on such customers who follow at least one brand on the social media in Pakistan. The data was collected through a structured questionnaire from the university students of Pakistan. The results showed that the brand loyalty of the customers is affected in a positive manner when the brand has presence on various platforms of social media. It has been found that customer interaction has a fully mediating role in social media marketing and brand loyalty. Also, the word of mouth has no moderating role on the relationship between customer interaction and brand loyalty. The implications for marketing practice and future research are also discussed.

INTRODUCTION

In recent years, the trend which got most popular in internet marketing, is social media marketing (Schivinski & Dabrowski, 2014). Social media marketing is a new and rapidly growing communication tool to develop positive relationships with customers (Erdogmus & Cicek, 2012). Even some industry experts claim that if you are not a part of social networks like Facebook and Youtube, then you don't exist in cyberspace. So, the low cost and effectiveness in consumer engagement can't be achieved without it (Kaplan & Haenlein, 2010).

As Social networking sites, which consists of network of friends for social and professional interactions (Trusov, Bucklin, & Pauwels, 2009) are getting more popular, it provides the customers a social platform to share thoughts about their favourite brands with the friends and family (Cheung & Lee, 2012). To interact and engage new customers, one must make best use of social media (Kietzmann, Hermkens, & McCarthy, 2011). A brand community on social media provides effective and improved means to create strong bonds between brand and consumers (Thompson & Sinha, 2008). Through information sharing on brand communities, consumers can get quick information and also the interaction can lead to the building of brand loyalty (Kim & Ko, 2012).

Brand loyalty is highly affected by the various brand communities on social media platforms, as consumers always look for different creative ways to connect with the brand (Erdogmus & Cicek, 2012). As brand communities are such a platform, where information related to brands can be shared, it leads to commitment and then brand loyalty (Hur, Ahn, & Kim, 2011).

The role and impact of word of mouth on the relationship of customer interaction with brand loyalty is missing in the past studies. So, the paper focuses on the gap of word of mouth being a moderater in the relationship of customer interaction with brand loyalty. Word of mouth plays a great role in consumer's decision making process. The importance of word of mouth communication among customers is evident by many previous researches (Sun, Youn, Wu, & Kuntaraporn, 2006). Its impact on marketing, especially on online platforms, can't be ignored (Gruen, Osmonbekov, & Czaplewski, 2006). Consumer interaction and engagement was also believed to be formed by word of mouth behavior (Bridgen, 2011).

The aim of this paper is to focus on the advanced mean of building brand loyalty and that is through social media marketing. More specifically, the paper tries to identify the impact of social media marketing on brand loyalty, through customer interaction and also the moderating role of word of mouth, as the concept is getting increasing attention from marketing academia and experts.

The study is based on the fashion industry of Pakistan, since previous researches havn't taken this region into count. There are two generally accepted models in the study of consumer attitude; one among them is ABC model, as the model is based on the relationship of purchase with consumer attitude (Xiaofen & Yiling, 2009). This study is supported by

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the same model.

REVIEW OF LITERATURE

Relationship between social media marketing and brand loyalty

Among the many popular research themes for marketers, building and then maintaining brand loyalty is very important one (Chaudhuri & Holbrook, 2001). Loyalty can be measured by the probability of product being repurchased. Brand loyalty is most likely to present when favourable attitudes of a brand are remain the same in repeated buying behaviour (Keller, 1993).With the growing demand of fashion brands, it is very important for them to provide valuable services to their customers, and for that, using social media for marketing is a great way to attract more customers (Kim & Ko, 2012).

The importance of brand communities can't be ignored from marketing point of view, as such communities helps in understanding the needs of customers (Ridings, Gefen, & Arinze, 2002). And when the needs of customers have been taken care of, they tend to participate in communities more often. And then, the increased participation in brand communities helps in turning the visitors into members, members into contributors and then contributors into such consumers who develop strong relations (Casaló, Flavián, & Guinalíu, 2010). Participation of consumers in a virtual brand community may ends up in developing emotional feelings and commitment to that brand (Casaló, Flavián, & Guinalíu, 2007), which creates a feeling of attachment.

Facebook being the most popular social media site is having the presence of all popular brands, to communicate and update the customers along with building brand loyalty (Valck, Bruggen, & Wierenga, 2009). When these brands create new communities on such online platforms, customers become part of it and develop new connections (Wolny & Mueller, 2013). Such businesses who created there facebook communities earlier, have more fans and comments and also more visits to their physical stores than others who adopted it later (He, Wang, & Zha, 2014).

Through the adoption of social media platforms, one can provide its users with extensive experiences and those experiences in return strengthens the branding and keep the users loyal (Cromity, 2012). Being more precise, now we can say that being part of a virtual brand community may create loyalty towards that particular brand (Andersen, 2005). Thus it can be said that social media helps in building brand loyalty through communication, providing more information and updating the community regularly.

> *Hypothesis 1. Social media marketing is positively and significantly associated with brand loyalty.*

Mediating role of customer interaction between social media marketing and brand loyalty

The internet offers a platform for consumers to share opinions and experiences (Thurau & Walsh, 2004). If we look at the statistics of facebook in the whole world then facebook is used by 1 in every 13 people around the world with approximately 250 million users logging in on daily basis. This interactive media is touching everyone's life including young children who use it to connect with friends to senior citizens who use it to have new interactions levels with people and businesses (Shen & Bissell, 2013). Many consumers regularly rely on other consumers for product and services related advice and information, which they are looking forward to buy (Punj & Staelin, 1983). When we talk about general activities carried through the online brand communities, many members willingly post comments and get involved in interactions with other community members (Vela & Casamassima, 2011). In these interactions, knowledge and experiences get shared (Laroche, Habibi, & Richard, 2013).

Social media is such a platform which helps in developing relationships with consumers in an online environment (Vinerean, Cetina, Dumitrescu, & Tichindelean, 2013). Some researchers term social media as a people's web, which clearly indicates that social media is to provide interactions among them (Fournier & Avery, 2011). Online brand communities are such a platform which plays a great role in identifying individual customers to larger group. As, identification is "the perception of belonging to a group with the result that a person identifies with that group" (Bhattachary, Rao, & Glynn, 1995, p. 47), customer who identify with a particular brand through a community, can develop long term bonds with those entities (Mael & Ashforth, 1992). Many participants of social communities think that by participating in such communities can provide them with more knowledge, and by interacting with others they can get something out of this (Evans, Wedande, Ralston, & Hul, 2001). There are many social benefits such as social enhancements, and maintaining interpersonal connections are major drivers which encourages participation in social media communities (Dholakia, Bagozzi, & Pearo, 2004). Online brand communities and communication is very helpful in promoting brand through social media platforms (Balakrishnan, Dahnil,

& Yi, 2014). Social media communities are a useful source of customer interaction and communication but the main opportunity is to run these communities in such a manner that they can be helpful for both brands and customers (Szmigin, Canning, & Reppel, 2005). And for that, one should not be concerned about the negative interactions as customer interactions can be managed (Nicholls, 2010).

Online communities, in a way, affect brand loyalty through the social relationships that come to existence because of shared interests of customers (Oliva, 1998). Customer interaction is expected to have a great impact on customer loyalty for many reasons. Firstly, interaction plays an important role in locating a desired product or service, by enabling a search process. The information then helps customer to choose desired product by building more refined knowledge. So, the interaction is expected to be positively related to brand loyalty (Alba, et al., 1997). Secondly, as there is a stream of information exchange on social media, through this informational exchange among customers, an e-retailer can increase brand loyalty of customers, as some customers may appreciate and value the information they gained from other community members or they can be loyal because they like to share the information with others (Srinivasan, Anderson, & Ponnavolu, 2002). Now, we can say that customer interaction on social media plays an important role in creating brand loyalty.

Hypothesis 2. Customer interaction mediates the relationship between social media marketing and brand loyalty.

Moderating role of word of mouth between customer interaction and brand loyalty

Word of mouth has been recognized as such an effective force affecting switching, loyalty and consumer choice (Wangenheim & Bayo´n, 2004). Word of mouth is kind of an exchange of information related to brand, product or service and it possess the power to affect actions (Alon, Brunel, & Fournier, 2014). When we talk about the traditional and online word of mouth, direct observation is a limitation in traditional word of mouth, as the information is only exchanged in private conversations. On the other hand, online word of mouth has overcome this limitation (Godes & Mayzlin, 2004). Besides this, participants in both traditional and online word of mouth exhibit same motivations (Thurau & Walsh, 2004). So, we won't be focusing on their difference, but on the latter discussion. Also, online word of mouth has many more features like spreading information in a vast extent, quick, information in a huge volume, quick to receive and anonymity (Thurau, Gwinner, Walsh, & Gremler, 2004). As, electronic word of mouth communication is getting popular, many searches are trying to study its factors, which influence customer behaviour, from last few years (Park & Kim, 2008).

Managers must keep a check on the online word of mouth related to their product or services because when a customer has a bad experience, and that experience turns into a negative word of mouth , many customers will never choose the company or its product again (Stauss, 2000). The buying behaviour of consumers can be highly affected after reading a positive or negative comment online. It also changes the word of mouth communication of that reader with other consumers, which not only affects an individual person's perception about brand, but also others (Thurau & Walsh, 2004), which in return encourage a customer to fully trust that brand and then there will be a feeling of attachment. Word of mouth has a significant effectiveness on consumer's choices (Richins, 1983) and consumer's choices derive the behaviour of post-purchase product perceptions. Positive reviews helps firms to generate product awareness without spending much on promotion and advertising (Chen, Fay, & Wang, 2011).

When a person receives word of mouth about particular brand, that person is more likely to have positive attitude and trust towards that brand (Meuter, McCabe, & Curran, 2013).Organization's managers and decision makers should be active and alert about the consequences and effects of word of mouth, as it can have huge impacts on the organization's reputation and brand loyalty (Williams & Buttle, 2014).

We can derive from this that word of mouth can effect the customer's choice and perceptions, which in last creates a sense of loyalty towards the brand.

Hypothesis 3. Word of mouth moderates the relationship between customer interaction and brand loyalty, so that the relationship is stronger in presence of word of mouth.

RESEARCH METHODOLOGY

Data Collection

The primary data was collected through the help of structured questionnaire. The sample consisted of mostly university students who use social media regularly and are consistent followers of fashion brands. To make sure that respondents are qualified for this research or not, they were asked whether they use social media and follow any fashion brand there or not. Then, after making sure, respondents were given the questionnaire to fill. Total 300 questionnaires were distributed to collect data. From which 170 received and 150 were unusable, so the response rate was 50%. A cover letter was also used, which consisted of scope of the study, assurance of anonymity and confidentiality and the participation was voluntary.

All of the measurement questions were measured using five-point Likert scale by taking 1 for Strongly disagree and 5 for Strongly agree. Questionnaire was in English language, as in Pakistan, English is a compulsory subject starting from the school. That's why university students were well aware of this language and there was no need of translating questionnaires into native language.

MEASURES

Social media marketing (Cronbach's alpha = .74) was measured with 11 items such as "Contents shown in brand's social media seem interesting" and "Brand's social media enables information sharing with others", taken from Kim & Ko, 2012. Customer interaction (Cronbach's alpha = .78) was measured by 6 items such as "I feel a sense of kinship with other community members" and "I have met wonderful people because of the community" came from Habibi, Laroche, and Richard (2013). Brand loyalty (Cronbach's alpha = .67) was measured by 3 items such as " I consider myself to be loyal to the brand" and "I am willing to pay more for my brand" derived from Delgado-Ballester, Manuera-Aleman, & Yague-Guillen (2003). Word of mouth (Cronbach's alpha = .73) was measured by 3 items such as "I often say positive things about this brand to other people" and "I recommend this brand to anyone who seeks my advice" taken from Hur, Park and Kim(2010).

Sampling technique

The sampling technique used for this study was cluster sampling technique. We used that sampling technique because of the convenience. As it was a tough task to visit other cities and areas so we mainly focused on the universities of that area which are easily accessible.

Sample Characteristics

Sample characteristics consisted of gender, age, employment status and qualification. These characteristics were considered because somehow they effect on the behaviour of individuals and their behaviour. The sample consists of 48% male and 52% female, having average age of 24. 39% were unemployed and 61% employed. And as per education 38% undergraduate, 60 % graduate and 2 % were intermediate.

RESULTS

TABLE 1
Means, Standard Deviations, Correlations and Reliabilities

Variable	Mean	S.d.	1	2	3	4
1. SMM	3.65	.48	(0.74)			
2. CI	3.35	.70	.496***	(0.78)		
3. BL	3.41	.80	.258**	.534***	(0.67)	
4. WOM	3.67	.77	.480***	.582***	.559***	(0.73)

*N=150,***p<0.001, **p<0.01,reliabilities in brackets, SMM =social media marketing, CI =customer interaction, BL = brand loyalty, WOM = word of mouth*

TABLE 2
Results of Moderator and Mediator Regression

Predictors	β	R^2	ΔR^2
Moderator Analyses			
Step 1			
Control Variables		.03	
Step 2			
CI	.34*		
WOM	.39*	.38	.35*
Step 3			
CIx WOM	.007	.38	.00
Mediator Analyses			
Step 1			
Control variables		.03	
Step 2			
SMM	.40**	.09	.05**
Step 1			
Control variable		.03	
Step 2			
CI	.59*	.29	.25*
Step 3			
SMM	-0.01	.29	0.00

*N=150, *p< 0.001 **p< 0.01,*
SMM = social media marketing,
CI = customer interaction, WOM = word of mouth

The hypotheses were investigated using regression analysis. First of all means, deviations, correlations and reliabilities were calculated to understand the relation between them. Table 1 consists of all the values of mean, standard deviation, correlations and reliabilities.

Regression analysis was done to test the hypotheses. Moderation and mediation regression analyses results are displayed in table 2.

According to the results, the first hypothesis was supported which was, social media marketing is positively and significantly associated with brand loyalty as $\beta=.42$ and $p< 0.05$. Second hypothesis was supported, that is, customer interaction mediates the relationship between social media marketing and brand loyalty, as $\beta=-0.60$ and $p<0.05$. Third hypothesis was not supported, that is, word of mouth moderates the relationship between customer interaction and brand loyalty, so that the relationship is stronger in presence of word of mouth, as $\beta=0.007$ and $p>0.005$.

DISCUSSION

There is a never ending debate about the social media. Practitioners and researchers are always trying to figure out that how these platforms can be made useful for the brands. Moreover, some believe that social media marketing is a great way to broaden the boundaries of brands and businesses; on the other hand some believe that social media should only be for such people who want to connect with friends. So, the aim of this study was also to increase the knowledge regarding this perspective that how social media marketing is beneficial for the emerging and existing brands. For this we developed a framework, with the help of which we can conclude that social media marketing some how play a role in creating brand loyalty. Social media is also termed as ‘people’s media’ according to some researchers which can depict that the main purpose of social media is to bring people together and enhance interactions between them. Now those interactions can have positive as well negative impact.

The results of this study show that presence on social media platforms and getting involved in social media based marketing activities can drive brand loyalty. So, organizations should be particular and more concerned about all the information and knowledge they share on such platforms. If social media marketing campaigns are used well and in a beneficial way, then it can provide many opportunities to such businesses. They should take such values, activities, applications and communication ways which are more capable of making customers loyal towards them.

In today’s era of technology, it is very hard to convince the customers about your brand and services. But, social media marketing is a very reliable and easy to access platform to provide with such capabilities which can develop brand loyalty without any cost incurred. First hypothesis of this study was based on this and after its acceptance, it supports the theory.

A customer interaction is an automatic activity, which one can’t resist. Social media is based on such interactions as its existence was about interacting and getting to know new people. So, when customers become part of such brand communities which provide them access to interact with other followers or customers, they tend to share their experiences and viewpoints. Here, it is very tough task to control such interactions but they can be controlled. This study shows that customer interactions do have a mediating role in social media marketing and brand loyalty. As through these interactions positive experiences can be pass on. Word of mouth is an emerging point to be considered as per marketing perspectives, because it passes along in no time and have strong impacts. It was hypothesized that word of mouth strengthens the relation between customer interaction and brand loyalty, but the results came contrary to this.

If we look at the theoretical point of view then there is significant impact of word of mouth, but as this study carried out in the context of Pakistani culture, which is based on collectivism, which means people here tend to develop their views as a whole or in group, so it might be considered that they develop their own perceptions and don’t care about the word of mouth talks.

LIMITATIONS AND FUTURE RESEARCH

The goal of this study was to know how the presence of brand communities on social media can affect the relationships with customers and brand loyalty. And to fulfill this goal we tested our model in the same context. By considering the random sample of regular users of social media we derived considerable results. For future researches, other moderators and mediators can be considered like culture, specific social media platform and characteristics of social media.

As our study have shown us that social media platforms can generate positive results for brands but there are many such activities which can turn this ideal situation into something which has negative impacts. Customers are becoming more educated and aware; they can involve in any activity and deliver their view points to others, which have a very commendable impact. Moreover, if they lose their trust, you can’t stop them from sharing that experience with others. So, the future research can also be focused on dynamics to control such experience to pass on, or how to work to change the viewpoints of such customers.

MANAGERIAL IMPLICATIONS

As this study was based on the fashion brands of Pakistan, the managers should focus on the customer interactions happening in their communities, and to avoid negative interactions they should introduce new campaigns and apps, so that customers can get involved in other things, which leave a positive impact and reduce the effect of negative interactions. Moreover, they should also manage such interactions and can start different topics and games which can involve customers in new positive conversations.

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Jinnah Business Review
2015, Vol.3, No.2, 68-74

IMPACT OF TERRORISM ON FOREIGN PORTFOLIO INVESTMENT IN PAKISTAN

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ABSTRACT

This study explored the long and short run impact of Terrorism on Foreign Portfolio Investment (FPI) in Pakistan using annual data from 1995 to 2013. The stationarity of data is analyzed by using unit root test. The long run relationship is captured using Johansen and Juselius Cointegration test. The short term impact was tested through Vector Error Correction Model. The results reveal significant negative effect of Terrorism on FPI. The results best fit the concept of push and pull theory. The relation of FPI and market size is negative, and highly positive with Trade Openness and Real Interest Rate. There is also significant short term relationship between Terrorism and FPI. This study suggests that careful policies should be implemented for the purpose of minimizing terrorist activities in order to enhance FPI in Pakistan.

INTRODUCTION

Terrorism is the main problem faced by Pakistan economy. It hurts both the social and economic life of a people of Pakistan. Due to terrorism the great amount of foreign financial inflows decreased. It makes economic decrease in foreign direct investment, remittances, exports, tourism and foreign portfolio investment. After 9/11, the situation became sever in Pakistan, in which a large number of people became injured, killed and displaced from the country. The investors now feel hesitation to invest in direct and indirect productions in Pakistan. People feel fear to invest here due to highest risk attached to their physical assets. Any kinds of industry whether national or international prefers to invest in a country which is highly secure and where they found large return on investment.

Foreign Portfolio Investment (FPI) is the passive holding of securities such as foreign stocks, bonds or other financial assets, none of which entails active management or control of the securities issued by the investors. Simply FPI is the flows of funds into the country in the form of investments in stocks and bonds of that country by the foreign investors, and is considered to be the short term investment as compared to FDI. There are different factors which affect the flow of FPI into Pakistan. These factors are market size, inflation rate, exchange rate, tax on interest or dividend, trade openness and corruption. Literature suggests that the country having larger market size will attract more FPI as compared to the country with smaller market size. Similarly interest rate also affect the flow of FPI, like as, the country which have high interest rate will encourage more funds in the shape of FPI. The main problem in FP investors is the reversal of flows. They want more profit in a very limited time. If the aim is achievable, they will stay in the economy otherwise will compel to leave by certain potential risks like greater exchange rate volatility, greater interest rate volatility or by the combine effect of both. The host country also feels afraid of portfolio investors and from the flows of portfolio capital. They are scared about the nature of the portfolio investment because this type of investment is unstable and unrestricted. This may lead to take over the firms which have not well equipped to save from acquisition. On the one side we can think that FPI is the source of inflow but on the other side it is the outflow of funds in the form of dividends and potential exile of capital. The foreigners get huge fund due to FPI without sharing in the actual investment of the host country. The other disadvantages according to Agarwal (1997) includes loss of better management, advance technology and best marketing provided by the big foreign company.

The study follows Push and Pull Theory, which highlights the Push and Pull factors in any economy. The push factors are those factors which push the people from the country with low opportunity to invest to the country with high opportunity of investment. The pull factors are those factors which attract the people to invest in the economy for greater return. These factors

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are GDP, Inflation, Employment, Population, Skilled and Unskilled labor, Political instability, Terrorism and etc. For some countries these factors are push factors while for the other are the pull factors. In case of Pakistan these factors are push factors which tend people to push into the safer economy. The theory says that for a country for which these factors are considered to be push will attract lesser foreign portfolio investors and vice versa. More volatility in exchange rate and inflation discourage the foreign investors to invest in the securities and bonds of that country. Tax rate, either on interest or dividend, influence negatively or positively, the flow of FPI. Similarly the country which has flexible trade policies will attract more FPI as compared to the country which has rigid trade policies. Some developing countries directly issue the bonds into the foreign investors which are considered to be the best mechanism to attract foreign portfolio investment. FPI is more risky as compared to other inflow because it can be reversed at any time and the investors can decide to leave the country they are investing in. This reversal risk is harmful in case of high inflation and exchange rate fluctuation.

FPI has different characteristics which differentiate it from FDI. FPI does not provide the direct ownership of financial assets and doesn't allow the direct involvement in the company's management. Beside these properties FPI is the liquid investment than FDI and one can easily sell off these securities while in FDI the ownership can't be easily sold. Like FDI and Remittances, FPI also has many importance as a source of financing. It produces new opportunities in the form of new jobs into the people of the country, brings rapid development in the economy and create significant wealth. In Pakistan FPI is the largest source of private capital investment. Different researchers highlight the importance of foreign inflows. Erol (2000) and Pazarlıoglu and Gulay (2007) describe the different benefits of the foreign capital which are as; enhancing the host countries accumulation of capital and the capacity of production bringing new technology and skills, increasing BOP, introducing new sale, marketing techniques, high tax revenue, new business opportunities, employment opportunities and economic development. Agrawal (1997) classified FPI Flows into portfolio equity investment and portfolio debt investment.

This study examines the "Impact of Terrorism on Foreign Portfolio Investment in Pakistan". The control variables are Terrorism, GDP, Inflation, Trade Openness and Exchange rate. The study covers the period from 1995 to 2013. The study is very important for both the policy makers and academic research. It will provide insights to policy makers to make such policies that decrease the terrorism in Pakistan. In academics research it will be the extension in literature.

The study has different parts, the first part is introduction, the second is literature review, and third part is about variables explanations, methodology and data specification. The fourth part is result and the fifth part is conclusion and recommendation.

REVIEW OF LITERATURE

The previous literature identifies the two main suggestion on the behalf of determinants of FPI, the first suggestion include those factors which enhance the demand for foreign exchange and the other add the factors which motivate the foreign institutional investors to invest in developing countries. In the first set, economic growth, saving, exchange rate, investment gap in developing and foreign exchange reserve are included. The second factors consist of the enhancement of income in developed countries, interest rate differential, trade openness, and behavior of capital market in developing countries as well as the financial development of the developing countries as well.

Calvoet. al. (1993, 1994 and 1996) explained the importance of pull and push factors of foreign inflows, they argued that although in 1990s the pull factors were dominants and were the main sources of foreign inflows, the main determinants were push factors. The authors added that in 1990s the other more important factors for attracting more foreign inflows were low interest rate and creditworthiness of the emerging markets.

Chauhan et. al. (1993) studied the flow of portfolio to Latin America and Asia. They observed that drop in interest rates and the decline in economic activities were important factors while describing capital flows to Latin America and Asia. Their results observed that for Latin America domestic factors are important for portfolio inflows while for the Asia country specific factors are important than global factors.

Hernández and Rudolph (1995) use a partial adjustment model together with internal and external variables to analyze capital inflows during the beginning of the 1990s. They conclude that domestic factors play an important role and that policy makers should aim to have sound fundamentals in order to attract capital flows. Favoring domestic factors, Claessenset. al. (1998) look at capital inflows in East and Central Europe and former USSR countries in the 1991-1997 period. Their empirical results show the importance of structural reforms as well as the country creditworthiness.

Agarwal (1997) observed the determinants of foreign portfolio investment. He examined the impact of FPI on the six developing Asian countries, including India, Thailand, Korea, Malaysia, and Indonesia. For his study, take the data from 1986 to 1993. According to him inflation rate has negative impact on FPI while the impact of exchange rate is positive, on the other hand foreign direct investment, current account deficit and total foreign trade are insignificant. The theory recommends that capital transfers across boundaries because it benefits borrowers and lenders smooth or speeds up income and consumption over time, transfer risks and enhances permanent income (Lessard 1986). For the developing countries, to attract foreign capital must have investment opportunities, which are considered profitable according to the standard of the world, and the financial requirements surpass domestic saving. The literature indicates four investment opportunities for the developing countries, first real and monetary income including inflation rate, growth in real income, exchange rate appreciation, and interest rate differential. Second is government policies, third one is risk factors and the fourth is the structure of the financial system of the host country.

Gomus and Gunger (2013) observed the relationship between FPI and macroeconomic variables. The data used for the research are from 2006 to 2012. Different econometric techniques are used. He found that FPI affects the Istanbul stock exchange and exchange rate. Basoglu (2000) described the push and pull factors in developed and developing countries, according to him low interest rate is the push factor in developed countries while financial liberalization is a pull factor in developing countries for the boost of FPI. Economic performance is the major pull factor in attracting FPI into the country (Duasa and Kassim, 2009). The impact of market size on the FPI is positive, more FPI is attracted by the larger countries as compared to smaller countries (Amaya Rowland, 2004:24). The proxy used for the market size of the host country is gross domestic product (ErdalandTataloglu, 2002:4).

Inflation signifies one of the main threats to investors. From the rise of the inflation rate the investor hesitate to invest and know that the result would be negative. Fluctuation in exchange rate has impact on the international investor's sentiments. They may get high or low return due to fluctuation. They can obtain high return by getting more risk of fluctuation. Sudden fluctuation in exchange rate can create hurdle to foreign investment. So this volatility in exchange rate would encourage speculation rather than productive foreign investment (Brink and Viviers, 2003).

Erdal and Tataloglu (2002) define openness in terms of the ratio of exports to imports. Chakarbarti (2001) also used the trade openness as a determinant of foreign inflows. According to him country with smooth trade policies can encourage the foreign inflows as compared to those countries who have rigid trade policies. Ekeocha (2008) studied the long run determinants of FPI in Nigeria. He used the time series data and co integration techniques are applied to examine the relationship between the explanatory variables (market capitalization, sovereign risk premium, real exchange rate, trade openness, investment, real interest rate and level of financial openness) with dependent variables portfolio investment. He found that FPI is positively related to real interest rate and investment, while negatively related to real exchange rate, market capitalization and trade openness in Nigeria.

Sethi and Patnaik (2005) observed the contribution of capital flows namely the FDI and FPI to the economic performance of a county, they found the positive relationship. Countries with well-developed financial markets gain significantly from Foreign Direct Investment (FDI). By using monthly time series data, they find that Foreign Direct Investment (FDI) is positively affecting the economic growth direct contribution, while Foreign Institutional Investment (FII) is negatively affecting the growth. The empirical analysis using the time series data between April 1995 to December 2004 shows that FDI plays unambiguous role in contributing to economic growth.

Durham (2004) examine the effects of FPI and OFI on economic growth. He used the data of 88 countries from 1977 to 2000. The results are different, some measures found that FPI has no effect while some suggest that OFI has a negative relation with economic growth. Carlos (2006) studied the determinants of foreign inflows into emerging markets. He observed that the large open economies along with high growth rate will attract more funds as compared to the economies with a low growth rate. He added further that sound fiscal policy and normal debt levels will lead to higher level of foreign inflows.

Agarwal (1997) examined inflation rate, real exchange rate, economic activity index and the share of domestic capital, the major determinants of FPI. Filler and Stanisic (2013) find the impact of terrorism on capital inflows. By comparing between FDI and FPI, FDI is more sensitive to terrorism than FPI or other type flows like external debt flows. FDI decreases more as compared to FPI and Remittance in Pakistan from 2003 to 2013 (Anwar and Mughal, 2013). So the terrorist activities influence FDI but the changes in effect is low in case foreign portfolio investment and remittances.

METHODOLOGY

This study intends to analyze the impact of Terrorism on Foreign Portfolio Investment in Pakistan. The control variables are Terrorism, GDP, Inflation, Trade Openness and Exchange rate and Real Interest Rate. The study covers the period from 1995 to 2013. Proxies are used for different variables, GDP is used as a proxy for Market size, CPI is for inflation and export plus import divided by GDP is for trade openness. For the terrorism, "Terrorism Index" is used which consist of Events, Fatalities and Injuries. The index is measured as, 0.50 Events, 0.25 Fatalities, and 0.25 Injuries. The data is obtained from SBP, World Development Indicator and Global Terrorism Database.

The model is written as follow,

$$LNFPI = \beta_0 + \beta_1 LNGDP + \beta_2 LNER + \beta_3 LNRIR + \beta_4 LNCPI + \beta_5 LNTO + \beta_6 LNTIND + \varepsilon_t \ldots\ldots(1)$$

Where, LNGDP is log of GDP, LNER is log of exchange rate, LNRIR is log of real interest rate, LNCPI is log of consumer price index, LNTO is log of trade openness, LNTIND is log of terrorism index and ε_t is disturbance term respectively.

To find the long run dynamic relationship between Terrorism and Foreign portfolio investment different econometric techniques are used. These techniques are;

To find the long and short run dynamic relationship between Terrorism and Foreign portfolio investment different econometric techniques have been applied. This particular study adopted Johansen Juselius cointegration technique and Vector error correction model for analyzing the long and short run relationship.

Before going to the main techniques, it is necessary to find the stationarity of the data and this is tested through Unit Root Test. Co integration is used for the exploring of long run relationship among variables. For Cointegration test, it is important that the data is integrated in the same order. ADF and PP test are used for the stationarity of data. These tests are applicable for time series data. The basic form of ADF test is given as follows

$$Vt = Vt - 1 + \varepsilon t \ldots\ldots(2)$$

where "Vt" is variable examined, "t" is time period, "p" is coefficient and " " is the disturbance term. The following equation indicates the regression model,

$$\Delta Vt = (p - 1)\, Vt\text{-}1 + \varepsilon_t = Vt\text{-}1 + \varepsilon_t \ldots\ldots(3)$$

In this equation, Δ Vt is first difference for the basic variable. For making the data stationery first difference is taken. ADF and PP test have different assumptions, and both have their own application difference from each other. ADF is best than PP test due to term of size and PP test is better than ADF test because of power. Next difference is, for the testing of first order correlation ADF test is used and for higher serial correlation PP test is used. But the measure of calculation for both is same. For cointegration test, it is important to find the lag length criteria which is find through AKAIKE Information Criterion (AIC) and Schwarz InformationCriterion (SIC). The assumption of cointegration is that, if the two series are non-stationery individually, their linear combination might be stationery. The Johansen and Juselius cointegration procedure reviews the long run dynamic relationship between the variables. The null hypothesis is that no co-integration is there among the series. The maximal Eigen-value test gauges the Ho of the existence of "r" co-integrating vectors in flaw of the alternative (H1) of "r+1" co-integrating vectors. The statistic of max-Eigen test is given as:

$$\lambda max = -T\, ln\, (1 - \lambda r + 1) \ldots\ldots(4)$$

Where "T" signifies the observations and λr+1, λr+2 + λr+3 ……., *λn* represents the n-r smallest squared canonical correlations. Trace statistics test evaluates the Ho of the existence of "r" co-integrating vectors in contradiction of the alternative (H1) of "r+1" co-integrating vectors. The statistic test is given as.

$$\lambda trace = -T \sum ln\ (1 - \lambda i) \ldots\ldots(5)$$

Error Correction Model (ECM) is used to inspect the short-run dynamics. According to Eagle and Granger, short run dynamic relationship can be measured when dependent and explanatory variables are co-integrated. This model explains short-run disequilibrium i.e. deviation from the long-run relationship and its adjustment in time. The sign of the ECM may either be positive or negative. The positive sign indicates unstable equilibrium, whereas the negative sign indicates stable equilibrium. Moreover, ECM term can be either significant or insignificant. The system is said to be equilibrium i.e. there are no short term deviation, when the term of the ECM is insignificant. When the term of the ECM is significant then it indicates the existence of short-run relationship. In ECM the speed of adjustment in a given period towards the long-run equilibrium is indicated by the ECM value. Equation (6) is re-arranged to get into VECM as under:

$$\Delta Z_t = a_0 + \sum_{j=1}^{k-1} \beta j \Delta Z_{t-j} + \delta Z_{t-k} \ldots\ldots(6)$$

$$Where \quad \delta = -I + \sum_{i=j+1}^{k} \beta j$$

In equation ΔZ_t is first difference operator for the underlying variable.

RESULTS AND DISCUSSION

To find the stationarity of data the unit root test is used. Table 1 indicates the ADF and PP tests for LnFPI, LnGDP, LnER, LnRIR, LnCPI, LnTO and LnTIND.

ADF test shows that all the variables are stationary at first difference, as the series is 1(1). As the variables are stationary at the same level so we can use the Johansen Cointegration test to find the long term impact of Terrorism on FPI in Pakistan

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TABLE 1
Unit Root Test

Variables	ADF Test At Level	ADF Test At first difference	PP Test At Level	PP Test At first difference
LNFPI	-0.2602	-8.4115	-2.4179	-4.4893
LNGDP	-2.3353	-5.5762	-2.518	-11.487
LNCPI	-2.2131	-3.6742	-1.2818	-3.0432
LNTO	-1.3844	-4.1007	-1.6494	-10.385
LNER	-0.4586	-3.6413	-1.0126	-8.6857
LNRIR	-1.5959	-5.3737	-2.1902	-11.529
LNTIND	-0.9212	-4.4332	-1.5316	-10.469
Critical Values				
1% level	-3.461	-3.461	-3.4591	-3.4592
5% level	-2.8749	-2.8749	-2.8741	-2.8741
10% level	-2.5745	-2.574	-2.5735	-2.5736

Schwarz Criterion (SC) is used, and it is minimum at lag 2, which indicates that this lag is fit for testing co-integration between Terrorism and Foreign Portfolio Investment. Table 2 shows the lag criteria.

TABLE 2
Selection of lag order

Lag	LogL	LR	FPE	AIC	SC	HQ
0	58.695	NA	1.05E-09	-0.814	-0.657	-0.7504
1	2276.7	4156.72	1.53E-24	-34.97	-33.718	-34.463
2	2409.8	234.4*	4.10e-25*	-36.29*	-33.94*	-35.340*
3	2442.4	54.0382	5.39E-25	-36.03	-32.59	-34.637
4	2464.1	33.504	8.56E-25	-35.6	-31.06	-33.762
5	2481.4	24.7765	1.49E-24	-35.1	-29.466	-32.817
6	2491.6	13.4641	2.98E-24	-34.49	-27.757	-31.759

** indicates lag order selected by the criterion*
LR: sequential modified LR test statistic (each test at 5% level)

For finding long run impact of Terrorism on Foreign Portfolio Investment Johnson and Juselius Cointegration Test is carried out. The result of Trace Statistics and Maximum Eigenvalue is shown in Table 3 and 4.

TABLE 3
Trace Statistics

No. of CE(s)	Eigenvalue	Trace Statistic	Critical Value	Prob.**
None *	0.207931	137.5275	125.6154	0.0076
At most 1 *	0.186658	103.7270	95.75366	0.0126
At most 2 *	0.161575	73.76958	69.81889	0.0234
At most 3 *	0.146313	48.21623	47.85613	0.0462
At most 4	0.095387	25.27856	29.79707	0.1517
At most 5	0.066407	10.74260	15.49471	0.2278
At most 6	0.005358	0.778995	3.841466	0.3774

*Trace test indicates 4 cointegratingeqn(s) at the 0.05 level, * denotes rejection of the hypothesis at the 0.05 level*
***MacKinnon-Haug-Michelis (1999) p-values*

TABLE 4
Maximum Eigen Value Statistics

No. of CE(s)	Eigenvalue	Max-Eigen Statistic	Critical Value	Prob.**
None	0.207931	33.80044	46.23142	0.5382
At most 1	0.186658	29.95743	40.07757	0.4266
At most 2	0.161575	25.55335	33.87687	0.3486
At most 3	0.146313	22.93767	27.58434	0.1762
At most 4	0.095387	14.53596	21.13162	0.3227
At most 5	0.066407	9.963603	14.26460	0.2143
At most 6	0.005358	0.778995	3.841466	0.3774

*Max-eigenvalue test indicates no cointegration at the 0.05 level, *denotes rejection of the hypothesis at the 0.05 level*
**MacKinnon-Haug-Michelis (1999) p-values

TABLE 5
Normalized Cointegration Equations

ΔFPI	ΔGDP	ΔCPI	ΔER	ΔTO	ΔRIR	ΔTIND
1	3.33368	38.681	-41.0194	4.09125	-25.6572	7.10367
SE	(1.11176)	(12.2055)	(13.841)	(6.0746)	(12.6857)	(1.57448)

Table 3 show that there exist 4 co-integration equations at 5% significant level. Thus there exist long run relationship between terrorism and Foreign Portfolio Investment. The normalized Cointegration equation is shown in Table 5.

The long run equation is estimated as

$$\Delta FPI=3.336\Delta GDP+38.681\Delta CPI-41.019\Delta ER+4.091\Delta TO-25.657\Delta RIR+7.103\Delta TIND$$

The focus of this study is on ΔFPI as the dependent variable, therefore evaluating the long run impact of ΔGDP, ΔCPI, ΔER, ΔRIR, ΔTO, and ΔTIND on Foreign Portfolio Investments. The co-integration vector is normalized with respect to ΔFPI.

ΔFPI =	-3.336ΔGDP	– 38.681ΔCPI	+ 41.019ΔER
	(-2.998)	(-3.2100)	(2.9636)
	– 4.09ΔTO	+ 25.657ΔRIR	-0.858ΔTIND
	(-0.6735)	(2.0225)	(4.5117)

The results show that there exists a long run relationship between terrorism and foreign portfolio investment in Pakistan. Terrorism index has significantly negative relationship with Foreign Portfolio investment which is according to push and pull theory. This relationship shows that when there are terrorist attacks in any country, like Pakistan, investors will not invest, and will try to move toward safer economy where they get high rate of return on investment.

The relationship of FPI with market size was found negative and highly significant. The situation is against common sense, because when the market is favorable for investment, the people will invest more, but Pakistani Market is like a Casino. Sometime large volatility exists in the market from little events, while, sometime small volatility takes place with large events. It means the market is different in different situations. For example, when an event takes place in Karachi, the stock exchange fluctuates highly, while the operation in North Waziristan has no impact on Karachi stock exchange. FPI has negatively significant relation with CPI. It means that when CPI increases the people will hesitate to invest in such economy. The relation of FPI with ER and RIR was found positive and highly significant.

TABLE 6
Vector Error Correction Model

Error Correction:	CointEq1	Standard error	T-Value
D(FPI)	0.004076	0.01197	0.34054
D(LNGDP)	-0.00483	0.00368	-1.314
D(LNCPI)	0.00015	0.00013	1.14452
D(LNTO)	-0.00153	0.0006	-2.5492
D(LNER)	0.000156	0.00016	0.99755
D(LNRIR)	0.000412	0.00031	1.33159
D(TIND)	0.005955	0.00264	2.25409

Table 6 show that there exists a positive relationship between terrorism and FPI, but the result is highly significant. LNFPI and LNTIND have short term disequilibrium. The results show that 0.59% disequilibrium is adjusted in one period. The estimated coefficient of terrorism index is 0.005955 and is significant. We also found evidence of short run positive liaison between trade openness and Foreign Portfolio Investment. The magnitude of other variables were found to have no effect on FPI in the short run.

Conclusion and Recommendations

This study analyzed the long run & short run impact of terrorism on Foreign Portfolio Investment in Pakistan considering annual time series data 1995-2013. For terrorism, an index was made, which was the combination of fatalities, deaths and injuries. Johansen co-integration test was applied to examine the long run impact of terrorism on FPI, while short run effect has been examined via vector error correction model. The analyses of co-integration show evidence of significant negative relationship between terrorism and FPI in Pakistan. Similarly, short run statistically significant relationship between FPI and terrorism index has been confirmed through vector error correction model. The result is according to the Push and Pull theory. So, the results revealed that terrorism is a push factor for Pakistan. It means that when terrorism increases in Pakistan, FPI decreases because investors will feel loss in their investments, and will have a desire to move toward secure economy. Other variables, with market size (GDP), the impact was negative. With the inflation the impact was negative, which means when there is inflation in Pakistan, investors will not invest here. So, inflation is push factor which pushes the investors from being investing here. FPI has significant positive relation with real interest rate, it means that when the interest is high, the people will feel high return and will have desire to invest more.

This study is important for policy makers and academic literature. For policy maker it is important in a sense that it will provide a bridge to them to remove or decline terrorism that investors come here to invest in Pakistani markets. While in academic point of view it is extension in literature. Beside this, the study has certain limitations. In this study, main focus is given to Terrorism with respect to FPI, but there are also some other factors which decreases or increases the flow of FPI to Pakistan, like political instability, Corruption, and etc. Sometime data availability is also a problem for a researcher.

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CONTRIBUTOR’S GUIDELINES

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AIMS AND SCOPE

Jinnah Business Review (JBR) is the academic research journal of the “Jinnah Business Research Center” of Mohammad Ali Jinnah University, Islamabad (Pakistan). The Journal publishes theoretical and empirical research papers in management, finance, human resource management, marketing and economics, and all other related disciplines of management and social sciences. Its primary focus is on empirical studies with an emphasis on the policy relevance of the findings.

JBR’s goals are to inform the academic, business, and public policy communities of the results of relevant current research; to provide expert analysis of current events and reviews of literature in the field; and to add to the business literature material suitable for academics, executives, and professionals.

New innovative concepts, ideas and practices about businesses, industry, and management related disciplines are therefore welcomed. The submitted articles are undergone through a two-tiered review; the first evaluation is carried out by the JBR Editorial Advisory/Working Committee consisting of members from each relevant discipline, and the second review by peer referees and experts working in the related fields in Pakistan and abroad.

INSTRUCTIONS FOR AUTHORS

The Editors welcome preliminary inquiries about manuscripts for possible publication. There is no standard fixed length for articles, but a 15 – 20 A4 pages, with 12-fonts and 1½-line space article would suffice.

Manuscripts should be prepared according to the following style rules (deviations from these rules can cause publication delays).

Content, Length, and Formatting

It is the author's responsibility to make the submitted paper readable, relevant, and interesting, before submission and consideration by referees. This require:

Length

All submitted papers must be formatted according to the instructions below, and must be no more than 15 – 20 US letter pages, as defined earlier. This page limit includes all parts of the paper: title, abstract, body, bibliography, appendices and tables.

Abstract

An abstract not exceeding 250 words comprising the following is required in the following format:

Author’s name (s) and affiliation
a) Email address
b) Title and abstract content

The abstract content should clearly state:
a) Research questions and/or objectives
b) Methodology
c) Scope of investigation/findings

Full paper

a) A4 size paper
b) Margins must be 1 inch on all sides
c) Font size 12 Times New Roman (body text)
d) Title, subtitles, abstract and references single spaced; body text 1½ - line spaced
e) Referencing, graphics & tables will be considered in the total page count.
f) Do not include page numbers, header & footer.
g) Maximum 15 – 20 pages
h) Other formatting details see next section

Tables and Figures

a) All unessential tables and figures should be eliminated.

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b) Tables must be submitted in Microsoft Word table format, and should be created using Times New Roman text, 10 point size. APA-style provided elsewhere must be preferred.
c) Figures must be clearly produced in black and white. All text included in figures should be Times New Roman (10 point minimum).
d) Each table and figure should fit on a single page. Tables and figures may be oriented horizontally (landscape) or vertically (portrait) within the allotted space.
e) Each table and figure should be submitted on a separate sheet and identified with a table or figure number and a descriptive title.
f) Legends and titles on tables and figures must be sufficiently descriptive such that they are understandable without reference to the text.
g) For data not generated by the author(s), the source of the data should be given (in short form) below the table or figure and listed in full in the references.
h) Every table and figure must be referred to in the text. Each table and figure will appear in the journal after its first mention in the text.

File type

All papers are to be submitted as a single MS WORD file, formatted for 8.5" x 11" paper. It is essential that submitted papers print without difficulty on a variety of printers.

Anonymity Requirements for Double-Blind Reviewing

All research papers submitted to JBR will undergo a "double-blind" reviewing process: the program committee members and referees who review the paper will not know the identity of the authors. To ensure anonymity of authorship, authors must prepare their manuscript as follows:

a) Authors' names and affiliations must not appear on the title page or elsewhere in the paper.
b) You must also use care in referring to related past work, particularly your own, in the paper. The following types of statements must be avoided:
‘In our previous work [1,2], we presented two algorithms for _____ In this paper, we build on that work by ______’

Footnotes and References

a) Footnote material should be incorporated into the text whenever possible. If footnotes are necessary, the note number should be typed in the text and superscripted. The notes should be collected at the end of the text as endnotes.

b) References should be (a) integrated into the text in short form and (b) collected together at the end of the article. APA format needs to be followed.

i) *In-text, citations should be placed in parentheses and noted as follows:*

For book or academic journal - (last name of author[s], date); such as: (Hill, 1988); (Beatty, 1989; Feltham, et al. 1991; Leland & Pyle, 1977).

If no author, cite journal, institution, or publisher. For works with three or more authors, list the first author followed by “et al.” as shown above. For multiple citations, alphabetize citations by first author’s last name.

ii) *The full bibliographic information in the references should be composed as follows:*

For book - author[s]. year. book title. edition number [if applicable]. location: publisher.
Such as: Yin, R.K. (2003). Case Study Research: Design and Methods. 3rd Edition. Thousand Oaks, California: Sage Publications, Inc.

For edited volume—editor[s] (ed[s].). year. book title. edition number [if applicable]. location: publisher.

Such as: Nelson, R.R.(ed.).(1993). National Systems of Innovations: A Comparative Analysis. Oxford: Oxford University Press.

For chapter in edited volume - author[s]. year. “chapter title.” in editor[s] (ed[s].). book title, pp. chapter page numbers. location: publisher.

Such as: Groenewegen, John and Jack Vromen (1997). “Theory of the firm revisited: New and neo-institutional perspectives.” In Lars Magnusson and Jan Ottosson (eds.) Evolutionary Economics and Path Dependence, pp. 33-56. Cheltenham, UK: Edward Elgar.

For article in academic journal - author. year. “article title.” journal title. volume number (issue number): page numbers.

Such as: Black, J. S., Gregersen, H. B. & Mendenhall, M.E. (1992). “Toward a Theoretical Framework of Repatriation Adjustment.” Journal of International Business Studies 23 (4): 737-760.

The author(s) should make sure that there is a strict one-to-one correspondence between the in-text citations (including citations in footnotes, tables, and figures) and the list of references in the References.

Copy Preparation

JBR accepts manuscripts via internet or post or e-mail. All hard-copy submissions must be accompanied by a disk or CD containing an electronic version of the manuscript. The manuscript should be prepared using a recent version of Microsoft Word and should utilize standard fonts and symbols. Ideally, such a manuscript should be formatted with regard to the following guidelines:

a) Do not use tabs except in tables.
b) Do not indent block quotations.
c) Do not hyphenate or otherwise break words across lines.
d) Use headings sparingly and logically. Do not use more than three levels of headings. Use consistent formatting for each heading level employed.

Copyright Transfer

a) Submission of a paper will be held to imply that it contains original unpublished work and is not being submitted for publication elsewhere.
b) Submission of a paper also implies that, upon acceptance of an article by the journal, the author(s) will transfer copyright of the article to the publisher. The transfer will ensure the widest possible dissemination of information.
c) It is understood that submission of the paper for publication has been approved by all of the authors and by the institution where the work was carried out; it is further understood that any person cited as a source of personal communications has approved such citation.

Miscellaneous

a) Papers must be in English. Use American spelling instead of British (e.g., labor, not labour). Use the American terms such as billion (one billion = 1,000,000,000; one trillion = 1,000,000,000,000), rather than lakhs and crores.

b) Spell out all numbers from one to ninety-nine, unless:

i) the number contains a decimal point, e.g., “6.2” and “ 0.12”
ii) the number precedes a percent sign or a unit of measure, e.g., “47%” and “16μm”

c) Italicize and define non-English words at their first occurrence; at subsequent occurrences, format the word in roman (no italicized) type.
d) A short abstract of the paper should always be included with the submission.
e) Please keep a copy of everything sent to JBR, both hard copy and electronic copy, and bear in mind that the electronic version received at JBR will be considered the master copy. The Editors do not accept responsibility for damage to or loss of submitted papers or electronic media.
f) A short note listing each author’s institutional affiliation, current address, telephone numbers, e-mail address, and other relevant biographical information, including publications and a photograph should be provided.
g) Any manuscript that does not conform to the above instructions may be returned for the necessary revision before publication.
h) Each author is entitled to one copy of the issue in which his or her article appears.

Note:

Editor reserves the right to amend, abridge or otherwise alter the contents of the paper to make it suitable for publication. However every endeavor will be made not to affect the spirit or effectiveness of the paper.

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BUSINESS RESEARCH CENTER

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ISSN 2070-0296
9 772070 029007