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University of Wah Journal of Management Sciences

The ‘UW Journal of Management Sciences’ (UWJMS) is a annual publication of the University of Wah, Wah Cantt, Pakistan. UWJMS is an international journal dedicated to advancing the understanding of the intricacies of management in private and public sector through empirical investigations and theoretical analyses. UWJMS is a double-blind peer-reviewed journal that publishes quality articles in the field of management sciences.

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The Journal aims to provide a focus for worldwide expertise in the required techniques, practices and areas of research; present a forum for readers to share common experiences across the full spectrum of industries and sectors in which management research is conducted; cover all areas of industry and management; and link theory with practice by publishing case studies and covering the latest important issues in special series. The journal aims at wide circulation and visibility of its research to professionals and practitioners both within Pakistan and internationally.

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The Editor's Note

I am pleased to introduce 'University of Wah Journal of Management Sciences', the emerging journal in the field of management sciences. UWJMS will provide a platform for the original research in the field of management, marketing, finance, human resource management and economics. The objective of UWJMS is to publish up-to-date, high-quality and original research papers alongside relevant and insightful reviews. As such, the journal aspires to be vibrant, engaging and accessible, and at the same time integrative and challenging. Each issue of the journal will incorporate mix of qualitative and quantitative research papers covering emerging aspects of management sciences.

Our editorial policy is governed by independent quality control, blind peer-review, strict adherence to HEC policy requirements, zero tolerance to plagiarism and adherence to academic ethics in publishing. These guiding principles are guaranteed by our Editorial/Advisory Board that contains world class national and international scholars of high repute who have great contribution in the field of management sciences. This issue contains the research related to the areas of marketing, management, finance, and organizational change. We are grateful to our contributors of this issue. Our team led by imminent scholars and administrators aspire to lead this journal to reach the height of perfection, and authenticity in the field of management sciences. We are pleased to share that we aspire to make this journal a world-class publishing platform by producing original research and getting membership in renowned abstracting agencies. Our goal is to make it recognized journal by all regulating agencies including HEC very soon. It is only possible when the contributors of this journal share their valuable wisdom in the shape of up-to-date knowledge in the form of research papers whether qualitative or quantitative to this journal.

In conclusion, I would like to thank our Vice Chancellor (University of Wah) and all members of our Editorial Board/Advisory Board and Contributors for joining us in this new fascinating and promising academic project.

Editor-in-Chief

University of Wah Journal of Management Sciences (UWJMS)

UNIVERSITY OF WAH JOURNAL OF MANAGEMENT SCIENCES

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A Study among Bank Stability, Bank Competition, and Economic Growth: A Causality Approach

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Article History:	ABSTRACT
Received: 13 th Feb, 2024	Purpose: This paper delves into the intricate causal connections between banking competition, banking stability, and economic growth.
Revised: 12 th June, 2024	Methodology: Utilizing unbalanced panel data spanning from 2000 to 2018, we meticulously analyze the causal relationships among these variables. Our primary objective is to determine the direction of causality within the selected variables.
Accepted: 27 th June, 2024	Findings: Our study's findings offer support for various hypotheses including demand-following, supply-leading, feedback, and neutrality, contingent upon different measures of banking competition (BC), banking stability (BS), and economic growth (EG). Theoretical underpinning: Building upon the theoretical model proposed by Jayakumar, which explores the causal relationships between BC, BS, and EG using diverse indicators, we empirically validate these indicators in our study. This study contributes to the existing literature by delineating defined relationships observed in both developing and developed countries.
	Implications: Our research encompasses a range of policy implications. Investors can utilize our findings to analyze the optimal management of their finances, while government agencies can leverage this study to formulate effective policies that foster EG by understanding the interplay between financial dynamics and economic prosperity.
	Keywords: Bank Competition, Bank Stability, Economic Growth, VAR Model.

1. Introduction

Economic growth plays a crucial role in advancing financial institutions and shaping business strategies. It can also bolster banking stability and competitiveness. The operations of the financial

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system can significantly impact EG, thus stimulating the economy. Various studies have explored the correlation between financial development and economic progress. EG plays an efficient role in the progress of the financial institution and the development of business strategies. Moreover, economic growth could enhance banking stability and help to compete in the banking sector. The academic writer observed in the literature review that developing countries are paying more attention to the financial sector to boost up their economies. Financial system operations can have a symbolic effect on economic growth as well as boosting the economy. Claessens and Laeven (2005) examined that during the competition, banks are providing a high-quality financial product.

The financial sector is influenced by competition in different ways. First of all, it affects the better working of financial. Secondly, it is helpful to boost up economic and industrial growth (Allen & Gale, 2004). Thirdly, it also has an impact on the financial system (Boyd et al., 2004). In many financial markets, competition is said to be a positive characteristic because it decreases the prices and enhances the quality of products and innovation. However, in many banking industries, competition is considered as the reason for banking instability.

EG plays a crucial role in advancing financial institutions and shaping business strategies. It can also bolster banking stability and competitiveness. The operations of the financial system can significantly impact EG, thus stimulating the economy. Various studies have explored the correlation between financial development and economic progress. Bank Competition in the financial markets is generally seen as beneficial as it lowers prices and encourages product innovation. However, in the banking sector, intense BC can lead to instability. This instability affects financial services and can impact banking BC and stability.

This study delves into the complex interplay between BC, and EG across developed and developing economies. There's been considerable debate regarding how these factors relate to each other. Most studies propose that financial development stimulates economic growth, and BC enhances stability, thereby fostering EG. Theoretical perspectives on BC, stability, and fragility in financial development and EG highlight differing viewpoints. Some argue that low BC reduces stability, while others suggest that it enhances it. BC is generally associated with greater stability, although low BC can result in higher interest rates and risk-taking behavior.

Policy makers and regulatory authorities are actively engaged in the debate on whether high BC is beneficial or detrimental to stability. This study examines the relationship among banking stability, BC, and EG across several countries using various indicators. The study employs Granger causality analysis to understand the causal relationships among banking BC, stability, and EG. The results suggest a strong interrelationship among these factors, supporting various hypotheses.

The subsequent sections of the study include a literature review, methodology, model testing, and analysis of findings, providing a comprehensive understanding of the relationship between banking BC, stability, and EG.

2. Literature Review

This section provides detailed literature on the matter which is under study. The chapter is composed of two components; empirical and theoretical literature review. The theoretical form of literature explains the theories and concepts which are related to the existing relationship of BS, BC, and EG. On the other hand, an empirical literature review analyzes the previous research that is implemented by others on the relationships of BS, BC, and EG.

2.1 Banking Competition and Economic Growth

Advancement of skills and technology in different sectors of the economy is EG (Krugman, 1998). The banking sector is an important part of the financial industry. Banking BC is the effort of banks' consumer banking services and the creation of those hurdles through which competitive advantage can be taken. For the advancement of EG, banking BC is believed to be an important determining factor as much research is done on it (Laowattanabhongse & Sukcharoensin, 2017).

The empirical literature mostly analyses the relationship of banking BC and EG. Banya and Biekpe (2017) evaluated the nexus between BC and EG by using the Boone indicators. They found that BC significantly affects EG. The interrelationship analyzed among the banking industry, insurance sector, and EG. In long run is revealed that banking industry and insurance sector significantly influence EG. But in the short-term, the inter-linkage among the variables differs among country to country (Pradhan et al., 2017). (Hamada et al., 2018) examined the relationship between imperfect BC and EG revealed that the high deposit interest rate increases EG. Moreover, an increase in BC increases EG Pradhan et al., (2014) discussed the link among banking sector development, stock market development, and EG revealed both unidirectional and bidirectional relationships among these variables. The study conducted by Fernández, González, and Suárez, (2013) showed that the impact of banking BC on EG during the financial instability is more.

H_{1A}^0 *Banking Competition does not cause Economic Growth.*

H_{1B}^0 *Economic Growth does not cause Banking Competition.*

2.2 The Stability in Banking and Economic Growth

The relationship of EG and BS has received consideration from several researchers (Ashraf, Arshad, & Yan, 2017; Ashraf, 2018; Bourgain, Pieretti, & Zanaj, 2012; Cubillas & González, 2014; Luo, Tanna, & De Vita, 2016). The link between BC and stability in banking sector has remained a debatable issue since the last decade. Louhichi, Louati, and Boujelbene, (2019) examined the stability BC trade-off in Islamic and conventional banking. They revealed that increased BC decreases the stability in conventional banking, but increased in the BC also increases the stability in Islamic banking. However, BC-fragility view was supported in conventional banking and BC-stability view supported in Islamic banking. Moudud-UI-Huq (2020) categorized the result into three perspective, First, when BC is high in the market, then large size banks work effectively than small banks, second, there existed no linear association between BC, performance, and risk, third, In a crisis, with less BC, small banks are more steady, but in a competitive market, banks are less stable.

BS minimizes the volatility, and this effect is high in a less competitive economy (Fernández, González, & Suárez, 2016). Beck and Levine (2002); empirically tested the relationship between financial development and EG. They suggested that better financial markets are essential for understanding the EG. Financial services and innovation are important parameters for EG. Both financial innovation and financial access positively impact the GDP and gross savings (Azimova & Mollaahmetoglu, 2017).

H_{2A}^0 *Bank stability does not cause Economic Growth.*

H_{2B}^0 *Economic Growth does not cause Banking Competition.*

2.3 Banking Competition and Banking Stability

The nexus between financial development and EG studied and found that financial development leads towards high EG (Swamy & Dharani, 2019). (Creel et al., 2015) assessed the financial stability and economic performance. In this regard, found that financial distress negatively impacts economic performance. Trade openness in lending activities provides multiple opportunities, which in turn leads to less banking risk. These results also aligned with (Alsamara, Mrabet, Jarallah, & Aluko & Ajayi, 2018). Abedifar, Molyneux, and Tarazi, (2018) find positive relationship between no adverse effects of non-interest income on bank instability. This effect is found in larger banks. (Abuzayed, Al-Fayoumi, and Molyneux, 2018; AlKhoury and Arouri, (2019) analyzed the relationship of diversification and stability of Islamic and conventional banks, focusing only on GCC countries. These studies found that diversification negatively influence the stability of both banking systems. More developed financial system increases the chances of private credits for firms with low interest rate and, hence, improves the firm investment and EG. These results showed that the industrial sectors which are more dependent on private credit grow in economies with developed financial system (Claessens & Laeven, 2003; Levine, 2005; Peia & Roszbach, 2015; Porta et al., 1998; Rajan & Zingales, 1998).

H_{3A}^0 *Banking Competition does not cause Banking Stability.*

H_{3B}^0 *Banking Stability does not cause Banking Competition.*

2.4 Competition-Fragility Hypothesis

In the empirical literature two types of hypothesis are discussed, i.e. competition-fragility as well as competition-stability hypothesis. Competition-fragility hypothesis refers that high competition between banks brings high fragility (Beck, 2008; Keeley, 1990). It is need of era to increase the fragility, more profit lend to high risk in competitive environment (Beck, 2008). In addition, BS can be affected in a more competitive environment which can reduce bank incentives, when the banks have no information on their borrower's information. On the other hand, by taking excessive risk banks can avail high profitable opportunities while BC is low (Albaity, Mallek, & Noman, 2019; Leroy & Lucotte, 2017). Besanko and Thakor, (2004); Furlong and Keeley, (1989); Keeley, (1990); Marquez,(2002) support the competition fragility hypothesis.

As stated by the BC-stability hypothesis, banks with a competitive environment are more likely to remain stable during times of low competition. Instead of choosing risk on bank assets, borrowers can choose their investments based on their riskiness (Boyd & De Nicolo, 2005). Furthermore, the theory indicates a positive relationship between bank concentration and bank fragility. Furthermore, it indicates that policymakers are more focused on bank failures. It was found that Kabir and Worthington (2017) examined Islamic and conventional banking with respect to competition stability and competition fragility. In addition, the degree of competition impact on stability was higher in conventional banks than in Islamic banks. Their findings support the competition stability theory for Islamic and commercial banks. (Islam et al., 2020) Another study provides evidence supporting the competition-stability view and states that loans in highly competitive markets should not suffer sudden losses. (Rousseau & Wachtel, 2011) examined the relationship between FD and EG in the empirical literature on development.

In literature review, it is observed that financial development and EG is divided into four forms, first one is about supply leading hypothesis, this hypothesis is about unidirectional relationship of defined relationship and this is aligned with (Hsueh, Hu, & Tu, 2013). SLH is telling about financial development that it can play an important role to boost up EG with the help of financial assets and further with the help of capital formation. Malik and Raisham, (2018) revealed the unidirectional impact states that financial development can be impact on country EG. Afer this first perspective, the next perspective is about demand following hypothesis (DFH), which states that with the help of financial sector position, there is a chance to improve the EG with financial development. So, it is observed that, finaicanla development is performing key role to determine EG. So, there is a unidirectional relationship from EG to FD (Pradhan et al., 2017). After the dscussion of first two perspective, the next perspective is about Feed-back hypothesis (FBH), which is overall picture about FD and EG. This perspective is about bidirectional relationship between FD

and EG (Karlsson & Mansson, 2015; Pradhan et al., 2014). Fourth, is the Neutrality hypothesis (NH), which states that there is no causality between EG and FD? Accordingly, the variables are independent of each other (Pradhan et al., 2013; Sime, 2016). The current study tried to fill the gap by examining the short-run causality among banking competition, BS, and EG.

3. Methodology

3.1 Population and Sampling

We used unbalanced panel for eight developed and developing countries including first one is Pakistan, second one is India, third one is Bangladesh, and for the and last one is Australia, Sri Lanka, Singapore, Hong Kong, and New-Zealand. Data was collected from World Bank (WDI) and Global Financial Development for the period starting from 2000 to 2018.

3.2 Research Instruments

We used four indicators for banking competition, BS and EG. Lerner index, CR5 firm concentration, foreign ownership, and HHI statistics are used indicators for banking competition (Berger, Klapper, & Turk-Ariss, 2017; Hussain & Bashir, 2019; Jayakumar et al., 2018). BS used two ways of measurement. Firstly, six BS indicators are used, and a second-way BS index is used. The BS indicators are non-performing loans, private credit, bank capitalization, profit ratio, deposit interest rate, and Z-index. Some indicators are previously used by (Berger et al., 2015; Tabak, Fazio, & Cajueiro, 2012). Second, stability index is composed of weighted average of four stability measures, namely return on assets, bank capitalization, private credit, performing loan assets. EG measured through four indicators, which are per capita EG, trade openness (TO), inflation (INF), and government consumption (GC). The summary of sample distribution is in Table 1 in appendix.

4. Data Analysis

The descriptive statistics of selected sample is given in Table 4.1. The sample contains 93 banks with 1149 observations over the period 2000-2018. We have briefly discussed the descriptive statistics of the study variables.

Table 4.1. Descriptive Statistics

Variables	Obs.	Std. D.	Mean	Max.	Min	Skewness	Kurtosis
BC	1149	0.17	0.10	2.12	-0.03	6.11	48.35
CR5	1149	24.45	58.55	130	28.37	0.32	3.20
DIR	1149	3.45	3.80	11.72	0.02	0.34	1.82
EG	1149	2.70	4.66	14.52	-2.45	0.02	2.84
FOWN	1149	25.15	12.43	92	2	2.07	6.11

GOVT-CONS	1149	4.04	11.45	19.64	5.03	0.68	2.57
HHI-STAT	1149	8.86	13.53	43.74	3.74	0.69	3.77
INF	1149	4.54	5.61	22.56	-3.68	1.06	4.7
LI	1149	36.07	78.03	160.81	47.96	0.16	3.68
NPLR	1149	0.516	0.26	3.69	0.007	3.08	13.46
PC	1149	55.76	67.51	218.94	14.77	0.89	2.54
PR	1149	4.41	1.61	32.37	-2.71	3.57	16.82
STAB I	1149	6.39	14.26	34.49	5.34	0.22	3.79
TO	1149	223.61	38.27	296.02	-126.71	11.62	152.68
Z I	1149	614.05	57.68	156.15	-3.12	23.53	565.54

(The BC is the Bank Capitalization ratio of the total equity over total assets(%), CR% is five largest banks concentration, DIR is Deposit interest rate paid to deposit holders, EG is the growth rate of Gross Domestic Product in (%), FOWN is the total assets owned by foreign banks, GOVT CONS is the Government Spending to GDP (%), HHI STATS is the Revenue elasticity of Input prices, INF is the Consumer Price Index to GDP, LI is Lerner Index, NPLR is the Ratio off Non Performing organization loans to total loans, PC is the Private Credit, PR is the Profit Ratio, STAB I is the Stability Index, TO is Total volume of trade as a % of GDP, ZI is the Sum of equity and ROA to total asset divided by SD of ROA.

Bank Capitalization showz a mean of 0.104, and its value ranges from 2.120 to -0.033 in Table 4.1. The average value of bank capitalization indicates that the selected banks are less dependent on equity and rely on debt financing which lessen the stability. The high average value of CR5 signifies that selected banks of developed and developing countries are working in highly competitive business environment. The deposit interest rate mean value suggests that banks are attracting people to deposit money to get high interest rate. EG mean is 4.667, and it is between from -2.459 to 14.52. The average value of GDP signifies that the selected countries need more GDP to increase the competitive situation of financial sector. Additionally, High value of foreign ownership indicates that there is high competition situation in selected banking sector. High value of Government consumption indicates the low EG. On average, the inflation rate is not high in the selected developed and developing countries. High value of private credit indicates that economy is relying on debt financing which minimizes the stability. HHI STAT mean score is 13.53 and it is between from 3.749 to 43.7 which indicates the monopolistic competition. Lerner Index showed a mean of 78.02 and ranged from 47.967 to 160.8. High value of Lerner index signifies the high competition. In this regard, on average the non-performing loans are not very high which indicates high stability. The firm profit implies that banks are utilizing their profit to stay in financial sector. Stability Index is a mean score of 14.26 and ranged from 5.344 to 34.499 which indicate high stability. High value of trade openness indicates that countries maintain their trade to increase their exports which is essential for EG. Lastly, the result shows that the Z Index mean is 57.68, and it also ranged from 3.1218 to 156.15. High value indicates the high stability. Table 2 analyzed the description of statistics for the variables employed in the study. Furthermore, descriptive indicators

shows that there is high variation in the values. It is due to the selected sample belongs to diverse countries and each country has its own rules & regulations, economic situation and financial condition.

Table 4.2 shows the correlation matrix among the variables. If correlation values is higher than 0.8 then Multicollinearity problem exists. Table shows that there is not much high correlation among the variables; therefore, no Multicollinearity issue exists.

The study employs the following model to analyze the direction of causality among BC, BS, and EG.

$$EG_{it} = \eta_{1j} + \sum_{k=1}^a \alpha_{1ik} EG_{it-k} + \sum_{k=1}^b \beta_{1ik} BC_{it-k} + \sum_{k=1}^c \gamma_{1ik} BS_{it-k} + \epsilon_{1it}$$

$$BC_{it} = \eta_{2j} + \sum_{k=1}^a \alpha_{2ik} BC_{it-k} + \sum_{k=1}^b \beta_{2ik} EG_{it-k} + \sum_{k=1}^c \gamma_{2ik} BS_{it-k} + \epsilon_{2it}$$

$$BS_{it} = \eta_{3j} + \sum_{k=1}^a \alpha_{3ik} BS_{it-k} + \sum_{k=1}^b \beta_{3ik} BC_{it-k} + \sum_{k=1}^c \gamma_{3ik} EG_{it-k} + \epsilon_{3it}$$

Where

i indicate the country in the panel; t represents time in the panel;

$\eta_{1j}, \eta_{2j}, \eta_{3j}$ represents the Eta which is a fixed effect;

EG denotes the per capita EG measured through various indicators: EG, TO, INF, and GOVT CONS;

BC is banking competition measured through various indicators: LI, HHI STATS, CR5, and FOWN;

BS represents the Bank stability consisted of different indicators: BC, PC, STAB I, PR, DIR, ZI, NPLR. ϵ_{it} represents the random error term.

Table 4.2: Correlation Analysis

Variables	BC	CR5	DIR	EG	FOWN	GOVT CONS	HHI STAT	INF	LI	NPLR	PC	PR	STAB I	TO	ZI
BC	1														
CR5	0.0706	1													
DIR	0.292	0.038	1												
EG	-0.079	0.315	-0.11	1											
FOWN	0.124	0.224	0.0448	-0.135	1										
GOVT CONS	0.46	0.124	-0.107	-0.52	-0.2112	1									
HHI_STAT	0.55	0.146	-0.096	0.2004	0.1236	0.1375	1								
INF	-0.08	-0.175	0.3993	0.1807	0.222	0.2782	0.2999	1							
LI	0.0972	0.314	0.0454	-0.246	-0.1967	0.167	0.0643	-0.0838	1						
NPLR	0.0746	0.151	-0.198	-0.333	0.1981	0.1928	-0.1155	-0.2936	0.1406	1					
PC	0.0906	0.285	-0.423	-0.393	0.1158	0.3414	-0.2419	-0.5189	0.1003	0.5194	1				
PR	0.0772	0.159	-0.234	-0.106	0.3469	-0.07	-0.434	0.2694	-0.086	0.4284	0.4673	1			
STAB I	0.023	0.43	-0.483	-0.038	-0.1207	0.2849	0.1304	-0.3082	0.2172	0.389	0.3396	0.1099	1		
TO	-0.12	0.193	-0.14	-0.112	0.2292	0.0714	0.1351	-0.1196	-0.1	0.51	0.1301	0.1062	0.1622	1	
ZI	-0.07	0.21	-0.07	-0.086	-0.337	0.1126	-0.464	-0.0491	0.0981	0.584	0.648	-0.2	-0.24	-0.514	1

(The BC is the Bank Capitalization ratio of the total equity over total assets(%), CR% is five largest banks concentration, DIR is Deposit interest rate paid to deposit holders, EG is the Gross Domestic Product Growth Rate (%),FOWN is the total assets owned by foreign banks,GOVT CONS is the Government Spending to GDP (%), HHI STATS is the Revenue elasticity of Input prices,INF is the Consumer Price Index to GDP, LI is Lerner Index,NPLR is the Ratio off Non-Performing loans to total firm loans, PC is the Private Credit, PR is the Profit Ratio,STAB I is the Stability Index,TO is Total volume of trade as a % of GDP, ZI is the Sum of ROA and firm equity to total asset divided by SD of ROA.

Table 4.3: Panel Vector Autoregression Results

Variables	Case1 BC	Case 2 CR5	Case3 DIR	Case4 EG	Case5 FO	Case6 GC	Case7 HHI STAT	Case8 INF	Case9 LI	Case 10 NPLR	Case11 PC	Case12 PR	Case 13 SI	Case 14 ZI	Case 15 TO
R-squared	0.294	0.624	0.923	0.597	0.770	0.929	0.622	0.614	0.581	0.749	0.724	0.838	0.550	0.029	0.188
Adj. R-Sq.	0.275	0.614	0.921	0.587	0.764	0.927	0.612	0.604	0.569	0.742	0.717	0.834	0.538	0.0030	0.167
Sum Sq. Resid.	24.1	256706	1038.5	3376	165767	1319.62	33348.65	9090.59	625711	76.476	979324	3572.6	21057	4.19E0	465496
S.E. Eq.	0.147	15.207	0.967	1.744	12.220	1.090	5.481	2.861	23.742	0.262	29.703	1.794	4.355	614.74	204.74
F-statistic	15.439	61.489	448.229	55.011	124.406	488.173	60.993	58.983	51.317	110.783	97.380	191.932	45.260	1.115	8.618
Log likelihood	579.4	4708.85	1565.32	-2238.04	-4459.347	-1701.98	-3544.51	2802.984	5217.144	-77.132	5472.713	2270.179	3282.22	8929.85	7675.65
Akaike AIC	-0.961	8.308	2.798	3.977	7.870	3.037	6.267	4.967	9.199	0.189	9.647	4.0336	5.807	15.707	13.508
Schwarz SC	0.824	8.445	2.935	4.114	8.007	3.174	6.404	5.104	9.336	0.326	9.784	4.170	5.944	15.843	13.645
Mean depend.	0.104	58.657	3.805	4.658	12.423	11.463	13.440	5.602	78.052	0.259	67.782	1.597	14.278	57.946	38.498
S.D Depend.	0.174	24.482	3.456	2.714	25.185	4.053	8.802	4.548	36.195	0.5176	55.857	4.403	6.408	615.655	224.375

(The BC is the Bank Capiotilization ratio of the total equity over total assets(%), CR% is five largest banks concentration, DIR is Deposit interest rate paid to deposit holders, EG is the Gross Domestic Product Growth Rate (%),FOWN is the total assets owned by foreign banks,GOVT CONS is the Government Spending to GDP (%), HHI STATS is the Revenue elasticity of Input prices,INF is the Consumer Price Index to GDP, LI is Lerner Index,NPLR is the Ratio off Non Performing loans to total loans, PC is the Private Credit, PR is the Profit Ratio,STAB I is the Stability Index,TO is Total volume of trade as a % of GDP, ZI is the Sum of firm ROA and equity to total asset divided by SD of ROA.We start with the discussion of stationary of our selected sample. We employ unit root test to check the causal relationship.

In this research, data is stationary at level; accordingly, vector autoregressive is applied. The unit root test showed that variables are stationary at level in table 5. So, the unit root test indicates that, Fisher ADF results found no unit root at a 5% significance level.

VAR model is applied because variables are stationary at level. In the panel VAR model, each variable is use as an endogenous variable (Said et al., 2024). R-squared, the F-statistic are basic criteria for VAR model. R-squared values represent the percentage change in the dependent variable explained by independent variables. Furthermore, R-squared values indicate whether the independent variables are more or less effective at explaining the dependent variable. High value of R-squared value is expressing the maximum explanatory power. The F-statistic measures the overall significance of the model. This estimation is calculated as the mean of a series of values. In this study F statistic is used to distinguish among all model since the different F statistic values of the models allowed for comparison. The highest significant value of F statistics showed that the overall model is fitted.

The value of R- squared shows that the change in percentage in the study dependent variable explained by independent variables in the table 6. In case 3 and case 6 the value of R-square is high which shows the high explanatory power. The value of F-statistic showed the overall significance of the results. In current study the F-statistic values of case 3 and case 6 are much higher. AIC and Schwartz values are used to indicate the goodness of fit. These criteria are important to analyze the best explanatory model among all. Low AIC and Schwartz values indicates the best model. Case 3 and case 6 have lowest AIC and Schwartz values

After analyzing the relationship through VAR model among banking competition, BS, and EG, a Granger causality test based on VAR is employed short-run direction of causality among the variables. Granger causality is also used to analyze the short-run causality among the variables(Aixalá & Fabro, 2009; Jayakumar et al., 2018). Table 4.3 shows the Granger causality between banking competition and EG based on equation 1. The results are abridged below.

4.5 Hypotheses Testing

Banking competition and EG is checked for short-run causality. In this regard, found bidirectional and unidirectional between banking competition and EG in selected sample in Table 4.3.

The relationship is bidirectional in (INF \Leftrightarrow CR5; INF \Leftrightarrow FOWN; TO \Leftrightarrow HHI STATS) and unidirectional in (EG \Leftarrow CR5; GOVT CONS \Rightarrow CR5; FOWN \Leftarrow EG; TO \Leftarrow CR5; HHI STATS \Leftarrow CR5; LI \Leftarrow EG; TO \Leftarrow FOWN; LI \Leftarrow GOVT CONS; LI \Leftarrow INF) depending on the banking competition and EG indicators. Therefore, a non-uniform relationship is found among banking competition and EG.

The null hypothesis of the study is rejected in the favor of alternate hypothesis because p-value is less than 5%.Therefore, in this case, null hypotheses are rejected in the favors of alternate hypotheses, which is Banking competition causes EG, and EG causes banking competition. These findings are consistent with (Cetorelli & Gambera, 2001; Coccoese, 2008; Jayakumar et al., 2018).

Table 4.5.1: Banking Competition and EG

Null Hypothesis:	Obs	F-Statistic	Prob.	Direction of Causality
EG does not Granger Cause CR5	1147	2.15522	0.1163	
CR5 does not Granger Cause EG		32.0454	3.00E-14*	EG \Leftarrow CR5
GOVT_CONS does not Granger Cause CR5	1147	19.0753	7.00E-09*	GOVT CONS \Rightarrow CR5
CR5 does not Granger Cause GOVT_CONS		1.53443	0.216	
INF does not Granger Cause CR5	1147	11.0972	2.00E-05*	

CR5 does not Granger Cause INF		5.66984	0.0035*	INF <=> CR5
FOWN does not Granger Cause EG	1147	14.4697	6.00E-07*	
EG does not Granger Cause FOWN		2.18846	0.1126	FOWN=> EG
TO does not Granger Cause CR5	1147	0.94647	0.3884	
CR5 does not Granger Cause TO		25.2623	2.00E-11*	TO<= CR5
HHI_STAT does not Granger Cause EG	1147	16.7546	7.00E-08*	HHI STAT=>EG
EG does not Granger Cause HHI_STAT		1.89106	0.1514	
LI does not Granger Cause EG	1147	0.54863	0.5779	
EG does not Granger Cause LI		3.80765	0.0225*	LI<= EG
GOVT_CONS does not Granger Cause FOWN	1147	2.59904	0.0748	
FOWN does not Granger Cause GOVT_CONS		1.94058	0.1441	GOVTCONS<#>FOWN
INF does not Granger Cause FOWN	1147	6.80370	0.0012*	
FOWN does not Granger Cause INF		15.8127	2.00E-07*	INF<=>FOWN
TO does not Granger Cause FOWN	1147	1.96232	0.141	
FOWN does not Granger Cause TO		2.98798	0.0508*	TO<= FOWN
HHI_STAT does not Granger Cause GOVT_CONS	1147	0.16477	0.8481	
GOVT_CONS does not Granger Cause HHI_STAT		1.93532	0.1449	HHI STAT<#> GOVT CONS
LI does not Granger Cause GOVT_CONS	1147	1.50136	0.2233	
GOVT_CONS does not Granger Cause LI		4.64216	0.0098*	LI<= GOVT CONS
TO does not Granger Cause HHI_STAT	1147	4.40400	0.0124*	
HHI_STAT does not Granger Cause TO		6.81591	0.0011*	TO<=>HHI STAT
LI does not Granger Cause INF	1147	6.25372	0.002*	
INF does not Granger Cause LI		1.53094	0.2168	LI => INF
TO does not Granger Cause LI	1147	0.10263	0.9025	
LI does not Granger Cause TO		1.31309	0.2694	TO<#> LI

Note: * P value<0.05

4.6 Causality between Banking Stability and EG

Similar to previous case, BS and EG is checked for short-run causality. Accordingly, the relationship between banking stability and EG is also non-uniform. The findings provide support for all demand following, supply leading, feedback, and neutrality hypothesis Table 4.4. The findings support the feedback hypothesis in (EG <=> DIR;

NPLR \Leftrightarrow EG; PC \Leftrightarrow EG; TO \Leftrightarrow PC; TO \Leftrightarrow STAB I; PC \Leftrightarrow INF) and support the Supply leading and demand following hypotheses in (EG \Leftarrow BC; GOVT CONS \Leftarrow BC; INF \Leftarrow DIR; NPLR \Leftarrow INF; PR \Leftarrow INF; TO \Leftarrow NPLR; TO \Leftarrow PR; ZI \Leftarrow EG). Consequently, support the neutrality hypothesis in(TO \nrightarrow BC; NPLR \nrightarrow GOVT CONS; ZI \nrightarrow TO).These non-uniform results are due to the banking stability and EG indicators. The null hypothesis is rejected in the favor of alternate hypothesis because p-value is less than 5%. In this regard, null hypotheses of the study are rejected and alternate is accepted, which are BS causes EG, and economic. These results are consistent with(Creel et al., 2015; Dhal et al., 2011).

Table 4.6.1: Banking Stability and Economic Growth

Null Hypothesis:	Obs	F-Statistic	Prob.	Direction of Causality
EG does not Granger Cause BC	1147	2.34771	0.096	
BC does not Granger Cause EG		2.95930	0.0523*	EG \Leftarrow BC
GOVT_CONS does not Cause Granger BC	1147	0.92988	0.3949	
BC does not Granger Cause GOVT_CONS		3.72178	0.0245*	GOVT CONS \Leftarrow BC
INF does not Granger Cause BC	1147	2.99809	0.0503*	
BC does not Granger Cause INF		0.38728	0.679	INF \Rightarrow BC
TO does not Granger Cause BC	1147	0.04590	0.9551	
BC does not Granger Cause TO		0.53406	0.5864	TO \nrightarrow BC
EG does not Granger Cause DIR	1147	7.93041	0.0004*	
DIR does not Granger Cause EG		28.9415	5.00E-13*	EG \Leftrightarrow DIR
GOVT_CONS does not Granger Cause DIR	1147	1.94422	0.1436	
DIR does not Granger Cause GOVT_CONS		10.8897	2.00E-05*	GOVT CONS \Leftarrow DIR
INF does not Granger Cause DIR	1147	79.7690	4.00E-33*	
DIR does not Granger Cause INF		0.25368	0.776	INF \Rightarrow DIR
TO does not Granger Cause DIR	1147	1.21881	0.296	TO \Leftarrow DIR
DIR does not Granger Cause TO		11.1079	2.00E-05*	
NPLR does not Granger Cause EG	1147	14.7184	5.00E-07*	
EG does not Granger Cause NPLR		5.34039	0.0049*	NPLR \Leftrightarrow EG
PC does not Granger Cause EG	1147	21.8068	5.00E-10*	

EG does not Granger Cause PC		5.76627	0.0032*	PC<=> EG
PR does not Granger Cause EG	1147	10.6462	3.00E-05*	
EG does not Granger Cause PR		5.80381	0.0031*	PR<=> EG
STAB I does not Granger Cause EG	1147	16.1011	1.00E-07*	
EG does not Granger Cause STAB I		0.38355	0.6815	STAB I=> EG
ZI does not Granger Cause EG	1141	2.25185	0.1057	
EG does not Granger Cause ZI		5.48917	0.0042*	ZI<= EG
NPLR does not Granger Cause GOVT_CONS	1147	0.30319	0.7385	
GOVT_CONS does not Granger Cause NPLR		0.85061	0.4274	NPLR<#> GOVT CONS
PC does not Granger Cause GOVT_CONS	1147	4.00512	0.0185*	
GOVT_CONS does not Granger Cause PC		3.96351	0.0193*	PC<=>GOVT CONS
PR does not Granger Cause GOVT_CONS	1147	0.16510	0.8478	
GOVT_CONS does not Granger Cause PR		0.46822	0.6262	PR<#> GOVT CONS
STAB I does not Granger Cause GOVT_CONS	1147	2.52771	0.0803	STAB I<= GOVT CONS
GOVT_CONS does not Granger Cause STABI		11.8564	8.00E-06*	
ZI does not Granger Cause GOVT_CONS	1141	0.48498	0.6158	
GOVT_CONS does not Granger Cause ZI		6.09794	0.0023*	ZI<= GOVT CONS
NPLR does not Granger Cause INF	1147	9.20841	0.0001*	
INF does not Granger Cause NPLR		2.17640	0.1139	NPLR=> INF
PC does not Granger Cause INF	1147	25.0501	2.00E-11*	
INF does not Granger Cause PC		21.3015	8.00E-10*	PC<=>INF
PR does not Granger Cause INF	1147	6.46622	0.0016*	PR=> INF
INF does not Granger Cause PR		1.72389	0.1788	

STAB I does not Granger Cause INF	1147	17.9160	2.00E-08*	
INF does not Granger Cause STAB I		14.2171	8.00E-07*	STAB I \leftrightarrow INF
ZI does not Granger Cause INF	1141	0.25371	0.776	
INF does not Granger Cause ZI		0.82363	0.4391	ZI \nrightarrow INF
TO does not Granger Cause NPLR	1147	0.08959	0.9143	
NPLR does not Granger Cause TO		2.94080	0.0532*	TO \Rightarrow NPLR
TO does not Granger Cause PC	1147	3.72670	0.0244*	
PC does not Granger Cause TO		9.73407	6.00E-05*	TO \leftrightarrow PC
TO does not Granger Cause PR	1147	0.00763	0.9924	
PR does not Granger Cause TO		3.91679	0.0202*	TO \leq PR
TO does not Granger Cause STAB I	1147	6.46238	0.0016*	
STAB I does not Granger Cause TO		30.6642	1.00E-13*	TO \leftrightarrow STAB I
ZI does not Granger Cause TO	1141	0.01931	0.9809	
TO does not Granger Cause ZI		0.02988	0.9706	ZI \nrightarrow TO

Note: * P value<0.05

4.7 Causality between Banking Competition and Banking Stability

In this case, BS and BCpetition is checked for short-run causality. In this regard, found bidirectional causality in (HHI STAT \leftrightarrow DIR),(LI \leftrightarrow DIR),(PC \leftrightarrow HHI STAT),(PC \leftrightarrow LI). These findings support the feedback hypothesis aligned with(Jayakumar et al., 2018; Liu & Wilson, 2013). Furthermore, found unidirectional causality in (FOWN \Rightarrow DIR);(NPLR \leq FOWN); (FOWN \leq BC);(DIR \leq CR5);(CR5 \Rightarrow STAB I);(PR \Rightarrow FOWN);(STAB I \leq FOWN);(PC \leq FOWN);(STAB I \Rightarrow HHI STAT). These results support the demand following and supply leading hypothesis consistent with(Allen & Gale, 2004; Fiordelisi & Mare, 2014; Kasman & Kasman, 2015). Consequently, found no causal relationship in (NPLR \nrightarrow CR5),(PR \nrightarrow CR5),(ZI \nrightarrow FOWN),(NPLR \nrightarrow HHI STAT) and support the neutrality hypothesis, similar to(Jayakumar et al., 2018). The null hypothesis is rejected in the favor of alternate hypothesis because p-value is less than 5%. Accordingly, null hypotheses of the study are rejected in the favor of the study alternate hypotheses, which are banking competition causes BS and BS causes banking competition Table 4.5.

Table 4.7.1: Banking Competition and Banking Stability

Null Hypothesis:	Obs	F-Statistic	Prob.	Direction of Causality
FOWN does not Granger Cause BC	1147	0.59870	0.5497	
BC does not Granger Cause FOWN		3.80587	0.0225*	FOWN <= BC
HHI_STAT does not Granger Cause BC	1147	0.03222	0.9683	
BC does not Granger Cause HHI_STAT		0.98285	0.3746	HHI STAT<#> BC
DIR does not Granger Cause CR5	1147	0.42930	0.6511	
CR5 does not Granger Cause DIR		10.1801	4.00E-05*	DIR <= CR5
PC does not Granger Cause CR5	1147	1.45717	0.2333	
CR5 does not Granger Cause PC		1.37470	0.2533	PC<#> CR5
PR does not Granger Cause CR5	1147	1.01096	0.3642	
CR5 does not Granger Cause PR		0.93361	0.3934	PR<#> CR5
STAB I does not Granger Cause CR5	1147	14.4418	6.00E-07*	
CR5 does not Granger Cause STAB I		0.24529	0.7825	CR5=> STAB I
NPLR does not Granger Cause CR5	1147	0.83522	0.434	NPLR<#> CR5
CR5 does not Granger Cause NPLR		0.84515	0.4298	
Z_INDEX does not Granger Cause CR5	1141	0.11574	0.8907	
CR5 does not Granger Cause Z_INDEX		0.27359	0.7607	PR<#> CR5
FOWN does not Granger Cause DIR	1147	16.1501	1.00E-07*	
DIR does not Granger Cause FOWN		2.03531	0.1311	FOWN=> DIR
HHI_STAT does not Granger Cause DIR	1147	10.3344	4.00E-05*	
DIR does not Granger Cause HHI_STAT		9.05169	0.0001*	HHI STAT <=> DIR
LI does not Granger Cause DIR	1147	14.9223	4.00E-07*	
DIR does not Granger Cause LI		3.42214	0.033*	LI <=> DIR
NPLR does not Granger Cause FOWN	1147	1.45916	0.2329	NPLR<= FOWN

FOWN does not Granger Cause NPLR		5.03679	0.0066*	
PC does not Granger Cause FOWN	1147	0.03889	0.9619	
FOWN does not Granger Cause PC		5.06763	0.0064*	PC<= FOWN
PR does not Granger Cause FOWN	1147	7.36884	0.0007*	
FOWN does not Granger Cause PR		1.40939	0.2447	PR=> FOWN
STAB I does not Granger Cause FOWN	1147	0.24676	0.7814	
FOWN does not Granger Cause STAB I		4.99888	0.0069*	STAB I<= FOWN
ZI does not Granger Cause FOWN	1141	0.16787	0.8455	
FOWN does not Granger Cause ZI		0.53697	0.5847	ZI<#>FOWN
NPLR does not Granger Cause HHI_STAT	1147	1.91273	0.1481	
HHI_STAT does not Granger Cause NPLR		0.59791	0.5501	NPLR<#> HHI STAT
PC does not Granger Cause HHI_STAT	1147	9.87681	6.00E-05*	
HHI_STAT does not Granger Cause PC		7.75374	0.0005*	PC<=>HHI STAT
PR does not Granger Cause HHI_STAT	1147	1.51607	0.22	
HHI_STAT does not Granger Cause PR		0.30260	0.739	PR<#> HHI STAT
STAB I does not Granger Cause HHI_STAT	1147	30.4059	1.00E-13*	
HHI_STAT does not Granger Cause STAB I		0.39914	0.671	STAB I=> HHI STAT
ZI does not Granger Cause HHI_STAT	1141	0.27318	0.761	
HHI_STAT does not Granger Cause ZI		0.74088	0.4769	ZI<#> HHI STAT
NPLR does not Granger Cause LI	1147	2.92105	0.0543*	
LI does not Granger Cause NPLR		0.63612	0.5295	NPLR=> LI
PC does not Granger Cause LI	1147	3.63946	0.0266*	

LI does not Granger Cause PC		20.1960	2.00E-09*	PC<=>LI
PR does not Granger Cause LI	1147	2.40407	0.0908*	
LI does not Granger Cause PR		0.08969	0.9142	PR=> LI
STAB I does not Granger Cause LI	1147	133.041	1.00E-52*	
LI does not Granger Cause STAB I		1.47772	0.2286	STAB I=> LI
ZI does not Granger Cause LI	1141	1.74926	0.1744	
LI does not Granger Cause ZI		5.00077	0.0069*	ZI<= LI

Note: * P value<0.05

5. Discussion

This paper aimed to investigate the causal relationship between banking competition, BS, and EG across a sample of both developing and developed economies. Utilizing annual data spanning from 2000 to 2018, the study examined variables such as banking competition, BS, and EG, incorporating seven indicators for BS, four indicators for banking competition, and four indicators for EG. Data was collected from 93 commercial banks operating in developing and developed regions, and analysis was conducted using E-Views.

The study-initiated discussions on the integration and co-integration of variables. A unit root test using a Fisher ADF was performed, indicating that the variables were stationary at the level. Consequently, causal relationships between BC, BS, and EG were identified. Further analysis using VAR tests confirmed the presence of causality among these variables. Granger causality results revealed both bidirectional and unidirectional causality among BC, BS, and EG in the short run.

6. Conclusion

It is evident that a robust banking system is pivotal for sustained EG, while any disruptions within this system can severely impact real per capita growth. Policymakers should exercise caution in interpreting financial indicators, recognizing that not all indicators may contribute positively to improvement. For investors in the banking sector, this study provides insights into optimizing their investments.

Future research could conduct comparative studies across different institutional contexts to explore variations in competition, stability and EG. Additionally, further investigation into various aspects of EG is warranted. Furthermore, future studies should explore the relationship between financial development, EG, and indicators of unemployment and poverty reduction, particularly in developing countries. This holistic approach can provide a deeper understanding of how these factors intersect and contribute to overall socioeconomic development. This study contributes to existing literature by examining the linkages and causal relationships between BC, BS, and EG. The findings underscore the importance of understanding banking sector indicators for the overall economy. They also suggest that informed financial management within banks is crucial to avoid over-indebtedness. Moreover, efficient policies aimed at developing the banking sector can significantly contribute to EG.

In addition to focusing on financial sector improvements, governments should prioritize macroeconomic factors such as enhancing trade openness, reducing inflation, and curtailing government consumption to foster economic prosperity. This study holds significance for governments, investors, policymakers, and financial institutions, emphasizing the need for an active financial environment to promote stability, competition, and growth within the banking sector.

Limitation of the Study

It is essential to acknowledge the limitations of this study, including its reliance on limited measures of BS, BC, and EG. Future research should consider incorporating additional variables such as Distance to Default and Foreign Direct Investment. Moreover, employing advanced methodologies beyond Granger causality could yield more accurate results.

Implication of the study

Our research holds important implications for policy. Firstly, companies involved in competition initiatives tend to outperform their competitors financially. This suggests that investing in competition can yield positive returns, indicating sound stability practices at the top level. Implementing competition is viewed as an investment for long-term gains, despite the initial cash outflow. Particularly in Asia, where firms are closely intertwined with political interests, the findings are promising for various stakeholders such as investors, corporate leaders, and local governments, as they align with EG practices.

However, CEO turnover negatively impacts CSR performance in the Chinese context, as CEOs play a pivotal role in maintaining corporate operations. This underscores the importance of retaining capable executives and considering their attributes when strategizing CSR efforts. Policies should be formulated to mitigate executive turnover and dual roles, with preference given to executives with certain traits, such as CFOs.

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Appendix

Table 1: Sample Distribution

Country name	No. of local banks in each countr	Selected banks in each country	Percentage
Pakistan	20	18	19.3
India	57	19	20.4
Bangladesh	33	10	10.8
Sri Lanka	26	10	10.8
New-Zealand	20	11	11.8
Hong Kong	22	07	7.5
Singapore	12	06	6.5
Australia	18	12	12.9
Total	208	93	100

Table 3.4: Measurement of Variables

Abbreviation	Proxy	Description	References
Banking Stability Indicators			
BC	Bank capitalization	Total equity to total assets ratio	(Hussain & Bashir, 2019)
PC	Private credit	Financial resource issued to the private sector from deposit money banks	(Nana, 2014)
STAB I	banking stability composite index	Weighted average ROA,BC,PLA,PC	(Jayakumar et al., 2018)
PR	Profit ratio	Return on Asset	(Thompson, Brinkman, Dharmapala, Gonzalez-Lima, Thrall, 1997)
DIR	Deposit interest rate	The rate paid by the bank to deposit holders	(Meslier et al., 2017)
ZI	Bank-level index	Total of ROA & equity to total assets divided with SD of ROA	(Hussain & Bashir, 2019)
NPLR	nonperforming loans	nonperforming loans to the total amount of loans ratio	(Hussain & Bashir, 2019)
Banking Competition Indicators			
LI	Leaner index	An average bank-level measure output price over marginal cost	(Berger et al., 2017)
HHI STATS	H statistic	Revenue elasticity to input prices	(Jayakumar et al., 2018)
CR5	CR5 firm concentration	the concentration of assets owned by five largest banks	(Jayakumar et al., 2018)

FOWN	Foreign ownership	total assets owned the foreign banks	(Jayakumar et al., 2018)
Economic Growth Indicators			
EG	Per capita economic growth	% change in per capita GDP	(Rakshit & Bardhan, 2019)
TO	Trade openness	The total volume of trade as percentage change in GDP	(Rakshit & Bardhan, 2019)
INF	Inflation	The growth rate of the consumer price index	(Rakshit & Bardhan, 2019)
GOV CONP	Government consumption	Government expenditures to GDP	(Abu-Bader & Abu-Qarn, 2003)

Table 4.1: Unit Root Test Results

Variable	Statistic	Probability	Cross-sections	Observations
CR5	-29.0239	0.0000	93	1026
FOWN	-1.93650	0.0264	71	833
LI	-3.58756	0.0002	93	1026
HHI_STAT	-7.26733	0.0000	93	1029
BC	-43.4161	0.0000	90	988
DIR	-4.77156	0.0000	74	771
NPLR	-3.36063	0.0004	93	1030
PC	-7.11949	0.0000	93	1024
PR	-8.27333	0.0000	93	1032
STAB I	-22.4825	0.0000	93	1024
EG	-17.7756	0.0000	93	1026
GOVT_CONS	-3.65195	0.0001	93	1049
INF	-11.1170	0.0000	93	1056
TO	-176.360	0.0000	93	1036

(The BC is the Bank Capitalization ratio of the total equity over total assets(%), CR% is five largest banks concentration, DIR is Deposit interest rate paid to deposit holders, EG is the Gross Domestic Product Growth Rate (%),FOWN is the total assets owned by foreign banks,GOVT CONS is the Government Spending to GDP (%), HHI STAT is the Revenue elasticity of Input prices,INF is the Consumer Price Index to GDP, LI is Lerner Index,NPLR is the Ratio off Non Performing loans to total loans, PC is the Private Credit, PR is the Profit Ratio,STAB I is the Stability Index,TO is Total volume of trade as a % of GDP, ZI is the Sum of ROA and equity to total asset divided by SD of ROA.

Factors Affecting the Purchase Decision of Customers During Covid-19 Pandemic. A Study on Restaurant Industry of Pakistan

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ABSTRACT

Purpose: The current study has determine how word of mouth communication, price of a product and brand image, have influenced customers' purchase decisions within the Pakistani restaurant industry during the Covid-19 pandemic. In other words, the research has examined the impact of word-of-mouth (WOM) communications, brand image, product price on the customers' purchase decisions, especially under crisis situations like the Covid-19 pandemic, where the restaurant businesses of Pakistan were found to face numerous challenges in the form of loss of revenues, loss of jobs, and even closure of businesses.

Design and Methodology: Quantitative methodology was utilized and multiple regression analysis has been used to determine the impact of WOM communications, price, and brand image on the customers' purchase decisions.

Findings: The findings of this research have shown that customers' purchase decisions within the Pakistani restaurant industry were indeed influenced by WOM communications, brand image, and product price.

Implications: The results of this study will help restaurant businesses in Pakistan to survive the challenges that were created by the pandemic, both before and after the lockdowns.

Keywords: Brand Image, Product Price, WOM Communication, Purchase Decision, Covid-19.

1. Introduction

During the outbreak of the Covid-19 pandemic and the resulting lockdowns that were imposed in many countries in 2020, a global economic downturn was observed, resulting in a closure of many businesses, unemployment, and a decline under the aggregate demand for many products and services (Feyisa, 2020). The same situation was also observed in Pakistan where the country had to suffer an economic loss of around Rs 2.5 trillion during the fiscal year of 2020 (Kiani, 2020) and a decrease in the gross domestic product (GDP) from US\$ 278.222 billion (that was recorded in 2019) to US\$ 263.687 billion in 2020 (World Bank, 2021; Sareen, 2020).

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Among the other sectors of Pakistan, the restaurant industry of the country also had to experience numerous problems that used to be considered as the second largest industry of the country, having total employment of around 16 percent, and serving more than 180 million customers in the country (Memon, 2016). These problems that the industry had to experience were mainly related to loss of sales from the closure of dine-in services, loss of jobs for many workers like waiters who used to earn daily wages, and even downsizing of many new and small restaurant businesses in the country (Mirza, 2020; Shafi et al., 2020).

However, despite these problems, the online sales and delivery services of the restaurant businesses in Pakistan were noted to increase dramatically during the Covid-19 pandemic. This increase in online sales was not only observed in the restaurant industry of Pakistan but also within the overall food and beverage industry (Statista, 2021). This is because, during the Covid-19 pandemic, the sales of the e-commerce market of food and beverages were noted to increase

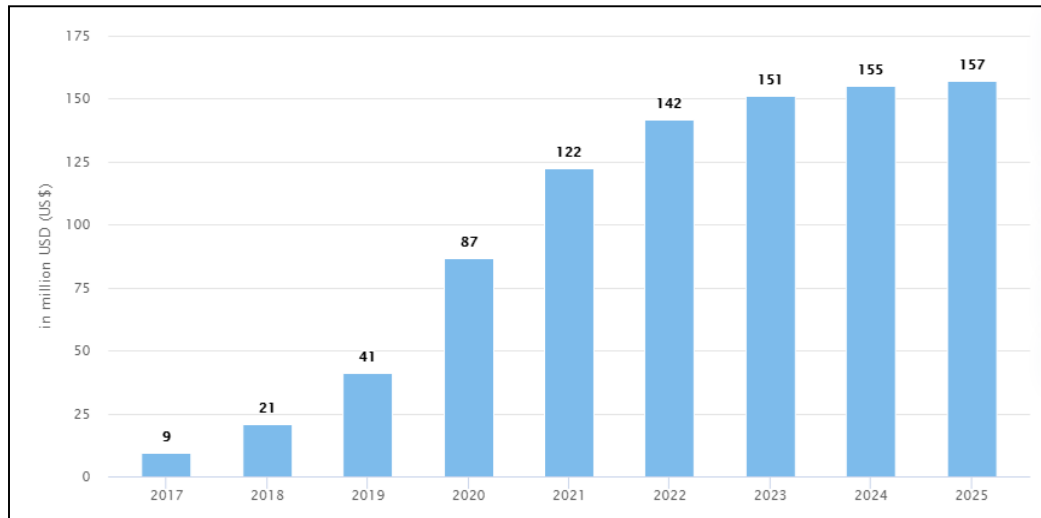


FIGURE 1. Revenue Generated from the Food and Beverage Industry of Pakistan – Source: Statista (2021)

from around US\$ 87 million in 2020 to US\$ 122 million in 2021 (see figure 1). Moreover, it is also expected that in the segment of online food delivery, the revenue will further increase and reach a value of around US\$ 306 million by the end of 2021 (Statista, 2021).

Thus, by considering the above data, one can infer that the increased use of the internet for purchasing food online was one of the main factors that supported the restaurant industry of Pakistan during the tough time that it had to face in the Covid-19 pandemic (Yousafzai, 2021). However,

there is still a need to determine the factors that positively influenced the purchase decision of the customers related to buying their meals online from the restaurants of Pakistan not just during the lockdowns when the Covid-19 cases were rising in the country, but also after the upliftment of these lockdowns in June 2020 with certain standard operating procedures (SOPs) that made it possible for customers to visit some of the restaurants where the dine-in services were reopened again (Zeb et al., 2021).

Upon analyzing the existing literature, it can be inferred that customers' buying decisions are affected by many different factors. For instance, within the studies of Djatmiko, and Pradana (2016) and De and Singh (2017) that were conducted in the smartphone, food and grocery, apparel and clothing industries, the brand image, as well as the price of the product were considered by these authors to play an essential role in positively affecting the buying decisions of the customers. Similarly, in another study by Basri et al. (2016), word of mouth (WOM) communication was also recognized or considered by the authors as a key driver of success for many upscale restaurant businesses in Malaysia. This is because this variable was also found by the authors to positively impact the purchase decision of the customers.

A similar postulation was also made by Roy et al. (2017) in their study who contended that when WOM communications are conducted electronically (i.e., e-WOM), such as in the form of online reviews about a particular product, online shoppers are found to make more informed purchase decisions about that product. This is because they are able to assess the product's characteristics, features, and quality appropriately based on the positive or negative reviews that are given by other customers. Thus, by considering these postulations, the current study has also tried to determine that whether brand image, product price, and WOM communications were also the main factors that positively influenced the purchase decisions of the customers to buy meals from the restaurants of Pakistan, especially during the Covid-19 pandemic.

In other words, the current study has examined the impact of these factors on the purchase decisions of the customers, especially under crisis situations like the Covid-19 pandemic, where the restaurant businesses were found to face numerous challenges that have been already explained above. In this regard, the study has determined that whether these factors associated with the product price, brand image, and WOM communications were also the "*saviours*" for the Pakistani restaurant businesses that helped them to survive during the pandemic and increase their sales both before and after the lockdown situations that were observed in the country.

2. Literature Review

2.1 Brand Image

Upon analyzing the existing literature, one can infer that brand image often plays a crucial role in influencing the purchase decisions of the customers (Djatkiko & Pradana, 2016; Allman et al., 2016). In the study of Safitri (2018), brand image has been described as a set of memories that are developed by customers regarding a certain brand. These memories can either be negative or positive that tend to remain within the minds of the customers for a long time. Moreover, authors like Ramesh et al. (2019) have also stated that the memories that customers develop regarding a particular brand can comprise the perceived benefits that they are able to receive from that brand and it can also include the important attributes of the branded product/service. Likewise, Lahap et al. (2016) have asserted that a brand can be considered as a convenient-unitary image and the image of the brand often influences the buying decision and purchase behavior of the customers.

The reason behind this that has been given by the authors is related to the need to obtain detailed information regarding a certain product in a limited amount of time as customers have become busier than ever and they often look for cues to make informed purchase decisions. This, as a result, motivates them to rely on or consider the brand image as an extrinsic cue for making their purchase decision (Lahap et al., 2016). Thus, by considering these points, the following hypotheses have been proposed to measure the impact of brand image on the purchase decisions of the customers during the Covid-19 pandemic:

Hypothesis 1: Brand image of the restaurant businesses in Pakistan has a significant and positive impact on the purchase decision of the customers under the Covid-19 pandemic.

2.2 Word of Mouth Communication

When it comes to the variable associated with word of mouth (WOM) communication that has been examined under the current research, then one can infer by looking at the article of Huete-Alcocer (2017) that it can be defined as customer-to-customer communications that are made regarding a certain product or service. The term “word-of-mouth” was first coined by Silverman (2011) and several authors like Basri et al. (2016) and Godes (2017) have stated that this form of communication can be considered as a powerful persuasive force, especially within the diffusion of information about a particular product or service.

Besides this, authors like Gvili and Levy (2016) and Huete-Alcocer (2017) have even asserted that e-WOM communication (in comparison to traditional WOM communication) often provides a

significant advantage for companies by allowing them to comprehend the important factors that encourage customers to post and share their opinions online regarding a particular product or service. Moreover, it also enables companies to track and assess the impact of these communications, comments, or messages on other people that these companies were unable to do so in the past while relying on the traditional WOM communication. To measure the impact of WOM communication on the purchase decisions of the customers in the restaurant industry of Pakistan during the Covid-19 pandemic, the following hypothesis has been proposed:

Hypothesis 2: Word of mouth communication regarding the restaurant businesses in Pakistan has a significant and positive impact on the purchase decision of the customers under the Covid-19 pandemic.

2.3 Product Price

Within the study of Samuelson (2009) as cited by Djatmiko and Pradana (2016), the price of a product has been defined as a factor that is typically determined when the forces of supply and demand interact with each other within the factor of production. Price can also be defined as the amount of money that is utilized as a tool of exchange in order to acquire a good or service (Wang et al., 2021). According to Kotler and Keller (2016), the perception of price has been considered to impact the purchase decision of the customers regarding a particular product or service significantly. A similar postulation was also made by Muliasari (2020) who also contended that price is often considered as a highly important factor within the purchase decisions of the customers, especially for those products or services that are bought by them frequently. While authors like De and Singh (2017) and Ye and Sun (2016) have stated that when it comes to judging the benefits of a given product (or service), then customers are often found to demonstrate highly rational behavior before paying its price.

Likewise, Hanaysha (2016) has also stated that customers tend to possess high perceptions with regard to what they are willing to pay, which can also be considered as one of the reasons why they forgive poor service more than the poor quality of the food. Thus, it can be expected that customers in most situations will prefer paying a low price as compared to a high price and show a high willingness to purchase high-quality products in comparison to low-quality products (Mathe-Soulek et al., 2016). This point is also highly in line with the postulation that was made by Chenavaz (2017) that some customers will emphasize quality over price, while others (in turn) will show a high preference over price in comparison to quality. Similarly, the hypothesis below has been provided

to measure the impact of product price on the purchase decisions of the customers during the Covid-19 pandemic:

Hypothesis 3: Product price of the restaurant businesses in Pakistan has a significant and positive impact on the purchase decision of the customers under the Covid-19 pandemic.

In the below-provided figure, the conceptual framework for the current study has been presented. This framework was constructed by considering the studies of Basri et al. (2016), Djatmiko and Pradana (2016), and De and Singh (2017) and the impact of the proposed explanatory variables on the explained variable in the current study has been measured within the context of Pakistani restaurant industry under the Covid-19 pandemic.

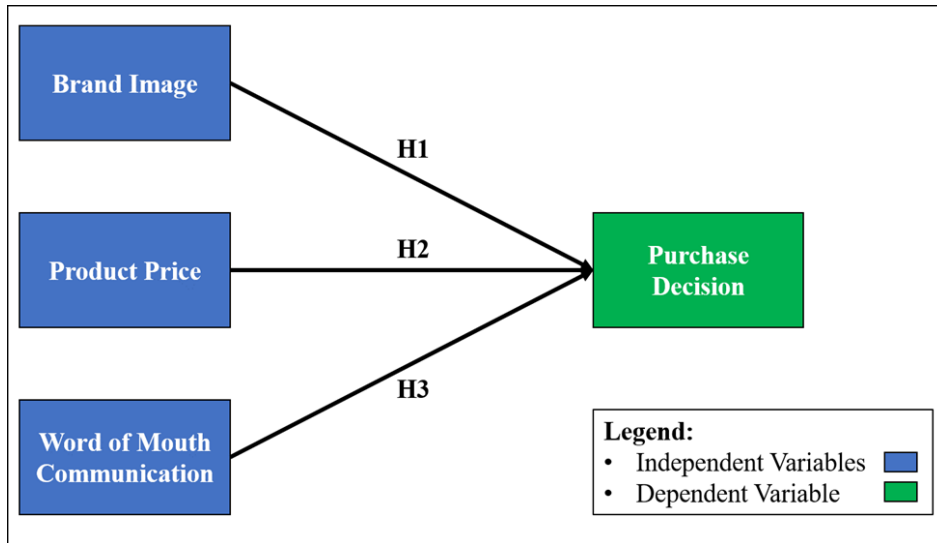


FIGURE 2. Conceptual framework adapted for the current research by considering the studies of Basri et al. (2016), Djatmiko and Pradana (2016), and De and Singh (2017)

3. Methodology

For conducting analyses on the explained (i.e., purchase decision) and explanatory variables (i.e., brand image, product price, and WOM communication) of this research, selecting a quantitative research design has been considered appropriate to provide relevant findings while taking the deductive approach. The reason why a quantitative research design has been chosen for

the current study is primarily linked with its ability in terms of helping the researcher to arrive at objective or accurate findings (based on facts and figures) while examining or analyzing the relationship between the variables of the research (Apuke, 2017). This, as a result, also assists in increasing both the quality and reliability of the findings that are obtained from a given study (Cortina, 2020).

Thus, the same has also been done for the current research where the quantitative research design or methodology has been applied to obtain relevant findings on how WOM communications, price of a product, and brand image have impacted the customers' buying decisions within the Pakistani restaurant industry during the Covid-19 pandemic. Moreover, another reason why a quantitative research design has been utilized within the current study is linked with its advantage with regard to providing support to the researcher in terms of collecting the data related to the variables of the study from a large sample size easily (Cortina, 2020). This advantage of the quantitative research design has also assisted in increasing the generalizability of the findings that have been obtained while analyzing the relationship between the explained and explanatory variables of this research.

3.1 Sampling Design

Before providing the information on the sampling technique that has been utilized for selecting the research participants to collect primary data about the variables of this study it is important to first highlight the information about the population, sampling frame, and the sample size of this research. Since this research has been conducted within the restaurant industry of Pakistan, the population of this research comprises all those people in Pakistan who visit both the fast-food and fine-dining restaurants of the country.

These people also include those individuals who were noted to purchase their meals from the restaurants of Pakistan both before and after the lockdowns that were imposed during the Covid-19 pandemic. Moreover, all those people who were observed to purchase their meals from the restaurant businesses of Pakistan that are specifically located in the city of Karachi have formed the sampling frame of this research. From this sampling frame, a sample size of 222 research participants has been selected for the current study.

This sample size has been calculated by taking the average of the sample sizes provided in the studies of Basri et al. (2016), Djatmiko and Pradana (2016), and De and Singh (2017) (that have also been used for forming the conceptual framework of the current study) at a 95 percent confidence interval (Cohen, 1988). For instance, in the study of Basri et al. (2016), a sample size of 300 Malay respondents was selected by the authors for conducting their research.

While from the total of 550 respondents, 300 respondents from the food and grocery sector of India were selected by De and Singh (2017) within the sample of their study. Finally, 100 respondents who were located within the south part of Bandung, Indonesia were chosen by Djatmiko and Pradana (2016) in the sample of their research. Thus, the average of these three different sample sizes was taken at a 95 percent confidence interval by considering the study of Cohen (1988) in order to conduct the following calculation to arrive at the sample size for the current study:

$$\text{Sample size} = [(300 + 300 + 100) \div 3] \times 95\%$$

$$\text{Sample Size} = 221.6 \approx 222 \text{ respondents}$$

For selecting these 222 research participants, the convenience sampling technique has been utilized to form the sample of the current research. The reason why this technique has been used for designing the sample of the current study was linked with the need to find the appropriate number of respondents easily and promptly under the Covid-19 pandemic. Thus, by using this technique, 222 research participants (i.e., customers who purchase meals from the restaurants in Karachi) have been approached to collect the data for the current study for which an online survey was conducted and Likert-scale questionnaire was used to collect data from these respondents (see appendix A).

3.2 Data Analysis

To measure the internal consistency of the collected primary data, the statistical technique of Cronbach's Alpha analysis has been utilized within this study. In this regard, the Alpha value of this statistical technique has been examined thoroughly in order to determine whether it is equal to or higher than 0.7, which usually indicates that the collected data from the given number of items (or questions) for measuring the variables is internally consistent or reliable (Vaske et al., 2017). In addition to this, frequency analysis has also been provided under this study to provide the details related to the demographic profile of the research participants. Moreover, analysis of the descriptive statistics has also been provided under the current research, primarily to present information on the values associated with mean and standard deviation (George & Mallery, 2016). Furthermore, to analyze the effects of WOM communications, price, and brand image (i.e., explanatory variables) on the purchase decisions of the customers (i.e., explained variable) within the Pakistani restaurant industry during the Covid-19 pandemic, the statistical technique of multiple regression has also been used within this research.

4. Results

4.1 Demographic Analysis

Within this section of the report, the findings and results of the quantitative analyses have been presented that were conducted by considering the above research methodology and criteria that have been established to analyze the collected primary data of this study. In this regard, under the current section of this chapter, results of the demographic analysis have been presented for which the age, income, and gender of the research participants have been examined with the help of descriptive statistics and frequency analysis. These results have been shown in the below-provided tables.

TABLE 1. Demographic Analysis – Descriptive Statistics

		Gender	Age	Income
N	Valid	222	222	222
	Missing	0	0	0
	Mean	1.38	2.54	3.73
	Median	1.00	2.00	4.00
	Mode	1	2	5
	Standard Deviation	0.486	0.864	1.284
	Minimum	1	1	1
	Maximum	2	4	5

As can be viewed from table 1, the mean values that have been obtained for the income, age, and gender of the research participants are around 3.73, 2.54, and 1.38, respectively. While the median values for income, age, and gender that have been obtained during the analysis are around 4, 2, and 1, respectively. Similarly, the mode values for these variables as shown in the table are 5, 2, and 1, respectively. Upon analyzing the mode value of income (i.e., 5), it can be inferred that the majority of the research participants had an income of around 50,001 PKR and above. Similarly, the mode value of age (i.e., 2) is indicating that most research participants had an age between the range of 21 to 30 years. While the mode value of gender (i.e., 1) is showing that the majority of the research participants were males. On the other hand, the standard deviation values for income, age, and gender of the research participants are around 1.284, 0.864, and 0.486, respectively. Likewise, the

minimum and maximum values for these demographic variables are also shown in the above table accordingly.

TABLE 2. Gender of the Research Participants – Frequency Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	138	62.2	62.2	62.2
	Female	84	37.8	37.8	100.0
	Total	222	100	100	

Besides analyzing the statistical dispersion of the demographic variables of the research participants, it is also important to look at these variables individually for which the results of the frequency analyses have been examined. In this regard, the results of the frequency analysis that has been conducted on the gender of the research participants (see table 2) is clearly showing that approximately 62.2 percent of these participants were males. While around 37.8 percent of these research participants were females.

TABLE 3. Age of the Research Participants - Frequency Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 to 20 years	19	8.6	8.6	8.6
	21 to 30 years	100	45.0	45.0	53.6
	31 to 40 years	67	30.2	30.2	83.8
	41 years or above	36	16.2	16.2	100.0
	Total	222	100	100	

Similarly, table 3 is showing that most research participants who were approached to collect the data for the current study had an age of around 21 to 30 years (i.e., 45 percent), followed by 31 to 40 years (i.e., 30.2 percent), and 41 years or above (i.e., 16.2 percent). Moreover, only 8.6 percent of the respondents had an age of around 18 to 20 years.

TABLE 4. Income of the Research Participants - Frequency Analysis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 18000 PKR	19	8.6	8.6	8.6
	18001 PKR to 30000 PKR	26	11.7	11.7	20.3
	30001 PKR to 40000 PKR	29	13.1	13.1	33.3
	40001 PKR to 50000	71	32.0	32.0	65.3
	50001 or above	77	34.7	34.7	100.0
	Total	222	100.0	100.0	

Likewise, the above table is clearly highlighting that approximately 34.7 percent of the research participants had an income of around 50,001 PKR or above. While 32 percent of them were found to be earning an income of around 40,001 PKR to 50,000 PKR and 13.1 percent of these participants were also found to be earning around 30,001 PKR to 40,000 PKR. In addition to this, few research participants (i.e., 11.7 percent) during the survey were also observed to have an income of around 18,001 PKR to 30,000 PKR and approximately 8.6 percent of them were earning below 18,000 PKR.

4.2 Reliability Test

After analyzing the demographic profile of the research participants, it is now important to examine the internal consistency of the primary data that has been collected by using the Likert-scale questionnaire for this research. These results or findings of the reliability tests (for measuring internal consistency) have also been shown in the below tables:

TABLE 5. Results of the Cronbach's Alpha Analysis for Brand Image

Reliability Statistics	
Cronbach's Alpha	No. of Items
0.706	05

As can be seen from the above table, the Cronbach's Alpha value that has been obtained for the variable of brand image is around 0.706. By analyzing this value, it can be inferred that the internal

data that has been collected for this variable by using 5 items (i.e., 5 Likert-scale questions) is internally consistent or reliable since this value is approximately equal to 0.7 (Vaske et al., 2017).

TABLE 6. Results of the Cronbach's Alpha Analysis for Product Price

Reliability Statistics	
Cronbach's Alpha	No. of Items
0.671	05

Similarly, results of the Cronbach's Alpha analysis for the variable of Product Price are also indicating that the data for this explanatory variable of the study is also fairly reliable (see table 6). This is because the Alpha value for this variable is also closer to 0.7 (i.e., 0.671) which means that the data that have been collected by using 5 Likert-Scale questions for this variable is also internally consistent.

TABLE 7. Results of the Cronbach's Alpha Analysis for Word of Mouth Communication

Reliability Statistics	
Cronbach's Alpha	No. of Items
0.839	05

Likewise, the Cronbach's alpha value that has been obtained for the explanatory variable of word of mouth communication during the analysis is around 0.839 (see table 7), which is also higher than 0.7. These results again suggest that the data for the variable of WOM communication is also highly reliable.

TABLE 8. Results of the Cronbach's Alpha Analysis for Purchase Decision

Reliability Statistics	
Cronbach's Alpha	No. of Items
0.720	05

In table 8, the Cronbach's Alpha value for the dependent variable of this study (i.e., purchase decision) have also been provided and it can be clearly seen that the Cronbach's Alpha value for this explained variable is also higher than 0.7 (i.e., 0.720). From this result, it can again be inferred that the data for this variable is also reliable or internally consistent. After analyzing the Cronbach's Alpha values for the explanatory and explained variables of this research, it is also important to examine the overall reliability of the entire Likert-scale questionnaire that was used during the

online survey to gather the primary data for this study. These results related to the overall reliability of the Likert-scale questionnaire have also been provided in the below table.

TABLE 9. Reliability Analysis of Likert-Scale Questionnaire

Reliability Statistics	
Cronbach's Alpha	No. of Items
0.898	20

As can be seen from table 9, the Cronbach's Alpha value that has been obtained for all the 20 Likert-scale questions/items that were used to collect the primary data for this study is around 0.898. Since this value is higher than 0.7, it can again be concluded that the data which was collected from the questionnaire during the survey for the explained and explanatory variables of this study is highly reliable.

4.4 Regression Analysis

Before providing the results of the multiple regression analysis under this section of the chapter for examining the impact of WOM communication, product price, and brand image on the purchase decision of the customers, it is important to mention that for conducting this regression analysis, a 5 percent level of significance and a 95 percent confidence interval have been taken into consideration. These results (and their interpretations) have been provided in the below tables:

TABLE 10. Model Summary – Multiple Regression Analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.782 ^a	0.612	0.607	0.289

a. Predictors (Constant). Word of Mouth Communication, Brand Image, Product Price

In the above table, it can be seen that the value of correlation between the explanatory variables (i.e., WOM

communication, product price, and brand image) and explained variable (i.e., purchase decision) of this study is around 0.782. Since this value has a positive sign and it is also higher than 0.5, it can be concluded that there is a strong and a positive correlation between the explained and explanatory

variables of this study. Similarly, the R-square value (i.e., coefficient of determination) in the above table is around 0.612, which means that approximately 61.2 percent variation under the variable of purchase decision has been accounted for by the change within the variables of WOM communication, brand image, and product price. This also means that approximately 38.8 percent variation under the variable of purchase decision has been caused by other variables that are not part of this study. Besides this and as shown in table 10, the value of R-square has also been adjusted at 0.607 to account for the impact of all the statistically significant variables of the study on the explained variable.

TABLE 1. ANOVA – Multiple Regression Analysis

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.75	3	9.58	114.58	0.000 ^b
	Residual	18.23	218	0.084		
	Total	46.99	221			

a. D.V: Purchased Decision
 b. Predictors (Constant): Word of Mouth Communication, Brand Image, Product Price

TABLE 2. Coefficients – Multiple Regression Analysis

Model		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	Constant	0.702	0.195		3.597	0.000
	Brand Image	0.260	0.049	0.265	5.272	0.000
	Product Price	0.159	0.056	0.158	2.854	0.005
		0.413	0.047	0.496	8.751	0.000

a. D.V: Purchased decision

Likewise, in the above-provided table of ANOVA, it can be seen the value of significance is less than 0.05, which means that the entire regression model is statistically significant at a 95 percent confidence interval. In other words, it can be concluded that the entire model has been accepted.

Finally, by using the beta values that are provided in the above table of coefficients, the following regression equation can be generated in order to highlight the relationship between the explained and explanatory variables of this study:

$$Y = 0.702 + 0.260X_1 + 0.159X_2 + 0.413X_3$$

Where:

Y = Purchase Decision

X₁ = Brand Image

X₂ = Product Price

X₃ = WOM Communication

From the above regression equation, several inferences can be made to predict or explain the relationship between the dependent and independent variables of this study. For instance, by looking at the above regression equation, it can be inferred that if the variable of brand image (X1) is increased by a unit, the explained variable of purchase decision (Y) will (ceteris paribus) increase by around 0.260. Similarly, it can also be inferred that if the variable of the product price (X2) is increased by a unit, the variable of purchase decision will (ceteris paribus) increase by around 0.159. Likewise, it can also be concluded from the above regression equation that if the variable of WOM communication (X3) is increased by a unit, the variable of purchase decision will (ceteris paribus) increase by around 0.413.

In addition to this, by looking at table 12, it can also be concluded that all the explanatory variables of this study (i.e., WOM communication, brand image, and product price) are passing the t-test since their t-values are higher than 2 (Keith, 2019). This is because the t-values of brand image, product price, and purchase decision (as shown in the table) are around 5.272, 2.854, and 8.751, respectively. From these results, it can be concluded that all these explanatory variables are statistically significant at a 95 percent confidence interval. Besides this, the p-values of these variables are also less than 0.05, which again means that these explanatory variables are true impactors of the explained variable of purchase decision. Thus, based on these results, it can be concluded that all the hypotheses of this study have been accepted.

5. Conclusion

By considering the results of the quantitative analyses that have been provided in the previous chapter of this research, one can conclude that WOM communications, price of a product, and brand image have played an important role in affecting the buying decisions of the customers positively within the Pakistani restaurant industry under the Covid-19 pandemic. Moreover, these results are not only validating the findings of the previous studies related to the positive impact of the explanatory variables of this research on the purchase decision (De & Singh, 2017; Basri et al., 2016; Djatmiko & Pradana, 2016), but they are also confirming (to a great extent) that brand image, WOM communication, product price could have helped the restaurants in Pakistan to survive the pandemic.

In other words, these variables could have helped the restaurant businesses in Pakistan to maintain their awareness among their target customers and/or inform the customers about their services during the pandemic. They could have also helped in stabilizing the sales of the restaurant businesses of Pakistan and assisted them to retain and motivate their customers to purchase their meals both online (especially during the lockdowns) as well as by visiting their physical premises, when the

restrictions were gradually uplifted by the government, making it possible for some restaurants to resume their dine-in services.

This is because (and by considering the existing literature), one can infer that there might be a possibility that the Pakistani restaurant businesses would have improved both the intrinsic and extrinsic attributes of their products or brands (Djatkiko & Pradana, 2016), that in turn, would have motivated the customers to purchase their meals during the Covid-19 pandemic. The same goes for providing more consumer benefits (Jeon, 2017), such as in the form of discounts, increased quantity, and quality of the meal, or additional services like free delivery, etc., and improving the brand personality to make a closer connection with the customers during the pandemic (Davies et al., 2018).

This would have helped these restaurants in increasing their sales despite the closure of their dine-in services due to the lockdowns that were imposed throughout the country. Similarly, from the findings of this study, it can also be concluded that the diffusion speed (Huete-Alcocer, 2017), accessibility (Stephen & Lehmann, 2016), as well as the credibility of the information/message (Sharif et al., 2016), that might have been communicated about the restaurants in Pakistan through WOM communications, could have also influenced the purchase decisions of the customers significantly and positively during the Covid-19 pandemic. This might also be the reason behind the positive impact of WOM communication on the purchase decisions of the customers, which was evident in the results of the quantitative analyses of this study.

Again, by considering the existing literature, it can be inferred that there might be a possibility that during the Covid-19 pandemic and the resulting increase in internet usage by the Pakistani customers (Statista, 2021; Yousafzai, 2021), the positive WOM communications regarding the restaurant businesses, especially the credibility of the information within these communications (Ismagilova et al., 2020) on the online platforms like websites, blogs, social media, etc., would have played an important role in positively influencing the purchase decisions of the customers.

This, in turn, would have again helped the restaurant businesses to positively affect their customers' buying decisions through the structure or dimensions of their prices (Kotler & Keller, 2016; Kotler & Armstrong, 2014) by making their meals more affordable or fairly priced. Therefore, it can be concluded from the findings of this study that WOM communications, brand image, and price of the product could have indeed helped the Pakistani restaurant businesses to survive the crisis of the Covid-19 pandemic successfully.

In other words, it can be concluded that these explanatory variables of the current study could have positively impacted the cognitive, affective, and conative stages of the purchase decisions of the customers (Ali, 2019; Anitha & Mohan, 2020; Su et al., 2019) by motivating them to purchase the meals of the Pakistani restaurants both online and through their dine-in services before and after the upliftment of lockdowns in the country, respectively. This is because the existing literature related to the variables of WOM communications, product price, and brand image has proven that they can positively affect the buying decisions of the customers and it can be concluded (by considering the findings of the current study) that the same would have happened under the Pakistani restaurant industry during the coronavirus pandemic.

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Reducing the Intergenerational Conflict between Generation Y and Generation Z through Creating a Culture of Mutual Respect

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ABSTRACT

Purpose: The aim of this study is to understand the intergenerational conflict between generation Y and Z. This study also helps to determine the impact of creating a culture of mutual respect to reduce generational conflict.

Methodology: The data was collected from Higher Education Commission in the form of dyads. These dyads were representing generation Y as supervisor and generation Z as subordinates. The data was collected in non-dyadic method. The purposive sampling technique was used with two criteria, organizational structure and age. Ten interviews were conducted with the respondents which were classified into four dyads. For analysis, framework matrix method was used in the NVivo 14.

Findings: The results of the study indicate that generational conflict exists between generation Y and Z due to differences in their working values and a culture of mutual respect plays a positive role in curbing this conflict. The thematic analysis was performed by using framework matrix method to identify the main and sub themes. The three main themes have represented some overlaps and contrast in the summarized data of dyads. The maximum overlap is observed between these generations in the sub theme of 'Fostering a Culture of Mutual Respect.'

Implication: The study provides a theoretical contribution in terms of validating the cognitive dissonance theory in reducing generational conflict through creating a culture of respect. An important practical implication of the study is to provide useful comprehensions to the organizational leaders to manage the young generation as they are entering into Pakistani workforce. The findings of the study also help to develop workplace policies in the organizations that help in mutual transfer of knowledge between both generations.

Keywords: Generations Y, Generation Z, Mutual Respect, Intergenerational Conflict, Thematic Analysis, Dyads.

1. Introduction

In today's dynamic workplaces, the coexistence of generation Y (born 1981-1996) and generation Z (born 1996-2012) sparks a fascinating interplay of values and perspectives (Milfont et al., 2021). Each generation brings a unique attitude to work which is shaped by societal shifts and

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technological advancements (Butakova, 2022). Generation Y, also known as millennials, prioritizes flexibility and self-expression, seeking personal growth and autonomy while generation Z emphasizes diversity, social justice, environmental sustainability, and multiculturalism. This dynamic blend creates an exciting landscape for collaboration and innovation (Bulut, 2021). These distinctions in values, although reflecting each generation's unique context, can cause a way for intergenerational conflicts. In today's fast-paced workplace, the clash between generation Y and Z is not just a battle of age, rather it is a clash of values. But why should we care? Because when these two generations collide, productivity takes a hit, creativity suffers, and morale disappears. Intergenerational conflict is not just a trouble but a roadblock to progress. By understanding and addressing these differences, the researcher paves the way for a more harmonious and thriving workplace where everyone's unique perspectives are celebrated.

The research investigates the core issue of potential disagreement between generation Z employees, newly entering the workforce, and their generation Y supervisors, rooted in differing work values. This research is identifying an ongoing conversation and explain how the intergenerational phenomenon will move forward by developing further knowledge for the readers. These divergent values not only create tension but can also escalate into personality clashes. Millennials may perceive generation Z as idealistic or demanding, while generation Z may see millennials as less socially conscious individuals (Bulut, 2021). This idealism or perceived rigidity can intensify conflicts and extend a cycle of misunderstanding and friction that can hinders productive collaboration and synergy within the workplace as the conflicts blocks the creativity of employees and diminishes their morale.

The purpose of this study is to determine the intergenerational conflict between generation Y and Z due to differences in their working values. The researcher also investigates that by fostering open and respectful communication channels, organizations can facilitate constructive dialogue and mutual understanding between two generational cohorts. Embracing and celebrating the strengths and unique qualities of each generation can foster a cohesiveness (Foronda, 2020). By fostering a culture of mutual respect and appreciation, organization can surpass generational divides and club the collective potential of diverse perspectives and experiences. It may help to create an inclusive and vibrant workplace where individuals of all ages can thrive and contribute meaningfully towards shared organizational goals. The data of this study is collected from the Higher Education Commission in the form of dyads, with each dyad representing a supervisor from generation Y and a subordinate from generation Z. The data collection employed a non-dyadic method, involving separate interviews conducted with supervisors and subordinates. Purposive sampling technique was used by following two criteria: organizational structure and age. A total of ten interviews were conducted, resulting in the classification of respondents into four dyads. For analysis, the framework matrix method was used in NVivo 14. The study findings reveal the presence of generational conflict between two generations stemming from differences in their working values, with a notable role played by a culture of mutual respect in mitigating this conflict. The thematic analysis, conducted through framework matrix method, identified three main themes capturing the summarized data

from the dyads. These themes demonstrated both overlaps and contrasts between generation Y and Z. Particularly, a significant overlap was observed in the sub theme ‘Fostering a Culture of Mutual Respect’, indicating common ground attributing to respectful interactions between the two generations.

2. Literature Review

2.1 Work Values of Generation Y

Generation Y possess distinct work values compared to previous generations, as revealed by various research findings. One of their primary values is seeking alignment with organizational values, prioritizing opportunities to work that share their personal beliefs (Alteneiji, 2020). They accept a lower salary to join an organization that upholds their values. They also have pursuit of interesting and challenging tasks that foster personal growth and learning. They place great importance on feeling a sense of achievement and making a meaningful impact through their work (Bogueva & Marinova, 2022). Another key value of generation Y is building positive relationships with co-workers and working in a collaborative environment. Additionally, they seek employment in organizations that contribute positively to society and the environment (Chayal et al., 2021). For generation Y, salary is not the sole determinant for opportunities for professional development. Instead, they prefer to work for organizations that invest in their employees. Generation Y also prioritizes flexible work schedules to accommodate personal pursuits outside of their jobs. Meaningful motivation, such as engaging in creative work, utilizing their skills to benefit others, and contributing to meaningful projects, drives generation Y (Halim et al., 2021). Finally, they appreciate positive feedback and recognition for their efforts. It is worth noting that although there are disparities in work values between generation Y and other generations, but these differences are not as exaggerated as often portrayed by the media (Hui et al., 2021).

2.2 Work Values of Generation Z

The generation Z work values revolve around making a difference in people’s lives, having an fascinating and inspiring job, ensuring job security, and favorable benefits (Aggarwal et al., 2022). Literature indicates that cognitive and instrumental work values have utmost significance to this generation. It has been found that the generation Z prioritize building a solid career path by acquiring robust skill sets that enable them to progress quickly in their professional activities (Dobrowolski et al., 2022). Based on the available search results, some work values have been identified among generation Z. Despite being recognized for their practicality and desire for financial stability, generation Z also exhibit a strong concern for ethics, activism, and values (Holzer et al., 2022). They prioritize a positive working environment that embraces flexibility, values mental health, social justice promotes a healthy work-life balance. While salary remains a consideration, generation Z tends to place less emphasis on it when compared to previous generations (Janssen & Carradini, 2021). Furthermore, generation Z has sense of mission and determination, they seek opportunities that are aligned with their personal values and create a meaningful difference (Kautish

et al., 2022). It is important to accept that research on generation Z is still in its initial stages, therefore, further studies are necessary to gain an ample understanding of their preferences in the workplace.

2.3 Intergenerational Conflict

Intergenerational conflict between generation Y and Z has become a prominent subject of discussion (Sattar et al., 2023). One noteworthy difference between the two generations lies in their personality traits and working values because generation Z tends to prefer working independently, on the other side, generation Y considers collaboration on prominence (Appelbaum et al., 2022). Despite these differences, both generations collaborate in constructive way, if managed intelligently. It is critical to acknowledge that intergenerational conflict is not a new phenomenon rather it remains an ancient aspect of society as the older generations had been voicing dissatisfaction with the younger ones (Jr, 2020). On the other side, intergenerational diversity provides an opportunity to working teams by fostering innovation and effectiveness. It is worth noting that clashes can arise when the two generations having expertise in technology, collide and lead to conflicts in the digital realm (Lina Damera et al., 2022). Both generations have distinction in various aspects such as their fashion choices, buying behaviors and technology usage (Sattar et al., 2023). However, it is important to recognize the prospective collaboration and innovation between these generations as well as to struggle for finding common ground for development.

2.4 Creating a Culture of Mutual Respect

Culture of mutual respect involves creation of an environment where all individuals are treated with dignity, fairness, and consideration despite of their generational differences (Foronda, 2020). It involves promoting open communication, active listening, and valuing diverse perspectives. Leaders and team members should encourage empathy and understanding, They should nurture an atmosphere where everyone feels respected and heard (Liu et al., 2021). By promoting inclusive practices, recognizing and appreciating individual contributions, and addressing conflicts constructively, a culture of mutual respect can be cultivated (Tingvold & Munkejord, 2021). Furthermore, providing ongoing training and development opportunities that emphasize respect, diversity, and inclusivity can help to embed these values into the organizational culture and reinforce mutual respect among all members of the workforce (Vásquez-Fernández et al., 2021). Literature affirms that by cultivating an environment of mutual respect enhances employee engagement, helps in fostering innovation and ultimately, achieve sustainable competitive advantage (Classen, 2022).

3. Theoretical Perspective

The literature indicates that generational studies have been conducted by using the generational cohort theory. However, the present study is based on cognitive dissonance theory. Whenever individuals of two different generations work together, the differences in their working values create a stiffness in the workplace that affects the performance of individuals. To maintain a healthy working environment, the individuals adapt some behavioral changes during such tough situations at workplace. Similarly, the cognitive dissonance theory states that individuals are motivated to reduce dissonance between two or more conflicting beliefs or attitudes in order to bring their attitudes and beliefs into alignment (Aronson, 1969). This is also commonly referred to as "mental discomfort" which promotes an individual to update their attitudes and beliefs to make them consistent with one another. When people of generation Y and Z with divergent work values meet, they may feel cognitive dissonance, for example, an individual of generation Y may value work-life balance, flexibility and purpose in his/her career and an individual from generation Z may place more emphasis on diversity, social justice, and sustainability in the workplace. Individuals from each generation should try to rationalize these conflicting perspectives. This can lead to tension, misunderstandings, and intergenerational conflict. Hence, the researcher posits that:

Proposition 1: The differences in the work values of generation Y and Z are likely causing Intergenerational Conflict at workplace

Differences in work values between generation Y and Z create cognitive dissonance, leading to intergenerational conflict. This conflict arises as individuals resist the values of the other generation. An individual may address this issue through three ways that are: (a) by changing his belief or attitude (b) by changing his behavior and (c) by rationalizing his behavior. Similarly, fostering a culture of mutual respect is crucial as it reduces cognitive dissonance by valuing and appreciating each generation's perspectives. As the subordinate of generation Z are working in hierarchal structure and individual from generation Y are their supervisor, therefore, whenever the employees of generation Z face a conflicting situation, they either change their belief about generation Y or change their action by following the directives of their supervisor or by understanding their own behavior. But these changes are only possible if the organization has a culture of mutual respect. Respectful communication and empathy may help in bridging the gap and find common grounds. Recognizing strengths and fostering a shared sense of purpose minimizes conflicts, helps in creating a harmonious work environment. Based on this, the researcher suggests that:

Proposition 2: The Intergenerational Conflict between Generation Y and Z is likely to be reduced by fostering a culture of mutual respect at workplace

4. Methodology

4.1 Sampling and Data Collection

In dyadic studies data can be gathered by two ways; (a) dyadic data collection – the individuals in dyads are interviewed together and (b) non-dyadic data collection – the individuals in dyads are interviewed separately (Collaco et al., 2021). The couple data as a single unit whether collected through separate interviews (non-dyadic) or through together interviews (dyadic) provides in-depth understanding and additional perspective of the study (Byrne, 2022). For the said reason, the data of current study was collected in non-dyadic way where respondents were supervisor and subordinates in the Higher Education Commission of Pakistan, and they were interviewed separately. The dyads of this study were in one-to-many relation that means one supervisor has more than one subordinate, and they were interviewed separately. The researchers used a purposive sampling method because only those individuals were selected for interviews who belong to generation Y as supervisor and generation Z as subordinates. The criteria for purposive sampling were (a) hierarchy (supervisor-subordinate relation) and (b) age (the supervisor must be from generation Y and subordinates must be from generation Z). These characteristics are crucial for addressing research objectives. Based on purposive sampling the researcher found 4 dyads in Higher Education Commission of Pakistan with 4 supervisors whom age was falling under generation Y, and they had 10 subordinates in total from generation Z.

4.2 Analytical Strategy

The researchers used NVivo 14 software for thematic analysis. For this, Braun and Clarke's approach of reflexive thematic analysis is adopted (Jackson, 2019). The data represented in figure 1 explains that 21.4% (total number=3) were females and 78.6% (total number=11) were male who participated in the study.

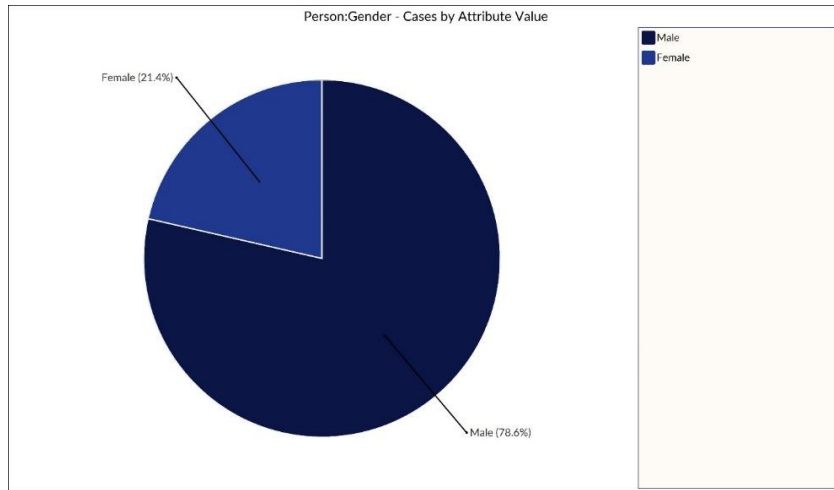


Figure 1: Gender wise Respondents

Similarly, figure 2 represents the age of participants who participated in the study and belongs to generation Y as supervisors and generation Z as subordinates. The maximum age of generation Y is 45 while the maximum age of generation Z is 27. The supervisors of generation Y who participated in the study have ages between 40 to 44 years while the subordinates of generation Z who participated in the study falls between two age groups that are 20-24 years and 25-29 years.

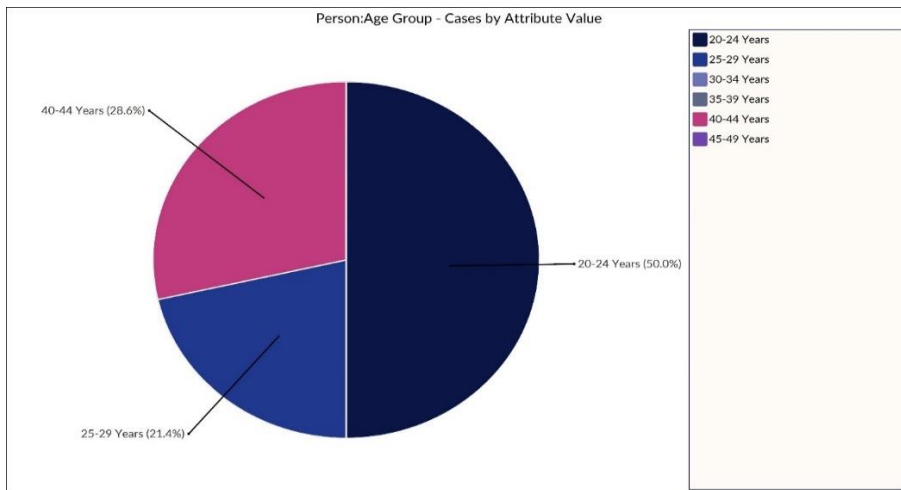


Figure 2: Age wise Detail of Respondents

The thematic analysis of this qualitative study is performed by adopting Braun and Clarke’s stages. Thematic analysis is a method to identify, analyze and report the patterns (themes) within the data (Maguire & Delahunt, 2017). As the data of this study is dyadic in nature, therefore, themes are generated by using a framework method in NVivo 14. The framework method is different from other qualitative methodologies because in this method, a matrix is developed. In a Matrix, rows (Respondents) and columns (Codes of data) are created along with the cells of summarized data. This method helps the researcher to analyze the data by case (respondent) and code (theme) which allows the comparisons to be identified with more clarity (Bannon et al., 2021). Framework method helps the researchers to identify the overlaps and differences among the data. In this study, the researcher is analyzing the differences in working values of generation Y and Z that lead towards generational conflict. Hence, the framework method is the appropriate way to identify the differences and overlaps between two generations.

The stages of thematic analysis as described by Braun and Clarke (Byrne, 2022) that are (a) familiarization with data (b) initial code generation (c) themes generation (d) review of the potential themes (e) defining and naming the themes and (f) produce the report have been followed during the whole process. The analysis of this study begins with the interviews of the participants in non-dyadic format and these interviews are transcribed verbatim for analysis in NVivo. Braun and Clarke’s inductive approach is used to analyze with a focus what is meaningful for the participants (Jackson, 2019). This approach assisted the researchers to develop such themes which can offer deep insights into the respondents’ experiences which are subjective in nature. After making the dyads (pair of Supervisors and Subordinates), the researcher familiarized with the data and generated initial codes (themes). Then the researcher mapped the data visually through the framework matrix method. This method resulted in summarized data of codes to get a clear understanding of the dyads relation by identifying the overlaps (similarities) and contrasts (differences) among the supervisor and subordinates.

5. Findings

Fourteen interviews were conducted with 10 subordinates (2 females and 8 males) and 4 of their supervisors (1 female and 3 males). As such, there were 4 dyads (2 dyads with 1 supervisor and 3 subordinates and 2 dyads with 1 supervisor and 2 subordinates). Table 1 shows the description of dyads where word “Sup” represents supervisor and “Sub” represents subordinates while “Sup1Sub1” means the subordinate of Supervisor1 in dyad 1 and so on:

Table 1: Dyads Description	
No. of Dyads	Dyads Relation
Dyad 1	1 Supervisor (male) → Sup1 3 Subordinates (2 males and 1 female) → Sup1Sub1; Sup1Sub2; Sup1Sub3
Dyad 2	1 Supervisor (male) → Sup2 3 Subordinates (2 males and 1 female) → Sup2Sub1; Sup2Sub2; Sup2Sub3

Dyad 3	1 Supervisor (female) → Sup3 2 Subordinates (2 males) → Sup3Sub1; Sup3Sub2
Dyad 4	1 Supervisor (male) → Sup4 2 Subordinates (2 males) → Sup4Sub1; Sup4Sub2

Following Braun and Clarke's thematic analysis process, five broad but inter-related themes were conceptualized from the dataset. The first theme illustrated the distinctions in the working values of generation Y and Z. The second theme discussed the intergenerational conflict between both generations which arises due to the differences in their working values. The final theme is related to the impact of creating a culture of mutual respect at the workplace that helps in reducing intergenerational conflict. To better understand the intergenerational conflict between generation Y and Z and the impact of fostering a culture of mutual respect, these three main themes were divided into sub-themes. The main themes and sub themes are represented in Table 2:

Main Theme	Sub Themes
Theme 1 Work Values	<ul style="list-style-type: none"> ▪ Differences in Work Values ▪ Flexibility at Work ▪ Importance to Job Security ▪ Meaningful Assignment ▪ Participation in Decision Making
Theme 2 Intergenerational Conflict	<ul style="list-style-type: none"> ▪ Difference of Opinion ▪ Factors helping in Bridging the Gap ▪ Factors leading to Conflict ▪ Resolution of Conflict
Theme3 Culture of Mutual Respect	<ul style="list-style-type: none"> ▪ Decreasing Trend of Respect in Young People ▪ Factors helping to Foster a Culture of Mutual Respect ▪ Factors making Young People Disrespectful ▪ Impact of Fostering a Culture of Mutual Respect

5.1 Theme 1: Work Values of Generation Y and Z

Theme 1 represents the work values of both generations, and its sub themes were developed to identify the differences in the work values of both generations.

Sub theme – Difference of Opinion:

Dyad 1 (The supervisor 1 and its 3 subordinates) results indicated that the participants of this dyad feel differences in the work values of two generations:

“Yes, I feel that the working values of my supervisor are different from mine. I want that he assigned me the task and take the results, but he emphasizes how to carry out this assignment. I want to dispose off the task with my own style (Dyad1, Subordinate 1).”

Similarly, the supervisor of dyad 1 expressed similar point of view on differences in work values of both generations.

The dyad 2 results showed that both generations have differences at workplace. It could be due to advancement in technology or due to prioritizing the task.

“Yes, there is a difference. The new generation rely more on technology driven solutions while the older generation wants to develop the systems that are based on their previous working style (Dyad 2, Subordinate 2).”

Dyad 3 findings on this sub theme are similar with the previous two dyads. The subordinates of dyad 3 also agreed that the differences exist between the two generations.

“Yes, there is difference. The older generation has experience while the new ones are in the learning stage. It automatically creates a difference. Things have also changed. The new generation has technology driven solutions (Dyad 3, Subordinate 2).”

The supervisor 3 also endorsed that slight differences are present between two generations.

Dyad 4 showed a strong agreement on the point that work values of generation Y and Z are different.

“Yes, there are differences in the work values of older and new generation. They take the task light and try to resolve the given task with tools without putting their own efforts (Dyad 4, Supervisor 4).”

Sub theme – Flexibility at Workplace:

The subordinates of dyad 1 showed that they want flexibility at workplace and want to be job done according to their style:

“Independence in work is learning. I want autonomy in my task because the hierarchy creates the hurdles (Dyad 1, Subordinate 3).”

Supervisor 1 was also in favor of flexibility. Here, the researcher found overlap (similarity) among the subordinates (generation Z) and the supervisor (generation Y):

“To me, flexibility is especially important. I like the new working ways that are more efficient instead of given instructions to conduct a task. If we conduct a task as per given instructions, then we are robots. There will be no motivation, no inspiration. I keep my subordinates flexible and independent as it enhances their productivity (Dyad 1, Supervisor 1).”

The subordinates of dyad 2 were in opinion that flexible working environment increases the productivity level.

“Autonomy and flexibility lead towards creativity. The people think in their own ways and try to get a better solution to a problem. So, it increases an individual productivity (Dyad 2, Subordinate 2).”

However, a contrast has been observed from supervisor 2 on this sub theme. The stance of supervisor 2 is given below:

“Autonomy and flexibility lead towards creativity. The people think in their own ways and try to get a better solution to a problem. So, it increases an individual productivity (Dyad 2, Supervisor 2).”

A slight agreement on flexibility at the workplace has been observed between the subordinates and supervisor of dyad 3.

“Flexibility in the work improves performance. But people may have different opinion on it (Dyad 3, Subordinate 1).”

While the supervisor 3 of this dyad strongly agreed with the flexibility at workplace.

“As far as my experience is concerned, flexibility always increases productivity. In a flexible environment, people work like a time, and they are happier and show more productive behavior. But not all assignments are flexible. So, where flexibility can be allowed, I shall go for it otherwise not (Dyad 3, Supervisor 3).”

Dyad 4 showed a contrast on this sub theme. The subordinates of this dyad were in favor of autonomy and flexibility, but the supervisor was in view that flexibility depends on the nature of the assignment.

“It depends on the nature of the task. In some tasks, flexibility can be given to the subordinates but in some tasks, we must follow a set procedure (Dyad 4, Supervisor 4).”

Sub theme – Importance to Job Security:

This sub theme depicted the interesting results as the subordinates and supervisors who were from different generations but showed equal importance to job security. However, at the same time, the employees who belongs to generation Z were eager to look for new and best alternate opportunities:

“These days when unemployment is at peak in Pakistan, job security matters. But I do not believe to stick with one job rather go for the best option (Dyad 1, Subordinate 3).”

The supervisor of dyad 1 expressed a similar viewpoint on the sub theme, Importance of Job Security.

Dyad 2 subordinates showed some similarity with their supervisors. Both generations were having importance towards secure job, but generation Z was found more inclined to career development.

“Job security is important, but peace of mind is more important than security (Dyad 2, Subordinate 1).”

The subordinates of dyad 3 were found having more focus towards the career development and they prefer the place where they can bring creativity in their work.

“The place where I am free to execute my creativity and have better career development opportunities is important to me (Dyad 3, Subordinate 1).”

The discussion with supervisor 3 indicated that she has more weightage to job security.

“I prefer secure job with multiple career opportunities (Dyad 3, Supervisor 3).”

In dyad 4, subordinates were giving importance to both the secure job as well as for the new opportunities, but it was observed that the supervisor who was from generation Y was more persuaded to the secure job.

“Yes, Job security matters a lot. I like to work in the organization where my job is secure, and I have career development opportunities (Dyad 4, Supervisor 4).”

Sub theme – Meaningful Assignment:

Meaningful assignments create a sense of pride and supremacy among the employees. So, the subordinates responded in favor of meaningful assignments:

“It is particularly important. The task should be like that which makes me proud. I put extra effort to complete such assignments that have some purpose. Routine tasks make me bore (Dyad 1, Subordinate 2).”

The supervisor of dyad 1 was agreed in meaningfulness of an assignment but he was more concerned with the responsibility:

“Everyone wants recognition in the office and wants to engage in those tasks which represent the overall objective of the organization and have significance. But the tasks are assigned to the employees according to their competence, skills, and capacity to perform (Dyad 1, Supervisor 1).”

The subordinates of dyad 2 were found in favor of meaningful task and they linked it with the pride.

“The job without meaning and purpose is order that does not require any creativity and thinking (Dyad 2, Subordinate 2).”

In contrast, the Supervisor of dyad 2 was focusing on the structure of the institutions that brings meaningfulness in any task. The viewpoint of supervisor 2 on this sub theme is reproduced below:

“To me, the rank of the job matters as all tasks of the organization belongs to some framework and organizational structure, so they are meaningful and have some purpose (Dyad 2, Supervisor 2).”

In terms of ‘Meaningful Assignment,’ an overlap has been observed in the subordinates and supervisor of dyad 3. Both generations expressed similar opinions on this sub theme.

“The individual wants to do that job which is meaningful and has some purpose. The people want recognition which can be achieved by doing a meaningful job (Dyad 3, Subordinate 2).”

An agreement was observed between the employees of both generations in this sub theme. The dyad 4 showed overlap between the supervisor and the subordinates thinking on meaningful assignment.

“The employees feel pleasure and satisfaction when they get meaningful and purposeful job (Dyad 4, Subordinate 1).”

Sub theme – Participation in Decision Making:

The last sub theme is about ‘Participation in Decision Making’. The subordinates of dyad 1 were strongly agreeing with participative decision-making style:

“Yes. I feel good when my supervisor keeps me involved in every activity and ask my opinion on an assignment (Dyad 1, Subordinate 1).”

Similarly, the supervisor also encourages the participative decision-making style. However, he believed in hierarchal structure, such decision-making styles are not adopted so we are bound to follow it.

An overlap has been found in dyad 2 against this sub theme. The subordinates and supervisor both were in favor of participative decision-making style.

“Yes, participation in decision-making creates a sense of belongingness. We feel proud when we are asked to share your opinion on some matter (Dyad 2, Subordinate 3).”

Both generations promoted a participative decision-making style in dyad 3. The results showed that participation in decision making creates ownership in the employees and enhances productivity.

“If I am involved in decision making process then it would affect positively on my performance. I would work with whole heartedly and my output will increase (Dyad 3, Subordinate 1).”

Dyad 4 showed consensus among the participants on participative decision-making process. Both the supervisor and subordinates indicated participation as a sign of efficiency and positive outcomes.

“Yes, people become more engaged when they participate in decisions related to their tasks (Dyad 4, Subordinate 2).”

5.2 Theme 2: Intergenerational Conflict

The second theme is intergenerational conflict that exists between two generations. This theme includes ‘Difference of Opinion’, ‘Factors helping in Bridging the Gap’, ‘Factors leading to conflict’ and ‘Resolution of Conflict’ as sub themes.

Sub theme – Difference of Opinion:

Dyad 1 findings indicated that both generations agree that a difference of opinion exists among them. The participants of this dyad responded “yes” to such difference.

“Yes, sometimes, difference of opinion comes between me and my supervisor and sometimes it happens that we could not reach to an agreement (Dyad 1, Subordinate 3).”

The participants of dyad 2 also validated that difference of opinion in two different generations exists. However, they believed both generations do also have some commonalities at some points.

“Yes, difference of opinion exists. It is more related to interpretation of something. The supervisor interprets the same thing in diverse ways and the subordinate in different ways. I promote the difference of opinion as it leads to new perspectives (Dyad 2, Supervisor 2).”

Like previous dyads, dyad 3 also confirmed the existence of difference of opinion among two generations. However, the responses showed that this difference happens occasionally.

“Yes, sometimes (Dyad 3, Subordinate 3).”

Dyad 4 participants were also found in agreement that difference of opinion exists at workplace. But at the same time, their responses showed that this difference does not prevail among them all the time.

“Not frequently (Dyad 4, Subordinate 1).”

Sub theme – Factors helping in Bridging the Gap:

Dyad 1 supported that this gap can be bridged through friendly relationship, autonomy, and flexibility at workplace. The supervisor and subordinates’ viewpoints were overlapping in this sub theme.

“We should believe in them, trust in them. By keeping them flexible and involving in decision-making may ensure a strong working relationship among us (Dyad 1, Supervisor 1).”

The participants of dyad 2 from both generations were in view that intergenerational conflict can be bridged through open discussion, liberty, participation and understanding each other.

“An opportunity to explain my viewpoint would definitely help to bridge the gap (Dyad 2, Subordinate 2).”

Dyad 3 participants specified many factors that may reduce the gap between two generations. These factors could be discussion, participative approach, freedom of expression and provision of numerous opportunities.

“The new generation does not take their assignments seriously. Through discussion, guidance, and participative approach, we may help to resolve the conflicts (Dyad 3, Supervisor 3).”

Dyad 4 also resulted many factors against this sub theme. The participants responded that a fair chance of expression, solid justification of view, free discussion, listening and understanding each other could help in reduction of conflicts that may arise between these generations.

“By listening to them, understanding them and if they are at mistake then by guiding them, this gap can be bridge (Dyad 4, Supervisor 4).”

Sub theme – Factors leading to Conflict:

Dyad 1 participants recorded many factors that lead to conflict. Some of them were directions of the boss to conduct a task, misunderstanding, taking the directions of boss too personal, wrong interpretation of a direction. All these factors cause conflict in the workplace.

“It could be due to interpretation. Sometimes, I take something as personal that may cause conflicts (Dyad 1, Subordinate 2).”

The dyad 2 participants recognized many factors that lead to conflict at workplace. Some of them do not give due respect to each other in the workplace, difference of opinion, misunderstanding etc. which lead to conflict.

“It could be multiple reasons. It could be due to a misunderstanding. It could be due to hierarchy. It could be less flexibility (Dyad 2, Subordinate 1).”

Dyad 3 findings showed that there are many factors that may help in bridging the conflict between two generations. Likewise, there are some factors that generate confusion among the employees. These factors could be weak acceptance of technology, rigidness to conduct a task as per already set pattern and differences in way of thinking.

“It could be due to their own working style. Sometimes, boss does not like to get an idea from his junior (Dyad 3, Subordinate 2).”

It was found that the participants of dyad 4 try to resolve the conflicts through discussion. But some subordinates just compromise and follow the instructions of their boss to avoid conflicts.

“I try to understand the subordinates’ expectations and provide an opportunity to freely discuss the matter with me. It is resolved by the mutual efforts (Dyad 4, Supervisor 4).”

Sub theme – Resolution of Conflict:

The participants of dyad 1 were asked if a conflict arises among them who tries to resolve it. Whether it is subordinate or supervisor? The researchers observed a mixed response on this sub theme that could be concluded as that everyone tries at his own level to resolve conflicting situations.

The findings of dyad 2 represented that conflicts are resolved at the workplace by mutual efforts. It was also found that to resolve such situations, a compromise is required either at supervisory level or subordinate level.

“Mutual efforts help to reach an agreement. The resolution occurs only when there are mutual contributions (Dyad 2, Supervisor 2).”

The findings of dyad 3 indicated that people have more focus on avoiding a conflict than resolution. If it arises at workplace, the subordinates usually compromise to solve a matter.

“Generally, I follow the instructions of my supervisor to remove such issues (Dyad 3, Subordinate 2).”

Like other dyads, dyad 4 participants also discussed many factors that cause conflicts. Some of them are behavioral issues, differences in way of thinking, differences in carrying out an activity etc.

5.3 Theme 3: Culture of Mutual Respect

The findings of theme 3 depicted that by fostering the culture of mutual respect diminishes the generational conflict between these two generations. The sub themes developed for main theme 3 are decreasing trend of respect in young people, Factors helping to foster a culture of mutual respect, Factors making young people disrespectful and Impact of fostering a culture of mutual respect.

Sub theme – Decreasing Trend of Respect in Young People:

The participants of the dyad 1 expressed that they were observing a decline in respect by the young generation.

“Yes, I see respect element is decreasing day by day. Like in old days, subordinate use to get stand in respect of elders but now all employees are considered equal, and no formal stand up is given to any colleague (Dyad 1, Subordinate 2).”

Although the subordinates of dyad 1 identified a decline in the respect by the new generation but at the same time, the supervisor of this dyad had a different opinion. They were in a view that all younger people are not exhibiting disrespect to their elders. There are some other reasons which are deteriorating our societal norms.

“It depends. All five fingers are not equal. Similarly, all young employees are not disrespectful (Dyad 1, Supervisor 1).”

The participants of dyad 2 showed similar responses on decreasing trend of respect in new generation as the participants of dyad 1 did. They were accepting that element of respect is decreasing but it cannot be associated with all young people.

“True but not in every case (Dyad 2, Subordinate 3).”

Dyad 3 showed mixed responses on decrease in respect element by the new generation. Some of them supported this view but on the other side, some were showing disagreement to this statement. However, the supervisor of dyad 3 clearly indicated a decline in respect element by the generation Z.

“The young employees are very emotional. Therefore, I agree that element of respect is decreasing in them (Dyad 3, Supervisor 3).”

Dyad 4 also showed a mixed response. The respondents were not observing a decrease in respect by the new generation explicitly.

“No, I don’t think so (Dyad 4, Subordinate 1).”

Sub theme – Factors helping to Foster a Culture of Mutual Respect:

Most of the participants in dyad 1 were in view that respect is a give and take relation. If people do respect others, in return they get the respect. Further, open discussion, participative approach, listening to others, helping others are the factors that help in creating a culture of mutual respect.

“Participative approach, immediate removal of misunderstandings and open discussion may help to create a culture of mutual respect (Dyad 1, Subordinate 3).”

The responses of dyad 2 participants on identifying the factors of mutual respect were found similar to dyad 1. They also expressed that openness, freedom, flexibility, and participative approach may help in fostering a culture of mutual respect.

“Respect is always earned by giving respect. Action and reaction have a direct relation. If we give respect to others then they would give respect to us (Dyad 2, Supervisor 2).”

Dyad 3 showed an overlap between generation Y and Z was observed in this sub theme. The respondents from both generations were in view that appreciation of innovative ideas, good working relations, and participatory approach are the key factors that promote the culture of mutual respect.

“It is a simple formula. Do respect and have respect. (Dyad 3, Subordinate 2)”

The participants of dyad 4 exhibited similar findings on this sub theme as suggested by the participants of dyad 1, 2 and 3.

“Discussion, teamwork, listening the issues of subordinates and try to resolve them; may help to create a culture of mutual respect (Dyad 4, Supervisor 4).”

Sub theme – Factors making Young People Disrespectful:

The respondents in dyad 1 identified the factors that are hampering the moral values of our new generation. Most of them were in view that family values and social media play a vital role in shaping the moral values and ethics in society.

“The family brought up and social media, both have a significant role in forming the behavior of an individual. The trends of social media irrespective of nature whether it is good or bad; are followed blindly by young people. Social media monitoring is particularly important to diminish the disrespectful attitude of an individual (Dyad 1, Subordinate 1).”

Most of the respondents in dyad 2 were considering that the social media is playing a negative role that is shackling the moral values of young people. One of them also responded that parents losing control over their children is another reason for lessening the development of good behaviors.

“One reason is flow of information on social media that is uncontrollable. The uncontrolled information is causing a behavioral change in the new generation (Dyad 2, Subordinate 1).”

Dyad 3 respondents considered that the family set up, culture, better opportunities, easy access to the information are some factors that are dropping our cultural norms in the young generation.

“The young employees are not disrespectful. They want equal status. They are impatient and want instant gratification which makes them disrespectful in front of older generation (Dyad 3, Subordinate 2).”

Dyad 4 findings indicated that thinking style of generation Z is different from the older generations. They express their opinions with the others in an incredibly open way that makes them disrespectful in the eyes of older generations.

“It is the attitude of the young employees. They are impatient and emotional. They do not spend much of their time thinking. They are spontaneous. (Dyad 4, Supervisor 4)”

Sub theme – Impact of Fostering a Culture of Mutual Respect:

When the respondents of dyad 1 were asked about the impact of mutual respect in the organization, all of them were found assertive that creating a culture of mutual respect works well.

“Yes, being a supervisor, I always take care of respect. That’s why whenever conflicts arise, I prefer to discuss the matter with my subordinates before deciding (Dyad 1, Supervisor 1).”

Likewise dyad 1, the participants of dyad 2 showed an agreement that culture of mutual respect may work and reduces the conflicts at workplace.

“Yes, if we respect each other, then people at workplace may keep their differences aside (Dyad 2, Subordinate 1).”

An overlap in the findings of dyad 1, 2 and 3 was found because all of the respondents endorsed that a culture of mutual respect would definitely work to minimize the rift between the two generations.

“Yes. It would work (Dyad 3, Subordinate 1).”

Like other dyads, an agreement was observed between the participants of dyad 4 on this sub theme. All participants were found to be supportive of a culture of mutual respect.

“Yes, off course. If there is some conflict, then by discussion we can resolve it. At work, we have to set aside our personal preferences. Our aim is to get the job done. (Dyad 4, Supervisor 4).”

6. Discussion

This qualitative study explored the intergenerational conflict between the employees of generation Y and Z due to differences in their working values. This study further investigated the role of creating a culture of mutual respect at the workplace in dropping the conflicts between the two generations. The analysis in the form of dyads represented attention grabbing results by highlighting a dynamic relation between the supervisor of generation Y and subordinates of generation Z. Through framework matrix method in NVivo, summaries of dyads were created which allowed a clear understanding of conflict between the two generations and impact of fostering a culture of mutual respect on the generational conflict. The results of the dyads indicated that working values of both generations are slightly different from each other that leads to a conflict among them. These results correspond with the research of (Sattar et al., 2023) who found the causes of intergenerational conflict between parents and child. Similarly, the subordinates from generation Z were found eager to have a working environment that is flexible, friendly and creates more opportunities for them. Lina Dameria et al. (2022) in their study also found the similar working values of generation Z. However, while analyzing the findings of this study, the researchers experienced that in Pakistan, both employees whether they belong to generation Y or Z, they have shown an incline towards the job security which could be due to high un-employment, political instability, and poor economic conditions of the country. In the study, the summaries of dyads were

analyzed by describing sub themes against three main themes i.e. Work Values, Intergenerational conflict and fostering a culture of mutual respect. The dyadic approach emphasized some overlaps and contrast between the two generations in sub themes. The researchers reported differences in working values of both generations (Halim et al., 2021), however, the findings of the study indicated that both the supervisors and subordinates were inclined towards the participative approach at work place and both generations emphasized on the meaningfulness of the assignment. Moreover, the factors that help in bridging the gap between the two generations were also representing the similarities in the views. The researcher found that appreciation, open discussion, encouragement, freedom of expression and participative approach are the key factors to resolve a conflict. On the other hand, the contrast results were observed between the dyadic relations against the sub theme “efforts to resolve the conflicts” as the supervisors were in view that they put efforts to resolve the conflicts while the subordinates were showing that they try to avoid the conflicts by following the directions of their superiors. The researchers admitted that fostering a culture of mutual respect helps in curbing the conflicts (Tingvold & Munkejord, 2021). Similarly, the results of this study indicated that employees of both generations were strongly recommending the creation of such culture in the organizations where everyone is treated in a respectful way. The researcher observed maximum overlaps under this theme and found that both generations were motivated to foster a culture of mutual respect at the workplace.

8. Conclusion

In conclusion, this qualitative study presents a novel exploration into the dynamics of intergenerational conflict between generation Y and Z by highlighting the efficacy of fostering a culture of mutual respect as a means of mitigating such conflicts. Through the application of thematic analysis to dyadic data using the framework matrix method, this research provides valuable insights into the divergent working values of both generational cohorts. The findings affirm the significant role played by a culture of mutual respect in lessening generational conflict. This emphasizes the importance of cultivating environments where individuals from different generations feel valued, understood, and appreciated and create a harmonious relation at the workplace.

Limitations and Way Forward

This study has several strengths as Framework Matrix Method in NVivo 14 is used to perform the dyadic analysis to explore and compare the dyads. There are very limited qualitative studies which have been conducted in dyadic form to explore the thematic analysis (Collaco et al., 2021). Further, the attitudes of generation Z at the workplace are a dilemma these days and require immediate attention. The dyadic study helps to understand deeply the intergenerational conflicts between the generation Y and Z and the role of creating a mutual respect culture to minimizing the generational gap. The study contributes to the theoretical understanding of cognitive dissonance theory by applying it to the context of intergenerational conflict resolution. The findings of the study contribute to the ongoing development of generational theory by shedding light on effective strategies for managing intergenerational conflicts in the workplace. In terms of practical implications, this study provides a platform for knowledge exchange and skill transfer, promotes

intergenerational learning and synergy through creating a culture of mutual respect. The findings of the study provide practical insights to the organizations to address the generational conflict at the workplace by developing new organizational policies and practices. This study has several limitations too. The first limitation is about the data as data is collected from a single organization while generation Z is entering as a new workforce in many industries. Secondly, the hierarchal structure of the selected organization was strong and may affect the responses of the subordinates. In future, data from multiple industries may be considered and specifically from freelancing organizations and telecom industry where hierarchal structure is weak. The design of the current study is cross sectional. The longitudinal design of the same study may improve the findings.

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The Interplay of Ownership, Governance, and Capital structures with Firm Performance: Insights from the Manufacturing Sector in Pakistan

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ABSTRACT

Purpose: This study investigates the effect of ownership control size and corporate governance mechanisms on the performance of the Pakistani manufacturing sector.

Design and Methodology: The study uses input and output characteristics as predictors to evaluate efficiency performance through the use of Data Envelopment Analysis (DEA). It uses Ordinary Least Squares regressions to look at the impact of ownership control size, corporate governance characteristics on efficiency performance using a panel dataset that spans from 2001 to 2022.

Findings: The results imply that the differences in cash flow, seat control, and voting rights have no effect on how efficiently businesses operate in Pakistan. However, there is a strong positive link between performance efficiency and organisational size and corporate governance characteristics.

Implications: The results suggest that investors, especially those who are minority stakeholders, should proceed with prudence when making investments in companies whose control and ownership are not aligned. In theory, this research adds to the body of knowledge by validating results from past studies on the success of businesses in a neglected area like Pakistan. We also take into account effect variables that go beyond the data that is currently available. All things considered, this study contributes to increased trust about the importance of ownership structure, size, and corporate governance factors in companies that are subject to market supervision.

Keywords: Ownership, Governance, Capital, Manufacturing Sector, Firm Performance, Pakistan Stock Exchange.

1. Introduction

The goal of the study is to examine how capital structure, business governance, and ownership of businesses affect how effectively inputs are turned into yields in Pakistan's industrial sector. It has been widely studied and acknowledged that organisational effectiveness affects the manufacturing sector's contribution to economic growth, development, and stock market stability

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(Hussain et al., 2022; Rasheed et al., 2022). Even now, academics are still paying close attention to this avenue. Financial ratios have been widely employed in previous research to evaluate productivity success. Rather than depending on a one-dimensional efficiency metric, Feroz et al. (2005) and Feroz and Hobson (2008) proposed that using DEA to evaluate firms provides a useful and unbiased assessment of overall performance among organisations. Evaluating a business's performance is a complicated matter that requires a more comprehensive method than the traditional one-dimensional metric that is usually used to describe it (Khan et al., 2022; Khan et al., 2021). A single efficiency metric is unlikely to be sufficient in the complicated business environment of today to assess performance (Zhu, 2014). In an environment where competition is fierce, manufacturing businesses must aim for excellence and cannot accept mediocrity. When converting inputs into final products, manufacturing organisations should strive to increase productivity across several performance measures by optimising all processes. Morita and Avkiran (2009) contended that DEA is the most illustrative method of assessing efficiency.

Corporate governance (CG) is the process by which organisations that finance businesses make sure their capital is returned appropriately (Shleifer & Vishny; 1997). The study demonstrates the critical role corporate governance plays in survival of a corporation. Firm theory suggests that stockholders with vested interests may put their own interests ahead of those of others. According to Kuan et al. (2011), controlling shareholders can have broad control powers and possibly utilise the company's assets for personal gain due to the ownership structure. According to La Porta et al. (2000) and Shleifer and Vishny (1997), dominant owners who have established control over a company can limit the rights of minority shareholders by making choices that are not subject to challenge from subpar corporate governance processes (Fan & Wong, 2002). Significant ownership and control gaps can lead to major problems for Pakistani manufacturing enterprises. The efficient performance implies that financial earnings can be raised by streamlining operations, such as making efficient use of labour, raw resources, and fixed assets. It is thought that controlling shareholders use cross-holdings and pyramid structures to maintain control over multiple enterprises (Claessens et al., 2002; Faccio & Lang, 2002; La Porta et al., 2000). A larger gap between cash flow and voting of shareholders makes it easier for controlling owners to pursue personal gains through improved operational performance. Therefore, the entrenched influence of controlling owners may make it more difficult to achieve improved financial performance. A lack of efficacy and efficiency may be the reason of meager fiscal performance. To increase the amount of resources available for their own profit, a shareholder pursuing personal gain may endeavour to increase efficiency. Controlling shareholders, however, might not always prioritise running the business or can have conflicting personal interests. According to research by Khan et al. (2022), this link is significantly impacted by the degree of financial leverage, or the structure of capital as defined by conventional theories. Lowering a company's cost of capital can improve its performance and get greater attention from lenders (De Angelo & Masulis, 1980). According to the study, a complex interplay between ownership, capital, and company strategies makes it easier to employ resources effectively, which boosts financial success.

The primary focus is on how ownership, governance, and capital attributes affect efficient performance. Pakistan is now not focusing much on this chance. It is among the Asia-Pacific region's industrialising nations that are struggling economically. Many industrial companies find it difficult to meet international standards in the post-pandemic business environment (Khan et al., 2023). Manufacturing companies are under increasing pressure to address the many commercial disadvantages brought on by information asymmetry as a result of rapid innovation. This emphasises how important it is to research the variables affecting Pakistani businesses' performance and efficiency. Using Data Envelopment Analysis (DEA) as a performance efficiency metric, this study attempts to explore ownership, capital, and governance structure affect on the efficiency of manufacturing sector in Pakistan. According to Kuan et al. (2011), the difference between cash flow, voting and seating rights are used to assess how serious the agency problems are for the company. The study try to find out if ownership structure, creditor scrutiny, and control division all contribute to less effective firm performance. The purpose of the study is to ascertain whether the ownership composition of businesses in Pakistan's professional environment affects how effectively inputs are converted into outputs. We found that the division of control rights and cash flow rights, as well as the variations in voting rights and income flow privileges, do not significantly affect efficiency effectiveness using the ordinary least squares (OLS) approach. Data spanning from 2011 to 2022 indicates that Pakistani industrial organisations are unaffected by the division of ownership and control. But in the Pakistani context, stringent corporate governance and creditor scrutiny are important. DEA ratings are used in this study as a stand-in for efficiency, which sets it apart from earlier research. This will add to our existing understanding on corporate governance by indicating that companies in Pakistan may not be significantly impacted by the division of ownership and control.

2. Literature Review

Influential publications like Berle and Means in 1932 are among the earliest examples of the research of how ownership structure influences corporate efficiency performance (Mizruchi, 2004). They contended that widely held US businesses frequently perform below averagely because ownership is distributed among small investors and centralised with managers (Morck et al., 1988). By balancing the interests of investors and managers, management ownership holdings might lessen managerial incentives for self-benefit, hence lowering agency costs and increasing firm value (Tayeh et al., 2023). According to the convergence of interest hypothesis, improved business performance should follow from increased managerial ownership levels. Demsetz (1983) and Fama and Jensen (1983) contend that executives' increased ownership of business stock might lead to issues as it strengthens their position and exacerbates conflicts of interest (Morck et al., 1988). According to McConnell and Servaes (1995), the relationship between ownership structure and business performance varies depending on how quickly or slowly the company is growing. Compared to high-growth companies, low-growth enterprises could be more affected by ownership. Due to less market liquidity or fewer chances for diversification, elevated proprietorship rights can have a detrimental effect on fiscal performance by raising the firm's weighted average cost of capital (WACC) (Fama & Jensen, 1983). According to Mahrt-Smith (2005), it is challenging to determine the precise impact of concentrated or dispersed proprietorship on company performance without

taking the firm's capital structure decisions into consideration. Increased ownership concentration can have detrimental consequences on business performance due to entrenchment effects akin to those observed in higher managerial posts (Khan et al., 2023; Morck et al., 1988).

H1: Ownership structure has a significant influence on performance efficiency.

According to Raheja (2005), the board of directors has two crucial responsibilities: monitoring and advice. According to Fama and Jensen (1983), the advising function include giving the CEO access to vital info and resources as well as professional support. Although Fama & Jensen (1983) emphasise the significance of outside directors, who give crucial skill and potentially significant relationships, both insiders and outsiders can carry out this task. More varied viewpoints and ideas are made possible by a wider board, which enhances performance (Gull et al., 2022; Dalton & Dalton, 2005; Dalton et al., 1999). In order to assure that executives act in the best welfares of shareholders, the board must supervise, censure, and, if necessary, remove incompetent management teams. According to Raheja (2005), insiders give the board important firm-specific advice, but they may have skewed objectives due to personal gain and the CEO's lack of independence. Outsiders provide better monitoring and are independent, although their knowledge of the company's operations may be limited. The availability of more collective input for the board is a benefit of a larger board with more non-executive members, which is important for the board's monitoring role (Lehn et al., 2007). According to both functions, when a board's size increases, board performance first improves. An increase in non-executives is anticipated to have a bigger beneficial influence than an increase in executive directors. Big boards have drawbacks like coordination costs and challenges with free riders. Coordination and communication problems first surface when it gets harder to schedule board meetings and come to a consensus, which makes decision-making take longer and be less efficient (Jensen, 1993). Additionally, a lack of desire among members to collaborate towards a mutual goal, interconnect clearly, and influence a consensus (Khan et al., 2022). When the cost to individual management of not working carefully about the size of the board falls, management freeriding grows (Lipton & Lorsch, 1992). Jensen (1993) proposes that the model board size should be roughly 7 or 8 directors, contrary to Lipton and Lorsch (1992) who recommend a board size of 8 or 9 directors and more (Jenter et al., 2023).

H2: Board size has a significant influence on performance efficiency.

The fact that there are additional costs associated with having separate CEO and chairman roles is one argument in favour of CEO duality. According to Brickley et al. (1997), cost monitoring occurs when the chairman and CEO have different responsibilities. However, in many cases, monitoring can out to be more beneficial than expensive. Nonetheless, the awareness that the CEO is under investigation typically prompts the desired responses (Twesigye, 2023). In other circumstances, increased monitoring might not significantly improve the CEO's positive behaviour, and the additional costs might not yield any benefits (Zajac & Westphal, 1994). Bonus payments based on the performance of the company, for example, can encourage the CEO to take less risks, which could have unfavourable effects. The costs associated with having a separate chairman and

CEO may outweigh the benefits. According to Brickley et al. (1997), businesses that have the same person in both the chairman and CEO positions outperform those that have different people in these positions. The results of the investigation showed that there are more costs associated with separating the roles of chairman and CEO than benefits. In addition to cutting expenses, CEO duality can enhance company performance by enabling a single leader to give clear guidance and be more adaptable to changes. A person who serves as both chairman and CEO may be more committed to the company and have a deeper awareness of its operations (Boyd, 1995). According to Pfeffer and Salancik (2015), leaders who have more discretion may carry out strategic decisions more successfully, which can help organisations overcome organisational stagnation. By extending the power base and solidifying authority, CEO duality promotes greater discretion. Additionally, CEO duality may lessen the power of other stakeholders, including as shareholders, who have less control over the CEO in the event that they simultaneously serve as chairman. According to Pfeffer & Salancik (2015), having a single leader raises the leader's degree of accountability and improves their ability to adapt to changes. CEO duality may make it more difficult for the board to effectively assess the CEO's influence (Mallette & Fowler, 1992). A compelling case for separating the duties of chairman and CEO could be made by the competing interests that come with CEO duality. Separating the CEO and chairman responsibilities can assist maintain checks and balances because the board is responsible for monitoring the performance of top management (Bolton & Thrower, 2021; Rechner & Dalton, 1991).

H3: CEO duality has a significant influence on performance efficiency.

Given the essential roles they perform, corporate boards of directors are seen as an essential part of corporate governance (Jensen, 1993; Lipton & Lorsch, 1992). To guarantee that managers act in the best interests of shareholders, corporate boards are advised to monitor, reprimand, and offer expert counsel. According to one hypothesis, a board's activity level and supervisory calibre can be determined by the frequency of its meetings. Regular meetings are also thought to give directors more chances to brainstorm, create ideas, and evaluate the efficacy of their management. This helps managers stay informed about significant developments inside the organisation and respond quickly to emerging challenges (Mangena & Tauringana, 2008). According to Sonnenfeld (2002), a constant attendance record at meetings is seen as an attribute of diligent directors. Directors' relationships can be strengthened and company performance can benefit from regular meetings and casual encounters (Dinh et al., 2021; Lipton & Lorsch, 1992).

A different theoretical perspective is that shareholders could not always benefit from board meetings. According to Vafeas (1999), directors typically fail to have significant conversations in the limited time they have together. Meeting time is largely occupied by routine activities like formalities and management report presentations. This has a detrimental influence on corporate performance (Lipton & Lorsch, 1992). Furthermore, board meetings incur expenses that might have a detrimental impact on the operation of the company, including managerial time, travel costs, refreshments, and director pay (Vafeas, 1999). According to Jensen (1993), boards of poorly run businesses should be less involved and have less conflicts. Rather of sticking to the traditional schedule of board meetings, he advises corporate boards to adopt a flexible approach tailored to

their specific challenges. In times of crisis or when the interests of shareholders are at stake, such as in situations involving hostile takeovers or CEO transitions, boards may decide to convene more frequently. Instead of concentrating only on meeting frequency, business boards can improve company performance by modifying meeting schedules to address pressing issues (Almashhadani & Almashhadani, 2022). Vafeas (1999) notes a significant improvement in operational performance following a year of unusual board involvement. This suggests that regular management consideration and constant oversight could lead to better decision-making; nevertheless, the benefits of this kind of in-depth examination are expected to show up in the upcoming years (Møller, 2021).

H4: Board meetings have a significant influence on performance efficiency.

Maintaining objectivity is a must for auditors in all of their duties. For the purpose of ensuring impartiality and fostering user confidence in financial statements, auditor independence is crucial (Akther & Xu, 2021). According to Chia-Ah & Karlsson (2010), mental and external presentation independence are two core independencies. To look independent, the auditor needs to stay out of circumstances where people could think they are biased. According to DeAngelo (1981), auditor independence is the likelihood that the auditor will find any mistakes in financial statements, should they exist. According to Chia-Ah & Karlsson (2010), there are often significant dangers to an auditor's independence, which can make them less effective in providing auditing services. In order to mitigate the impact of losing a client and continue to provide higher-quality audits, he proposed that larger auditors with a larger clientele split their total costs among themselves. According to (Ebrahim, 2010), empirical research has provided further proof in favour of using auditor size as a measure of audit quality. Managers may be encouraged to modify reported profitability in order to conform to analyst projections, according to Davidson & Neu (1993). We predict that clients of larger auditing firms will face larger forecast errors than clients of smaller auditing firms if larger auditing firms offer superior audit quality in comparison to smaller ones. Based on information from Canadian businesses, the study concluded that auditor size is a reliable indication of auditor quality. When Lennox (1999) looked at the association between auditor size and quality, he found more evidence in support of the deep pockets theory. Building upon the analytical findings of DeAngelo (1981), Lidang (2004) notes that a number of studies compare the sizes of auditors in order to assess audit quality. Auditor size has been utilised as a criteria to assess audit quality by Alzeban (2020), Becker et al. (1998), Krishnan (2003), Li et al. (2010), and Vander Bauwhede and Willekens (2000).

H5: Audit quality has a significant influence on performance efficiency.

A thorough review of the literature carried out by Adams et al. (2010). They came to the conclusion that there was no discernible effect of the board's makeup on the company's success after analysing the data. They contend that previous research that shown a vigorous association amongst board configuration and business outcomes may have been faulty because it did not fully take into consideration the peculiarities of corporate board structures. Board independence is widely acknowledged by lawmakers and stock markets globally as a crucial component of good company governance. They often enact laws or rules mandating that there be more outside directors on the

boards of publicly traded corporations. Empirical evidence from numerous worldwide studies lends credence to the demand for more independent boards. In 22 non-U.S. countries, Dahya et al. (2008) found a significant and positive correlation between board independence and business success, particularly in areas with weak investor protections. Scholars have proposed multiple explanations for the discrepancies in findings regarding the influence of board freedom on business outcomes between US and non-US companies. External directors have typically made up the majority of business boards in the United States. According to numerous independent research carried out in a few different nations, board independence improves business performance (Farag et al., 2018; Jenter et al., 2023; Khan et al., 2022).

H6: Board independence has a significant influence on performance efficiency.

According to the definition of leverage given in the literature, there are numerous ways to calculate it. One method is to divide the long-term debt by the equity held by common shareholders to get the debt-to-equity ratio. Knowing what leverage means is crucial, especially in light of the objectives of the study (Rajan & Zingales, 1995). Organisations that have debt have obligations that are separate from sales, which is particularly problematic during recessions when sales typically decline. Companies that sell non-essential goods would find it difficult to turn a profit during these lean times, which could increase the danger of debt. In prosperous economic times, debt can be helpful for development and expansion, but in lean economic times, it can be challenging to manage (Myers, 2001). A company may find it more difficult to withstand drops in sales if it has more leverage (Opler & Titman, 1994). They assert that businesses with less leverage gain a larger portion of the market relative to their highly leveraged competitors. Investors are reluctant to associate themselves with businesses that are losing money or are in financial distress. Furthermore, financially sound companies usually use business downturns as an opportunity to increase their market share through aggressive pricing and increased promotion. They argue that companies are more susceptible to market downturns when they have large debt loads and significant R&D expenditures. Leverage, according to Opler and Titman (1994) and Khan et al. (2022), has a major impact on a company's ability to survive, particularly in highly competitive industries.

H7: Capital structure has a significant influence on performance efficiency.

3. Methodology

The aim of the article is to determine how capital structures, ownership, and governance impact the performance of manufacturing companies that are listed on the Pakistan Stock Exchange (PSX). The sample period runs from 2011 to 2022, a total of 12 years. The performance efficiency, ownership, corporate governance, capital structure, and control variables are the five areas into which the study's factors are divided. The next part will provide an explanation of the specifics.

3.1 Variable Measures

The dimensions of the variables included in the present investigation, as shown in Table 3.1, will be explained in this part.

Table 3.1: Operationalization of Variables

Variable	Measurement
Dependent Variable	
1. Efficiency (DEA)	Performance Property Plant & Equipment, Cost of Goods Sold, Total Salaries, and Operating Expenses are the input variables. Market Value and Total Sales are the output variables..
Independent Variables	
1. Divergence of voting and cash flow rights (VC).	Disparity between controlling owners' voting rights and cash flow %.
2. Divergence of seat control and cash flow rights (SC).	Disparity between controlling shareholder board seats and cash flow %.
1. Board Size (BSIZE)	The total number of directors.
2. CEO Duality (CEOD)	If the CEO also serves as the board chairman, then 1. Otherwise, 0.
3. Board Meetings (BM)	Number of Meetings in a financial year.
4. Audit Quality (AUDIT)	If the Audit firm is in the Top 4 then 1, Otherwise 0.
5. Board Independence (BI)	A measure of the proportion of independent directors to all directors.
1. Leverage (LEV)	Total Liabilities/Total Assets
Control Variables	
1. Firm Size (FSIZE)	Natural Log of Year-End Assets.
2. Firm Age (FAGE)	Natural Log of Age in Years.

3.2 Model Specification

The critique of traditional accounting metrics, such as return on equity (ROA), for being one-dimensional and having a limited use in assessing financial performance is the main topic of this study. DEA is offered as a realistic tool for analysing the relative efficiency of Pakistani manufacturing enterprises to solve these obstacles. The DEA offers a unique strategy that may be customised to varied systems by stressing performance criteria over mere averages. In Pakistan's industrial industry, input signal sums are significant decision variables. This study examines the performance of manufacturing entities by examining their ability to adjust input signals to reach target output amounts using a feedback signal-focused approach. An envelopment variation of the

linear programming model provides a targeted framework for evaluating the effectiveness of Decision Making Units (DMUs). Efficiency scores shown as θ , are calculated for each Decision Making Unit (DMU) using weights supplied by the DEA tool, designated as λ . An effective DMU is characterized by a value of 1 for θ , whilst slack variables are confined to 0. The study separates efficient Decision Units (DMUs) by their efficiency scores of 1. enterprises with efficiency ratings more than 0 but less than 1 are those that require much more weighted inputs to reach similar output levels compared to benchmark enterprises.

$$\min \theta - \varepsilon (\sum_{k=1}^m S_k^- + \sum_{r=1}^s S_r^+); \sum_{j=1}^n x_{kj} \lambda_j + s_k^- = \theta x_{ko}; \sum_{j=1}^n y_{rj} \lambda_j - s_r^+ = y_{ro}; \sum_{j=1}^n \lambda_j = 1; \lambda_j, s_k^-, s_r^+ \geq 0 \dots \dots \dots (1)$$

In accordance with the approach of earlier research, we employed regression analysis to investigate the effects of ownership and control segregation on the effectiveness of production enterprises (Chang et al., 2004; Hoff, 2007; McDonald, 2009; Hsiao et al., 2010). Excel and EViews are two of the tools used to evaluate the model. The study's models are represented by the equations below.

$$DEA_{it} = \bar{\alpha}_1 + \beta_1 VC_{it} + \beta_2 SC_{it} + \beta_3 BSIZE_{it} + \beta_4 CEO_{it} + \beta_5 BM_{it} + \beta_6 AUDIT_{it} + \beta_7 BI_{it} + \beta_8 LEV_{it} + \beta_9 FSIZE_{it} + \beta_{10} FAGE_{it} + \varepsilon_{it} \dots \dots \dots (2)$$

3.3 Statistical Techniques

The pooled regression method is one of the panel data analysis strategies used in this study to evaluate the relationship between the variables of interest. The Best Linear Unbiased Estimators (BLUE) that the Ordinary Least Squares (OLS) regression model generates ensure reliable and strong parameter estimations. Prior to performing regression analysis, the data is carefully examined to verify that the underlying hypotheses are true. Initially, diagnostic tests are conducted to validate fundamental assumptions in OLS regression.

4. Data Analysis and Discussion

We examine Pakistan's manufacturing sector using a two-stage DEA method developed by Simar & Wilson (2007). The final Ordinary Least Squares (OLS) regression analysis will employ the efficiency scores obtained as dependent variables. According to our analysis, five very successful textile companies account for roughly 6% of the industry. In addition, 42% of textile businesses are regarded as efficient, whereas 54% are categorised as semi-efficient to inefficient. Conversely, about 15% of textile industry businesses are regarded as extremely efficient, while the remaining businesses are regarded as efficient if their ratings are greater than 0.8 but less than 1. Six chemical companies, or more than 20% of the industry as a whole, have an efficiency score of zero. The remaining percentages fall into the semi-efficient and efficient categories, with 13% being deemed inefficient. However, 16% of the sugar industry's businesses are extremely productive.

There are 65%, 85%, and 60% of highly efficient businesses in the paper and board, cement, and fuel and energy sectors, respectively.

4.1 Descriptive Findings

The data's descriptive statistics are shown in Table No. 4.1. The mean, median, standard deviation, and range of each variable included in the study made up the descriptive statistics.

Table 4.1: Descriptive Statistics

Variables	Mean	Median	Maximum	Minimum	Standard Deviation
DEA	0.8891	0.9000	1.0000	0.2600	0.1064
VC	3.9888	4.0854	9.4727	-6.9078	1.8918
SC	7.5410	7.6752	13.8120	-2.5029	2.0140
BSIZE	7.3281	7.0000	10.0000	7.0000	0.6742
CEOD	0.2756	0.0000	1.0000	0.0000	0.4470
BM	5.2804	5.0000	19.0000	4.0000	2.3979
AUDIT	0.0633	0.0000	1.0000	0.0000	0.2436
BI	1.0117	1.0000	7.0000	0.0000	1.0485
LEV	-0.9619	-4.9519	9.4994	-11.5129	5.8681
FSIZE	3158.78	1318.70	63123.35	0.00	5594.64
FAGE	30.9309	26.0000	128.0000	3.0000	16.2608

4.2 Hypotheses Testing

Managerial ownership may lead to conflicts of interest since managers may put their own interests ahead of those of minority shareholders, according to the negative correlation and weak importance of management shareholding (VC) with Efficiency (Short et al., 1999). Adverse entrenchment effects are implied by the negligible influence of seat control rights (SC), as demonstrated by a very low coefficient. Particularly if they hold a sizable percentage of the shares, controlling shareholders may utilise their position to defraud other shareholders of their money (Jensen & Ruback, 1983).

Bigger boards may have less cohesiveness, which would lead to lower efficiency, according to the negative coefficient and significance of board size (BS) with efficiency (DEA) (Lipton and Lorsch). The consequence of CEO duality on organizational efficiency is minimal. This factor has little effect on business success in Pakistan's industrial sector. An rise in board meetings may have the unintended consequence of decreasing corporate efficiency, as indicated by the negative coefficient and significance of the number of meetings (BM). Remarkable results indicate that this industry requires excellent audits. According to Zehri and Shabou (2011), they have a greater tendency to uncover questionable accounting practices and reveal notable irregularities and misstatements, hence enhancing accountability. Increased ownership concentration might not have

a significant effect on efficiency, according to the board independence significance and coefficient. However, concerns exist that management interests might supersede those of minority owners (Short et al., 1999). Because leverage (LEV) and efficiency have a negative association, high financial leverage is associated with lower performance. This is in line with studies conducted in other Asian countries, which emphasise how important it is to manage leverage well for optimal results (Booth et al., 2001).

In this case, efficiency is not much influenced by firm size (FSIZE). The association between firm age (FAGE) and coefficient of determination is negative, suggesting that as businesses age, their performance may decline. The findings highlight the complex relationships between corporate governance elements and business effectiveness, offering suggestions for future study topics and areas for strategic decision-making in the industry.

Table 4.3: Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
VC	0.002	0.000	0.968	0.334
SC	0.001	0.000	-0.194	0.847
BSIZE	-0.019	0.011	-1.761	0.080
CEOD	0.002	0.001	-0.703	0.483
BM	-0.018	0.013	-1.760	0.080
AUDIT	0.069	0.018	3.863	0.000
BI	0.013	0.007	1.823	0.040
LEV	-0.001	0.000	-1.852	0.066
FSIZE	0.026	0.025	1.066	0.288
FAGE	-0.001	0.001	1.089	0.007
C	1.107	0.118	9.358	0.000
R-squared	0.216		Prob.	0.000
Durbin-Watson	1.827			

5. Conclusion

By investigating agency issues and entrenchment effects in Pakistani businesses with intricate proprietorship and control systems, this study adds to the body of existing work. It also improves our understanding of how commercial governance systems affect the outcomes and their efficiency in businesses by using a model that incorporated DEA and OLS regression to analyse the ownership and control separation on business efficiency in the manufacturing sector of Pakistan, taking corporate governance structures into account. Our results support the hypothesis by highlighting the critical role that capital structures and corporate governance play in Pakistan's

manufacturing sector. At standard confidence levels, insignificant findings were discovered regarding voting rights about cash flow and seat control. There is a difficult situation where creditors and other governance systems become more significant and majority stockholders do not have a significant influence. Minority investors believe that the interests of the majority shareholder are aligned with corporate goals, and that the majority shareholder effectively manages control and governance. In contrast, shareholders in Anglo-Saxon nations such as the US are more likely to withdraw from underperforming businesses. Asian nations like Pakistan frequently have listed companies with concentrated ownership structures, which are vital for monitoring management and improving performance via corporate governance's internal control framework.

It is significant to recognize contextualization of these findings because diverse countries and industries have different legal systems and economic conditions, these conclusions could not be applicable everywhere. Subsequent studies may examine comparisons across national borders and industries to ascertain the applicability and consequences of these findings. Moreover, applying different DEA models may improve our understanding of the dynamics of efficiency and performance in manufacturing firms and other industries.

5.1 Implications of the Study

The study has significant implications for all the stakeholder particularly for investors with significant inequalities in ownership and control should need to carefully consider and evaluate their alternatives before making an investment in a firm based on firms ownership, governance and capital structure, especially if they are minority shareholders. This study also offers helpful information to corporate governance policymakers by highlighting beyond the simplistic univariable view to incorporate the complex interplay between ownership, governance and capital structures for holistic and effective policy making.

5.2 Limitations and Recommendations

The findings draw attention to the intricate associations that occur among commercial governance elements and business performance, pointing to potential new study directions and directing industry strategic decision-making. Future researchers can focus to expand and include services and financial sectors to increase generalizeability of the framework or can have indept analysis of a single sector to identify and distinguish any contextual aspects of ownership, governance and capital structure in Pakistan. Lastly researchers can focus on other economies, demographics and time span to increase the generalizeability of these findings through and across time series in varying senerios.

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Ethical Leadership and Employee Dynamics: A Study of Creativity and Turnover Intentions in the Manufacturing Industry Pakistan

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Article History:	ABSTRACT
Received: 26 th Feb, 2024	Purpose: This study examined Ethical Leadership from the perspective of its two important aspects: creativity and Turnover Intention. This research provides one of the fundamental main truths in creating and maintaining a culture of creativity and reducing the increasing trend of Turnover Intention for every type of organization.
Revised: 01 st April, 2024	Design and Methodology: This current study population frame include the manufacturing firms operating in Rahim Yar Khan. The study population are 1000 respondents from the manufacturing firms operating in the Rahim Yar Khan district. According to the Sekaran table, the sample was 440. A cross-sectional approach was used to collect data about ELEL, employee behavior (creativity & TOI), employee feelings (PCPC & voice), and leader moral conviction. SPSS was used for analysis.
Accepted: 24 th June, 2024	Findings: The findings showed that moral Leadership encourages employee creativity and revealed a significant link between employee innovation and moral Leadership. This study has also adequately shown how ethical Leadership affects employee innovation and found that ethical Leadership had a substantial impact on employees' intentions to quit their jobs.
	Implications: Ethical Leadership is essential to fostering a sense of dedication and involvement among workers at the workplace. The study contributes to our understanding of the factors influencing employee turnover intentions in Pakistan's manufacturing sector.
	Keywords: Ethical Leadership, Employee Creativity, and Turnover Intention,

1. Introduction

The rising emphasis on organizational ethics has heightened the demand for ethical Leadership (ELEL) (Legood, van der Werff, Lee, & Den Hartog, 2021). Existing research bespeak that enhanced concerns in elevating ELEL is guaranteed because ELEL enhances workers' capacity to handle ambiguities (Schwepker Jr & Dimitriou, 2021). Its belongings on followers' morally focused noises and conduct, ascent findings indicate that there is a broad range collection of

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connotations of ELEL for worker's sentiments and conducts (Al Halbusi, Tang, Williams, & Ramayah, 2022).

Ethical Leadership (ELEL) can be defined as exemplifying morally sound behavior through one's actions and interactions with others while encouraging these behaviors in followers through bidirectional communication, positive reinforcement, and decision-making processes (Guo, Xue, He, & Yasmin, 2023). Through ELEL, the follower can generate reliance on the leaders.

Leaders have a magnetic and believable role in an organization. The leader's conduct indicates to workers what attitude and actions are wanted, anticipated and honoured in a work environment (Kish-Gephart, Treviño, Chen, & Tilton, 2019). As ethical leaders visually communicate and elevate moral behavior, there is a risk that they will become hard within their ethical standards. Nascent findings propose that employees' moral values will sometimes be damaged by the high level of moral conviction passed on by the ELEL (Vitanova, 2021). Due to that, employees react negatively to ethical leaders.

The literature on moral conviction (Skitka, 2012) and the group engagement model (Tyler & Blader, 2003) provide examples of how ethical leaders alter their ability to influence employee behavior. According to the group employee engagement strategy, employees' discretionary behavior can be shaped (Blader & Tyler, 2013) if they are allowed to express their opinions and control how they handle situations at work. Because reinforcement and decision-making are the two modes of communication of ELEL (Ayilara, Olanrewaju, Babalola, & Odeyemi, 2020), we conclude that moral conviction is essential in determining whether employees feel how work is completed in a workplace. (Kuenzi, Brown, Mayer, & Priesemuth, 2019). Leaders gave the impression to their followers that there was no room for change in how things should be done because of their strong moral convictions.

According to the ethical leadership definition, an ethical leader displays morally appropriate behavior in their actions and interactions with others and fosters this behavior in their followers through two-way communication, support, and decision-making (Al Halbusi, Williams, Ramayah, Aldieri, & Vinci, 2021; D. K. Brown et al., 2017). Moral leaders are driven to act morally by virtues, including integrity, compassion, openness, honesty, altruism, trustworthiness, fairness, and group motivation (Li et al., 2023). Additionally, ethical leaders encourage and stimulate the innovative thinking of their team members, according to (Lu et al., 2023).

Another study assert that creativity plays a vital role in bolstering a company's ability to function effectively in complex and ever-changing circumstances (Amabile & Conti, 1999). (Tang, 2017). Bunch imagination is defined as "the development of books and beneficial thoughts about items, administrations, cycles, and methodology by a group of representatives working" in writing (Goswami, Agrawal, & Goswami, 2021). Individual creativity is "individual struggle in developing

new ideas" (Amabile, 1996; Zhang et al., 2019). According to Amabile (1996), every member of a creative group should constantly generate novel ideas and, more fundamentally, process those ideas to eliminate any that appear pointless and guarantee their execution. As such, bunch inventiveness is developed through beneficial collaboration (Rollwage, 2022). For instance, by exchanging ideas and points of view, examining the tendency toward similarity, going for it, and challenging supervisors (Zhang, Li, Gong, & Xu, 2019) According to (Neamtu & Bejinaru, 2019), scholars identified the crucial and distinguishable variables that support innovative communication practices and thus comprehend the group's creative capacity (V. Kumar & Dhiman, 2021; Wegge et al., 2011).

Employee turnover intention (TOI) is a problem for businesses and management (Jones et al., 2017). The organization's work environment and performance suffer as a result of the rising rate of TOI (Chang et al., 2013; 2009; Zimmerman & Darnold et al., 2012). The organization's profit, creativity, productivity, and efficiency will all suffer, especially when employees leave (Larkin, 1995; Roth and Roth, 1995). According to (Erdirençelebi, Ertürk, & Çini, 2020), TOI refers to the possibility that a worker will leave an organization shortly. According to (Jung, Namkung, & Yoon, 2010), workers' perceptions of workplace ethics directly impact their TOI. Even though TOI is viewed as a warning sign, businesses are typically content to deal with their internal client (i.e., employees).

Prior studies indicate that ethical leadership (ELEL) and corporate social responsibility (CSR) serve as essential foundations for businesses to establish more robust connections with their stakeholders (Arrigo, 2013; Hsu, 2006). Additionally, they improve an organization's employees' levels of commitment and contentment (Dirks & Ferrin, 2002; D. et al., 2004). In the long run, TOI is influenced by corporate social responsibility (CSR) and environmental responsibility (ELEL).

In this research, employing the following methodologies, we investigate the connection between an employee's intention to leave their position and the presence of ethical Leadership. First, using ethical Leadership, the most significant management error that demonstrates poor leadership skills is evaluated (Saleh, Mehmood, Khan, & Jan, 2022). This study applies the social trade hypothesis (Davlembayeva & Alamanos) to show what moral administration means for worker withdrawal conduct. The study also delves into the implications of ethical Leadership on subordinate behaviors, aiming to provide a broader perspective on turnover intention. For a more comprehensive understanding, this analysis also considers individual-type ethical climate characteristics, aligning with the principles of social exchange theory (Cook, Cheshire, Rice, & Nakagawa, 2013). This assessment can assess how an individual-focused ethical environment influences employees (Kidd, Fairbridge, O'Keefe, & Farrell, 2023). Thirdly, this research contributes to our understanding by shedding light on the influence of ethical factors on an employee's choice to leave their position. To address the gaps in existing research, the primary aim of this study is to examine the moderating

role of emotional exhaustion within the work unit concerning the relationship between ethical Leadership and turnover intention.

2. Literature Review

2.1 Social Exchange and Social Learning Theory

Based on the research conducted by Albert Bandura in the 1960s, the social learning theory elucidates the process by which individuals acquire new behaviors, values, and attitudes." Social learning theory states that "people learn by observing others." Recent ethical scandals (Fariha, 2023) have raised significant concerns regarding Leadership's role in shaping moral behavior. According to (Botes & Niekerk, 2023), many employees look to others for important direction. 1986 Trevino). Why should authorities become the primary foundation of this direction in the workplace? Leadership exerts influence (Qanay & Frost, 2023). The ELEL says that "leaders influence the ethical behavior of individuals through modelling" through the social learning aspect. Modelling; "includes a wide range of psychological matching techniques like copying, identifying, and observational learning." What a person can learn from his own experience can also be learned from another person's experience by observing him. This procedure is particularly significant if the organization's moral conduct is the goal of the action. Workers learn from the behaviors expected, respected, and punished by the act.

Another way to look at it, according to Blau (1964), social exchange theory is "when an exchange party gives benefits to the next. According to Gouldner (1960), "he/she causes a feeling of commitment to respond these benefits during future communication." Workers will become duty-bound and compelled to respond to their leaders' moral and transparent treatment by giving extra performance at their jobs and avoiding deviance when they see their leaders as transparent and ethically good (Mayer et al., 2009; Newman and others, 2014). Despite the fact that moral administration has been questioned in thought for more than 2,000 years (Ciulla et al, 2003), common sense investigations on morals in the initiative and the board have not been found in writing for a very long time, and such examinations have only been conducted in the past few years (Ferrucci & Amaral, 2023). "The demonstration of behavior that aligns with established norms through personal actions and interpersonal relationships, and the conveyance of these standards to followers through interactive communication and guidance. (M. E. Brown, Treviño, & Harrison, 2005) defined moral authority. The literature on profound quality and trustworthiness significantly emphasizes ethical management (Kuntz et al., 2013), and pioneers of morality have been regarded as moral. According to (Demirtas & Akdogan, 2015), the analysts portrayed these characteristics as the moral components of moral administration. A review indicates that moral initiative is connected

not only to a leader's traits (such as sincerity, veracity, and dependability) and moral behaviors (such as equity, right direction, care, and transparency) but also to executives in light of standards (such as establishing moral benchmarks through correspondence and compensations). As a result, supporters and admirers view a moral leader as a truly upright and principled individual and an ethical manager who inspires employees (Fuchs et al., 2018). As a result, moral pioneers uphold ethical principles and practice them in their own lives. Despite these character qualities, moral pioneers use ethical and just administration and successfully persuade and inspire their representatives and devotees to be more moral.

2.2 Ethical Leadership (ELEL)

Ethical Leadership (ELEL) is "demonstrating behavior that conforms to accepted norms through personal actions and interpersonal relationships while promoting such conduct to followers through two-way communication, encouragement, and guidance." (Hoang, Yang, & Luu, 2023). According to (Uluturk, Yilmaz Altuntas, & Isik, 2023), this definition delineates two dimensions of ethical leaders: the first one is the ethical person, characterized by qualities such as integrity, honesty, generosity, dependability, overall inspiration, and fairness. (Brown et al., 2005). On the other hand, the second is the moral manager, who is procured to influence his supporter's dispositions and directed by the ELEL lead (Trevino & Brown, 2004). Based on previous findings, it is argued that ELEL behavior (Park, Zhu, Kwon, & Bang, 2023) includes (a) the significance of the ethical conviction and vision of the leaders in their actions, particularly when making decisions (Cornock, 2023);

(b) fostering morality within a company through established standards and associated rewards or punishments (Lenka & Kumar Behura, 2023); c) the two methods of correspondence which portrayed dependence, tremendousness, and unwaveringness about moral estimation (Verne, 2023) compensate structure (Elegunde, Omolara, & Owolabi, 2023) expected behavior; d) people's introductions (Elegunde et al., 2023) and admirable behavior in the workplace, including respect for the subordinate's inherent human qualities (Patzler & Voegtlin, 2023), name recognition (Uluturk et al., 2023) a wide range of assistance for employee advancement (Mayer et al., 2009; Trevio and others, 2003); (e) enhancing employees' work objectives through increased importance and empowerment (Muchiri, Pham, Nkhoma, & McMurray, 2023). According to (Halvorsen, Bartram, Kia, & Cavanagh, 2023), ethical leaders try to influence their followers' behavior by establishing ethical conduct models, setting moral standards, and encouraging them to act morally. (Halvorsen et al., 2023).

2.3 Employee Creativity

According to George and Zhou et al. (2007), Group creativity is "the collaborative generation of innovative and valuable ideas related to products, services, and processes by a team of employees working collectively." This definition appears in the literature on creativity (Qian et al., 2023). However, according to (Amabile & Pratt, 2016), "individual creativity alludes to the individual struggle in generating new ideas". Therefore, an organization's creative environment must be created and nurtured with focus (George & Zhou, 2001). ELEL plays a crucial role in both creating and maintaining a creative environment. As a result, groups, communities, and individuals worldwide are attempting to acquire the vast concept of ELEL (Gu et al., 2015). With EL's commitment to advancing creative, innovative, and clever ideas, researchers today have established significant thought. While numerous research studies have indicated that ethical Leadership (ELEL) plays a vital role in nurturing employees' creativity, it is evident that there is an adverse relationship between genuine, supportive Leadership and employees' creativity. In contrast, a favorable association exists between ELEL and employees' creativity (Hoang et al., 2023).

2.4 Turnover intention (TOI)

Employee turnover can be defined as "the termination of an individual's affiliation with an organization after receiving financial compensation from that organization." (Mobley, 1982). An alternate definition is: "Turnover intention (TOI) pertains to an employee's intention to resign from their current position. It is a close predictor of organizational turnover and often marks the final stage before an employee leaves their job." (Griffeth, Hom, & Gaertner, 2000). The reason for worker turnover in organizations is by and large a direct result of the outside variables (accessibility about employment and jobless level), internal factors (i.e. workplace, initiative style, and pay framework), and employee components (disappointment about a job, performing behaviors of another individual), (Mobley, 1982; Vandenberg & Nelson, 1999).

2.5 Ethical Leadership and Employee Creativity

According to empirical research, moral Leadership is likely to improve a person's performance and attitudes toward their jobs (Guo et al., 2023), organizational citizenship behavior (OCB) (Muchiri et al., 2023), and job attitudes (Legood et al., 2021; Muchiri et al., 2023). Even though academics have concentrated on the potential link between moral Leadership and representative growth, they have yet to agree on the benefits of that association (Fariha, 2023). This review challenges the idea that ethical Leadership boosts employees' creative thinking. Initially, servant leaders can support and inspire their followers by empowering them, prioritizing their well-

being, and motivating them to pursue their objectives. Consequently, they increase employees' innate motivation and involvement in creative endeavors (Muchiri et al., 2023).

Furthermore, ethical leaders prioritize the needs and concerns of their subordinates over their own. This approach fosters a sense of psychological security and trust within the workplace (Hoang et al., 2023; Saleh et al., 2022). Not to mention, Liden et al. (2014) found that when leaders use ethical leadership techniques, employees are more willing to give support and care to others in return, boosting their psychological safety (Amabile & Pratt, 2016). As a result, there would be less risk involved in coming up with solutions for problems, which would help foster supporters' creativity (Liden et al., 2014). Therefore, it is asserted that followers' inventiveness and ethical Leadership are favorably associated. However, servant Leadership may not impact staff members' originality. For instance, (Verne, 2023) suggested that promotion focus and ethical Leadership were tightly related, fostering employee innovation.

According to research by (Muchiri et al., 2023), ethical Leadership exhibited a positive association with a service-oriented culture and employee identity, thereby potentially enhancing employee creativity. These findings underscore the importance of considering mediating factors in examining the link between ethical Leadership and employee innovation.

H1: Ethical Leadership has a significant affect on employees' creative behavior.

2.6 Ethical leadership and Turnover intention

Ample research was conducted on the turnover processes of employees to understand the consequences of turnover, which pioneered an extensive clarification of the psychological process of essential withdrawals. As indicated by his detailed turnover choice process, the individual at their 1st level assesses their current job and experiences fulfilment or disappointment in the light of their jobs. If disappointment is experienced, that point enhances the thought about quitting. There are also many steps between thoughts of quitting and quitting. The first result of this disappointment is the thought of quitting. This contemplation stimulates the thought of another alternative and the costs of quitting the current job. The subsequent stage gives him a purpose to look for an option. A factual finding for a job trails the intent to see. If there is a chance that option is accessible, the appraisal procedure for choices will start at that point. The appraisal procedure for options is followed by examining the current job and options. If the examination supports the options, at that point, it will lead to leaving the place of job, which is trailed to natural quit (Mobley, 1977).

Previous research suggests that corporate social responsibility and ELEL are two central pillars of the organization (Dirks & Ferrin, 2002; D. et al., 2004). Both corporate social responsibility and ELEL represent the organization's values and related attributes that, in the long

run, influence TOI. As indicated by (Al Halbusi et al., 2022), representative turnover expectation is characterized as a worker's removed lead (i.e., they are currently working but are not effectively connected with or submitted). Worker turnover expectation is a precursor to turnover itself. Worker turnover expectation is characterized as an individual's craving to leave their present employment or association and effectively search out new possibilities or vocations. Many investigations from different disciplines and across conduct, attitudinal, and authoritative components have investigated the aim of worker turnover (Legood et al., 2021).

Representatives show great mentalities and practices toward their work when pioneers exhibit moral authority, as per (Fuchs et al., 2018), which decreases the probability of stopping and moving to another association. Moral initiative is essential for evoking ideal representative practices while relieving and redirecting negative perspectives and activities, such as the aim to leave (Lin & Liu, 2017). As per (Davlembayeva & Alamanos), moral administration contrarily affects turnover aim, and occupation somewhat intercedes the connection between the two builds (Li et al., 2023) found in her examination that moral authority contrarily affects the aim of sales reps to leave (Park et al., 2023) researched the effect of trust and moral environment in interceding the connection between moral authority, hierarchical equity, and turnover goal in Turkish private and public banks. Their discoveries also validated the negative relationship between moral authority and turnover expectation through trust and a moral environment.

On the other hand, assuming that workers accept that their CEO is corrupt, egotistical, and unscrupulous, they are bound to leave the organization and pursue another position (Brown & Mitchell, 2010). Thus, it is essential for pioneers to reliably build up moral authority insights. This can be achieved by accentuating the moral authority part of moral administration (Palanski et al., 2014).

H2: *Ethical Leadership has a significant effect on employee turnover intention.*

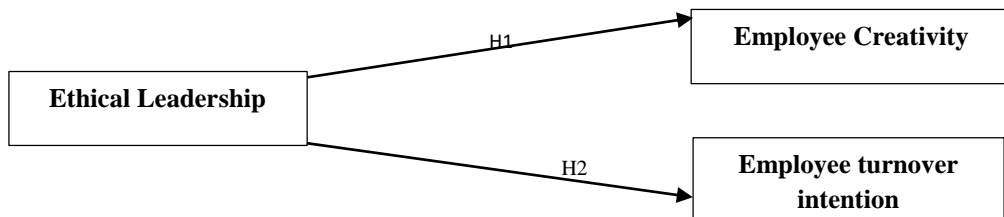


Figure 2.1. Research Model

3. Methodology

3.1 Population and Sampling

In the current research, a cross-sectional approach was used to collect information regarding ELEL, employees' behavior (creativity & TOI), employees' feelings (PCPC & voice), and leader's moral convictions. We used the cross-sectional design because of its advantages. The first advantage is that this approach is beneficial for the current study because it helps analyze the samples from the population within a reasonable time. The second advantage of using this cross-sectional design is that it is inexpensive. The third advantage is that a cross-sectional study helps compare the data easily. There is no effect of data that will be changed over time (Baily, 1978).

According to Sekaran and Bougie (2003), "population frame" refers to the list of all population components used in the sample selection process. Researchers spend time and effort collecting data from the current population because a suitable sampling frame includes all sample units in the population. However, it may not be completely accessible. The manufacturing firms in Rahim Yar Khan will be included in the current study's population frame.

Probability sampling, stratified random sampling, and simple random sampling are only a few of the various sampling methods available. However, the current study employs simple random sampling. The primary advantage of this sampling is the availability of data. We can collect data easily from anywhere or everywhere. Moreover, it is a time-saving technique, although this method is less expensive. We were collected data in March 2023 and finished it in August 2023. Six months had allotted for the data collection.

The sample size was appropriate so that the result can be generalized to the whole population. The number of respondents was chosen from the method given in the Sekaran table of sampling. If the study population consists of 1000 elements, according to the Sekaran table, the sample was 440, representing 95% of the confidence level with a margin of error of 3.5%. We received 290 responses from our target population.

3.2 Research Instruments

A questionnaire was serve as the primary research tool in the current study. We were draw upon scales found in various articles pertaining to different variables. To guarantee the reliability and validity of the scales, we select the most appropriate items from these sources. All items will be measured on a 5-point Likert scale (1= = strongly disagree, 5= = strongly agree).

Table 1.: Distribution of Instrument Variables

S. No	Variables	Items	Sources
1.	Ethical Leadership	10	(Van Den Hooff & De Ridder, 2004)
2.	Employee Creativity	13	(Kuegler, Smolnik, & Kane, 2015)
3.	Employee turnover intention	05	(Kankanhalli, Tan, & Wei, 2005)

4. Data Analysis

4.1 Statistical Analysis

The current study was employ various analytical techniques, including descriptive statistics, reliability tests, and correlation analysis in SPSS, to address the research questions posed.

The initial phase of data analysis involved using the Statistical Package for the Social Sciences (SPSS) to conduct preliminary univariate statistical analysis. Data screening was attempted. Data screening is the process of determining whether the data are normally distributed, free of outliers, and ready for use.

A measurable Bundle for the Sociologies (SPSS) was chosen strategically. The Statistical Package for the Social Sciences (SPSS), as described by Karp (1995), offers several advantages. First, it allows users to import or export data sets that can be displayed in rows and columns. Second, the result output windows come with editing options. Third, the windows displaying charts and graphs can be customized.

SPSS is widely used and taught in many academic institutions, making it a familiar choice for researchers and analysts in the social sciences. SPSS offers a broad range of statistical techniques, including descriptive statistics, reliability tests, and correlation analysis, commonly used in social science research(Shao, Xu, & Li, 2019). SPSS provides convenient features for data management, such as importing and exporting datasets, which are essential for handling and organizing large amounts of data in research projects (Field, 2013). SPSS includes tools for data screening, allowing researchers to assess data quality, identify outliers, and check for normal distribution, which are critical steps in ensuring the validity of statistical analysis (Wang et al., 2023). SPSS typically utilizes covariance-based methods for structural equation modelling (SEM), which are more suitable for large-scale data sets and when the underlying assumptions of normality and linearity are met. SmartPLS, on the other hand, employs a variance-based approach, specifically Partial Least Squares (PLS), which is particularly useful for handling small sample sizes, non-normal data, and complex models with latent variables and multiple indicators (Wong, 2013).

While SPSS and SmartPLS are both robust tools for statistical analysis, they each have distinct strengths and purposes. SPSS is a versatile software package suitable for various analyses, whereas SmartPLS specializes in structural equation modelling, particularly emphasizing partial least squares analysis. The decision between the two depends on the specific research requirements and the nature of the analysis.

However, SPSS was chosen for its versatility and ease of use; the researchers may also be considering more advanced statistical techniques, such as Structural Equation Modeling (SEM), for hypothesis testing and model validation (Hinton, McMurray, & Brownlow, 2014; Wang et al., 2023).

In summary, SPSS is used for the measurement model, and SmartPLS is used for the structural model. The current study aims to determine how ELEL influences workers' creative and TOI behaviors. The "hypothesis testing" method is used in this study. This study will examine the direct and indirect effects of the relationship between the dependent and independent variables. In this study, there is one independent variable and two dependent variables.

Unit of analysis refers to how "WHO" or "WHAT" you will analyze the data in the study (Gallagher & Leischow, e.g. 2001, 2006). The unit of analysis focuses on who or what in the research design. According to Sekaran, a unit of analysis is categorized as individual/single, group, organization, or culture (Sekaran & Bougie, 2016). However, we will focus on individual design in the current research design. We will examine the relationship between dependent and independent variables and their impact on an individual level. There are many reasons to focus on the individual level instead of the group and organization approach: (1) the individual approach is less expensive, (2) because this approach allows researchers to involve more respondents to produce a more fantastic response, (3) there is no complication of data in the analysis process, (4) and the last strong reason is that most of the researchers focus on this individual approach (Fan & Wang, 1998). Therefore, SPSS was used to measure the study model.

4.2 Factor Analysis

Component research is the essential statistical tool for discovering a smaller collection of reasonably broad variables. It is used to verify if estimates are valid and correct. The fundamental design of the poll is a fantastic factual tool, and this strategy coordinated several aspects in light of their relationships. Things related to one another have comparative characteristics to display composite factors. These composite factors are additionally referred to as elements. Determining whether the example can be used to demonstrate the element of research is crucial. Information from the absence of value, odd characteristics, and anomalies were also separated in this examination. For a factor analysis, the sample must meet specific criteria for measurement adequacy. The analysis revealed that the sample size, excluding 10 multivariate outliers, stands at 290, which surpasses the

minimum threshold of 50 and ideally should be greater than 100. However, the sample size becomes less critical if the loading factor exceeds 0.60.

Items with factor loadings greater than 0.50 were retained in the study. According to (S. Kumar, Gupta, & Nayyar, 2012), factor loadings between 0.50 and 0.70 are considered acceptable, those between 0.70 and 0.80 are termed good, and values falling between 0.80 and 0.90 are characterized as excellent.

Table 2: Exploratory Factor Analysis:

Rotated Component Matrix

	Component		
	1	2	3
SMEAN(EL5)	.821		
SMEAN(EL1)	.814		
SMEAN(EL4)	.811		
SMEAN(EL3)	.800		
SMEAN(EL2)	.796		
SMEAN(EL7)	.434		
SMEAN(TOI8)		.813	
SMEAN(TOI7)		.792	
SMEAN(TOI6)		.762	
SMEAN(TOI4)		.741	
SMEAN(TOI3)		.721	
SMEAN(TOI5)		.704	
SMEAN(EC2)			.896
SMEAN(EC3)			.875
SMEAN(EC4)			.869
SMEAN(EC1)			.859

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization. ^a

a. Rotation converged in 5 iterations.

4.2 Reliability Test for the Variables

Reliability, as defined by (Pallant et al., 2016), pertains to the extent to which all items in the scale gauge a common underlying construct. It is also described as the consistency of outcomes when repeatedly measuring the items within the factors (K. et al., 2004). The values of Cronbach's Alpha for all factors in the study are presented in the table.

Table. 3 Reliability

Item-Total Statistics				
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
M_EL	7.0338	.948	.628	.774
M_EC	6.6640	1.017	.717	.671
M_TOI	6.0382	1.146	.633	.760

The results in Table 2 depict the values of Cronbach's Alpha for all three variables of the current study: ethical Leadership ($\alpha = 0.774$), Employee turnover intention ($\alpha = 0.760$), and Employee Creativity ($\alpha = 0.671$), representing all the respective items of the variables that meet the standards for further analysis (Hair et al., 2010).

Descriptive Statistics

The descriptive results in Table 3 show that the mean value of Ethical Leadership is 2.8341, and the standard deviation is 0.63436. Similarly, the mean of Employee turnover intention is 3.204, and the standard deviation is 0.55488. The mean of Employee Creativity is 3.8298, and the standard deviation is 0.52276.

Table. 4 Descriptive Statistics

	N	Min.	Max.	Mean	Std. D.	Skewness	Kurtosis		
	Stat.	Stat.	Stat.	Stat.	Stat.	Stat.	Std. Err	Stat.	Std. Err
M_EL	249	1.00	4.40	2.8341	.63436	-.033	.154	-.239	.307
M_TOI	249	1.00	5.00	3.2040	.55488	-.244	.154	1.197	.307
M_EC	249	2.00	5.00	3.8298	.52276	-.432	.154	.951	.307
Valid N (list wise)	249								

4.4 Correlation

A Pearson correlation was used to find a significant relationship among variables such as Ethical Leadership, Creativity, and Turnover Intention, as shown in the Table.

Table. 5 Correlation

		M_EL	M_EC	M_TOI
M_EL	Pearson Correlation	1	.618**	.514**
	Sig. (2-tailed)		.000	.000
	N	249	249	249
M_EC	Pearson Correlation	.618**	1	.633**
	Sig. (2-tailed)	.000		.000
	N	249	249	249
M_TOI	Pearson Correlation	.514**	.633**	1
	Sig. (2-tailed)	.000	.000	
	N	249	249	249

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

4.5 Hypotheses Testing

Table. 6 Hypotheses Testing

			Estimate	S.E.S.E.	C.R.C.R.	P	Label
M_TOI	<---	M_EL	.424	.045	9.448	***	Accepted
M_EC	<---	M_EL	.348	.055	7.732	***	Accepted

Ethical Leadership positively impacts Employee turnover Intention (S.E= 0.045, p < .000). Ethical Leadership have a positive significant impact on Employee Creativity (S.E= 0.055, p < .000).

5. Discussion

This research contributes to the existing knowledge by presenting empirical findings regarding the influence of ethical Leadership on the inclination of employees to depart from financial institutions in Pakistan. Two hypotheses were scrutinized to ensure they aligned with the study's aims and objectives. In order to identify the qualities that will enhance ethical behaviour in a company and deepen the bond between leaders and their subordinates, prior research explored the antecedents of employees' ethical behaviour (Mayer et al., 2005). This analysis found two crucial parts of the research model that needed to be included in earlier studies. The inference that has the most significant correctional on the literature on corporate ethics is the link between an individual-type ethical environment and employees' inclination to leave their positions. According to (Decoster et al.,2019), the study goes into further depth on how workers' responses to an ethical leader vary based on how the leader's activities harm or even benefit them.

The results of this study show that managers have a significant correctional on how well an organization performs. The results show that moral Leadership makes a big difference in how organizations are run and whether or not their employees plan to leave. A prior study by (Sija et al., 2021) on financial workers' intentions to leave their positions in Sarawak, Malaysia, revealed that workers would be less inclined to leave if the company offered prospects for promotion. Regarding the review, the ongoing examination uncovered that moral initiative is essential in cultivating a tremendous moral environment, bringing down representatives' close-to-home exhaustion, and diminishing workers' expectations to leave their ongoing positions.

The primary objective of this study was to investigate the significance of ethical Leadership on employee creativity. Our research findings highlight the significance of ethical Leadership as a critical factor influencing employees' creativity. The results suggest that ethical Leadership is crucial for nurturing employee creativity, as it is positively linked to organizational effectiveness. Furthermore, this study underscores the notion that a culture within the organization where employees frequently exchange knowledge and provide mutual assistance should positively correlate with creativity.

This article also sought to explore the significance of ethical leadership practices on employee creativity by employing the social exchange theory. The results of this study provide empirical support for the assertion made by (Liden et al.,2014) that there exist variables in the connection between an ethical leadership style and employee behaviour. As noted by (Eva et al., 2019), servant leaders prioritize the development of their subordinates, which can lead to them being highly respected. Consequently, subordinates may perceive their relationships with these leaders as psychologically fulfilling, motivating them to respond by employing more productive work methods. Another objective of this ongoing investigation was to assess how ethical Leadership impacted employees' creativity. The findings affirmed the strong relationship between employee creativity and an ethical leadership style. Previous research has consistently shown that an ethical leadership style is a robust predictor of success (Nemr & Liu, 2021; Frisch & Huppenbauer, 2018; Yang & Wei, 2016). The study extensively draws on social learning theory and social exchange theory to examine the connections between ethical Leadership.

The findings of this study highlight a statistically significant correlation between ethical leadership style and behaviour. When employees perceive their managers as fair in task assignments and recognize achievements, they are more inclined to foster a positive work environment. Besides treating all their followers equally, ethical leaders often function as impartial mediators, communicate truthfully, and establish high standards for their team members. This argument gains further support from theoretical work that demonstrates how an ethical leadership style positively

influences the attitudes and behaviours of organizational staff (Li et al., 2022; Kalshoven et al., 2011; Zhu et al., 2004).

The results affirm the presence of a positive relationship between an ethical leadership style and employee creativity, according to prior research (Asif et al., 2019). As per (Brown et al., 2005), ethical leaders promote moral values in the workplace, engage in open communication with their followers, demonstrate respect for them, make equitable decisions, and encourage them to express their opinions, among other things. Consequently, ethical leaders have been demonstrated to affect employee creativity positively.

6. Conclusion

The findings demonstrated that employees are more creative under Ethical Leadership. The results also showed a direct link between creative thinking on the part of employees and moral Leadership. Employee creativity has been demonstrated to benefit from ethical Leadership. This study revealed that ethical Leadership significantly influenced employees' intentions to depart from their positions. Ethical leadership is essential for creating a strong sense of commitment and engagement among employees in the workplace.

The study offers a fresh perspective on the variables affecting workers' aspirations to leave Pakistan's manufacturing sector. Organizational leaders must make sure that workers are treated with respect at work. Additionally, this study enhances our understanding of how ethical Leadership and the cultivation of an ethical work environment can substantially reduce employee turnover intentions. The ethical environment will create a setting where it will be possible to discern between morally acceptable and unacceptable behavior, leading to the development of a perceptual system to deal with ethical issues.

Implications of the Study

This study significantly enhances the existing body of empirical research on moral leadership. First, it demonstrates that employees may perform better in higher education when morally upright executives lead them. These findings emphasize the significance of placing moral leaders in supervisory positions to encourage actions that go above and beyond legal requirements, which add to those from earlier research in other fields. Additionally, this study provides essential information about the tactics employed by ethical bank executives to recruit more employees. For the association to make due and stay serious, it is pivotal to distinguish how supervisors and pioneers can advance moral authority among workers in the financial area. By combining an analysis of employee turnover intention, ethical Leadership, and employee creativity into a single model, this study also advances empirical research. Employee creativity is a significant predictor of ethical

Leadership (Chon & Zoltan, 2019), but no study has examined these two aspects simultaneously. The advancement of monetary establishments relies upon a more noteworthy exact exploration of moral initiative practices and their effect on critical individual results (worker innovativeness and representative turnover goal).

This study has improved our understanding of the connection between personal creativity and leadership style. The workforce of today desires more individualized, moral Leadership. Ethical and Leadership styles priorities meeting employee expectations because of the inherent focus on addressing the requirements of followers. Consequently, managers should be encouraged to use both ethical leadership philosophies. The study underscores the significance of employee trust in leaders regarding innovation outcomes. Following trustworthy role models enhances individuals' chances of success. Therefore, our research makes a meaningful contribution to the existing body of knowledge regarding the diverse impacts of leadership behavior on creativity.

Notably, our study is among the limited research endeavors that explore the influence of different leadership levels on individuals. As indicated by Yoshida et al. (2014), effective, ethical Leadership fosters creativity in individuals and teams by promoting the recognition of individual and group leaders and prototyping group leaders.

Limitations and Recommendations

Like those in other tests, this study contains a number of obstacles that should be evaluated before proceeding. Only one leadership style was investigated in this study to assess its significance in affecting employee creativity and departure intention. Future tests are encouraged to test many forms of reasoning administration, including tyranny and domineering authority.

Second, SPSS was used for data analysis, hypothesis testing, and conclusion drawing. To better understand the potential impact of different authoritative ways of thinking on employee imagination and intention to leave the organization, we recommend that longitudinal research be completed in the future.

Thirdly, this study's demographics were not considered in the analysis. Future exploration should subsequently analyze the directing effects of segment qualities (like age, orientation, and pay) in the connection between specific administration styles, worker imagination, and representative turnover aim. Additionally, the Pakistani Manufacturing Industry provided survey results for this article. To decide if the speculations used to make sense of the multitude of connections analyzed in this study are delicate. Whether the discoveries of this study can be summed up to different settings, more examination in different fields and societies is required.

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The Effect of Corporate Social Responsibility on firm pay-out policy: Role of Shariah compliance in Pakistan

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ABSTRACT

Purpose: This study investigate the impact of CSR performance on firm dividend pay-outs. This study also investigates the direct and interacting role of firm Shariah compliance status on dividend pay-out. The majority of the research on the subject of how corporate social responsibility affects a firm's performance reports inconsistent and even contradictory findings. Moreover, many researchers exhibit that literature on Islamic finance is rare. Therefore, the current study contributes to the existing body of literature by presenting empirical shreds of evidence in emerging country as Pakistan

Design and Methodology: Data for the current study has been collected from the official websites of the Pakistan Stock Exchange, companies' specific websites, and open doors for the period of 2011 to 2021. The study used OLS, Fixed and Random affect model to investigate the link between the study variables.

Findings: The findings reveal that CSR and SC both have a positive impact on dividend policies, with the interaction between them further enhancing this effect.

Implications: The underlying study is useful for finance managers, policymakers, business analysts, and different academic researchers who find the impact of CSR and SC concerning the dividend pay-out of companies. Furthermore, it provides some remarkable suggestions for business stakeholders.

Keywords: Corporate Social Responsibility (CSR), Shariah Compliance (SC), Dividend Pay-out Policy, Agency Cost Theory, Signalling Theory.

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1. Introduction

The business and academic sectors have placed an increasing emphasis on corporate social responsibility (CSR) in the last decade. CSR has evolved into a strategic option for businesses looking to boost their value overall, acquire a competitive advantage, and strengthen their reputation (Robinson et al., 2011). The association among activities related to corporate social responsibility (CSR) and business performance has been a major focus of research in this field. Although previous research Margolis et al. (2009); Orlitzky et al. (2003); Singhal et al. (2024), produced inconsistent findings, more recent studies (Naseem et al., 2020; Wang et al., 2016; Xie et al., 2019) demonstrate that corporate social responsibility (CSR) and business performance are correlated, particularly in developed economies.

However, despite this progress, inconsistencies persist, leading scholars to shift their focus from broad firm performance metrics to specific components that may not be equally affected by CSR. One such aspect is a firm's dividend policy, where dividend represents the portion of profits distributed among shareholders (Sheikh et al., 2022). Since Miller and Modigliani's dividend irrelevance theory (1961), extensive theoretical and empirical work has been undertaken to decipher the "dividend puzzle," with inconclusive results even in the context of the United States (Benlemlih, 2019; Shao et al., 2010). The FCF hypothesis, as proposed by Jensen in 1986, is a theory that addresses the agency problems the outcome of conflicting interests between managers and shareholders. It asserts that managers who have ample FCF tend to overspend in excess of what is ideal. In some cases, managers might divert resources to CSR initiatives for personal gains related to social responsibility (Choi et al., 2019). Dividend payments restrict the resources under managerial control and curb overinvestment tendencies. According to the dividend policy's disciplinary mechanism, anticipate a positive association between CSR and dividend pay-outs, as it discourages excessive social expenditure (Benlemlih, 2019). Moreover, the signalling theory of dividends, as articulated by Bhattacharya in 1979, suggests that a company's declaration of increased dividends signals its prosperous future. When combined with CSR through the stakeholder theory perspective, this anticipate a positive correlation between corporate social responsibility activities and dividend, companies seek to satisfy their implicit and explicit commitments to stakeholders (Benlemlih, 2019). Notably, recent studies in developed countries suggest that high CSR firms tend to yield greater pay-outs than the correspond (Benlemlih, 2019; Buerter et al., 2024; Cheung et al., 2018; Dahiya et al., 2023; Farooq et al., 2024).

The research findings unravel a complex relationship between dividend pay-out, corporate social responsibility (CSR), and the moderating influence of Shariah compliance. Studies elaborate the positive association between CSR and dividend policy, as suggested by Benlemlih and Bitar (2018); Cheung et al. (2018); Dewasiri and Abeysekera (2020); Kim and Jeon (2015); Rakotomavo (2012); Samet and Jarbou (2017), contends that CSR does not compromise shareholder cash flow. On the contrary, Lin et al. (2019); Ni and Zhang. (2019) introduce a negative link, proposing that CSR may reduce cash flow for shareholders. In addition, the introduction of Shariah compliance as a moderating factor, explored in studies by (Anwer et al., 2021; Imamah et al., 2019; Nor et al., 2020), adds nuance to the discourse. The novel integration of dimensions, Azam, Akhtar, et al.

(2019) examining the moderating role of Shariah compliance in relation to firm profitability and CSR activities, reveals that firm profitability significantly influences dividends for both Shariah and non-Shariah-compliant firms. Interestingly, the amplified connection between firm profitability and CSR in non-Shariah-compliant firms challenges the presumed role of Shariah status in ensuring ethical managerial behaviour. In essence, our study provides a distinctive perspective on the interplay between CSR, dividend pay-out, and the moderating influence of Shariah compliance.

For this purpose, the study addressed three main questions: Does CSR performance impact the firm dividend pay-outs? Do dividend payments depend on adherence to shariah? Moreover, how does interaction of Shariah compliance relate to CSR performance and dividend distributions? Therefore, in Pakistan's unique economic context, legislators, investors, financial specialists, and asset managers may find the findings valuable in striking a balance between shareholder profits and socially aware company activities. However, two significant gaps in the body of current research are investigation. Its first goal is to find out the vague connection between dividend policy and corporate social responsibility. Its second goal is to look into how the link between CSR and dividend policy is moderated by Shariah compliance, which is a big part of business in Islamic nations. By concentrating on non-financial companies listed on Pakistan's stock market, this study will provide significant knowledge to the body of literature. This paper's following sections are arranged as follows: In Section 2, hypothesis is developed, current literature is reviewed, and the theoretical underpinnings are outlined. The data, methods, and model definition utilized in this study are all described in Section 3. The empirical results are presented in Section 4, and policy recommendations and conclusions are provided in Section 5.

2. Literature Review

2.1 CSR and Dividend Policy

Existing literature on CSR and dividend policies yields several significant insights. Notably, lower CSR scores are linked to increased dividend payments, shedding light on a trade-off between CSR commitments and shareholder wealth, with lower CSR firms making swift adjustments (Glegg et al., 2018). Implementing CSR standards may not significantly impact dividend policy, but the cost of CSR plays a pivotal role in shaping dividend decisions, with higher dividends positively influencing share and firm value (Asmaranti & India, 2018). Furthermore, higher socially responsible firms make higher dividends, while lower sustainable firms exhibit quicker dividend adjustments (Benlemlih, 2019). Mandatory CSR disclosure reduces dividend pay-outs, with this relationship being more prominent in firms with weaker corporate governance (Ni & Zhang, 2019). Notably, Firms in their maturity stage allocate more resources to CSR expenses, asserts positive association between CSR expenses and dividend (Trihermanto & Nainggolan, 2020).

In emerging markets, CSR have a negative impact on dividend pay-out, especially in firms with higher institutional ownership (Saeed & Zamir, 2021). In Jordan, greater CSR involvement is

associated with reduced dividend pay-outs, and firm size moderates the CSR-dividend relationship (Siam et al., 2021). In Indonesia, CSR, profitability, dividends, and investment opportunity costs significantly impact the value of manufacturing firms (Suwasono, 2021). Taken as a whole, our findings provide valuable insight into the complex interplay between dividend policy and corporate social responsibility (CSR), highlighting the variety of contextual factors that influence the connection and its complexity.

From a signalling stance and a dividend view, companies use dividends to communicate details concerning their future and the level of their profits, as demonstrated by business (Bhattacharya., 1979; Cheung et al., 2018; Dasilas & Leventis., 2011; Miller & Rock., 1985). Additionally, from a corporate social responsibility (CSR) view, enterprises use CSR to communicate with shareholders and investors, limiting information asymmetry by exposing their ethical and ecological activities, as demonstrated by (Harjoto et al., 2019; Su et al., 2016). Thus, companies should act morally, generate long-term prosperity, and balance the interests of stakeholders and shareholders, according to (Hou et al., 2016). Consequently, both CSR initiatives and dividend pay-outs serve as signals regarding the reputation of the firm (Benlemlih, 2019). On the other side, as dividend view of agency theory defined that dividend payment is a process that used to reduce the cost related with type 1 and type 2 problem (La Porta et al., 2000). Firm pay-out restricts the manager against the inefficient use of resources and discourage them to make an overinvestment in CSR. CSR may become a moral hazard to a firm if manager of firm utilized the CSR to gain private benefits for their own (Bénabou & Tirole, 2010). Brown et al., (2006) explain that, the reason behind the overinvestment is manager gain private benefits being a part of socially responsible firm. And these types of personal gain motivate managers to make an overinvestment in corporate responsibility (environmental and social affairs). In light of these two perspectives, we establish our initial set of hypothesis in the following manners.

H1: *CSR policy significantly affect dividend pay-out of firms.*

H1a: *Individual characteristics of CSR (environmental CSR, community CSR, customer CSR, employees CSR) significantly affect dividend policy of firms.*

2.2 Shariah Compliance

Many research efforts examined various facets of Shariah adherence and their consequences. While Darus et al.'s (2018) investigation of CSR disclosure procedures in Islamic banks in Malaysia emphasizes the ethical and transparent features of these institutions. on the other side, Guizani's (2017) study on dividend policies in Shariah enterprises stresses the financial methods that assist reduce agency difficulties. Andreas and Wohon (2019) by examining Indonesian Shariah banks' CSR policies highlighting how vital it is for businesses to communicate CSR-related information. This position is supported by research by Imamah et al. (2019) which shows how Islamic laws benefit dividend distribution in a similar circumstance. With the help of dividend policies, Rahayati et al. (2020) state that how financial incentives enhance corporate social responsibility (CSR) in corporations that adhere to Shariah legislation in a country. Arsad et al. (2020) found that

government ownership of Malaysian Islamic CSR had a positive effect on transparency of firm dividend policy. Banerjee et al. (2022) emphasize Shariah compliance's positive impact on corporate disclosure in Russia, aiding domestic firms.

Modern stakeholder theory explain that firm used CSR to pay compensation to all stakeholders either directly or indirectly include the investment in employees housing scheme, help in employee's family education and also help in volunteer programs (Rakotomavo, 2012). Freeman (1984) provides the concept of morality and ethic in business. He elaborates the idea that "doing good" in society. As per Al-Malkawi and Javaid (2018), define that about 1400 year ago Islamic shariah discussed the concept of charity and social welfare. Some of the Islamic institution are engage in community welfare, charitable donation and provide training for uneducated employees. Hence, as per Abubakar (2016) non shariah compliance firm are less beneficial for society the shariah compliance. Shariah compliance firm are more engage in dividend distribution to shareholders than others (Farooq & Tbeur, 2013). Islam force that wealth are redistributed among people at equal proportion that are generated in the economy (Usmani, 2010). As a result, outcomes of stakeholder theory are related with shariah principal.

Subsequently, in the intellectual landscape of Islamic scholarship, luminaries such as Al-Ghazali and Ibn Qayyim al-Jawziyyah have articulated the profound objectives of Shariah, emphasizing its role in safeguarding human well-being. Al-Ghazali (1356/1937), notably, contends that the essence of Shariah lies in nurturing the welfare of individuals by protecting their faith, life, intellect, posterity, and wealth. This sentiment is echoed by scholars like (Dusuki, 2009; Mohamed & Dzuljastri, 2008), who highlight the multifaceted goals of Shariah, encompassing justice, the elimination of unfairness, and the promotion of benefits to humanity. Together, their discourse weaves a narrative that transcends doctrinal boundaries a story of justice, fairness, and compassion, creating a blueprint for a world where the principles of Shariah contribute to the enduring well-being of humanity. So, in view of this gap, this study hypothesized the following hypothesis;

H2: *Shariah compliance significantly affect dividend pay-out of firms.*

H3: *Shariah compliance significantly interact with CSR policy and pay-outs of firms.*

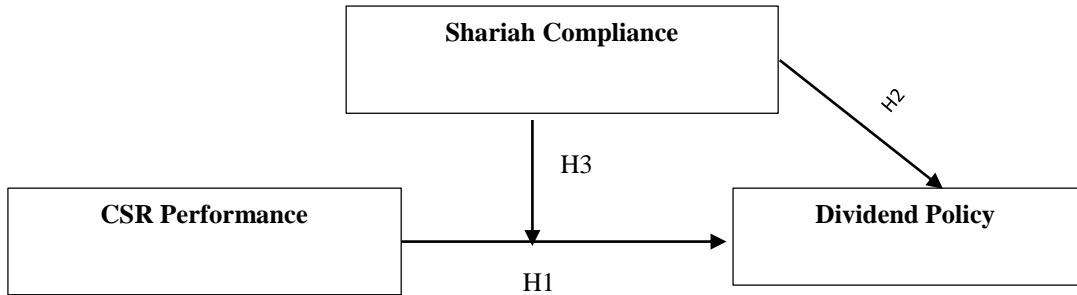


Figure 2.1. Research Model

3. Methodology

3.1 Population and Sampling

To test our hypothesis, we focused on non-financial firms that were listed on the PSX. Data were gathered from companies' annual reports, which were accessed from various sources, including Open Door, company-specific websites, and other web sources. The population of concern for the study all the firms listed on the PSX. After specific criteria were applied, including the requirement that companies had continuous operations throughout the entire study period, remained enrolled on the stock exchange, avoided mergers and acquisitions, disclosed their CSR measures in annual reports, and maintained consistent dividend payments over the eleven-year period (2011–2021), we selected a sample of 116 companies, resulting in a dataset of 1,276 observations.

3.2 Variables Measures

3.2.1 CSR performance. Study gauge the CSRPI with the help of content analysis (Abbott & Mosen, 1979; Said et al., 2009; Sheikh et al., 2022). The creation of a CSRPI involves a set of items that reflect different aspects of CSR within an organization. In this case, the CSRPI is based on 30 items from four main themes: environmental CSR, community CSR, customer and product CSR and employees CSR. The formula for the CSRPI Index is given as:

$$CSRPI\ Index = \frac{\sum di}{nj}$$

i. Identification of Themes and Items

The first step involves identifying the key themes that encompass the various aspects of CSR. The themes are environmental CSR, community CSR, customer and product CSR and

employees CSR. Within each theme, specific items (d_i) are identified. For example, within the "employees CSR" theme, specific items could include initiatives related to employee health and wellness programs.

ii. Assigning Binary Values

Each item (d_i) is assigned a binary value: 1 if the information about the item is disclosed, and 0 if the data is not available. This binary approach simplifies the measurement, illustrating whether each item has disclosure or not.

iii. Calculating the Sum of Binary Values

The numerator of the CSRPI formula involves summing up all the binary values ($\sum d_i$) for a particular firm. This sum represents the total number of disclosed items across all themes.

iv. Calculating the Index

The numerator is divided by the total number of items (n_j) 30 to calculate the CSR performance index for a particular firm. This normalizes the disclosure by accounting for the total number of items considered in the index.

v. Repeat for Each Firm:

Each firm in the study receives a CSRPI based on disclosed information related to 30 specified items. Additionally, four individual indices are formed: environmental CSR (14 items), community CSR (4 items), customer/product CSR (5 items), and employees CSR (7 items). These indices gauge CSR disclosure levels. Current study developed the themes and sub- themes as per the guidance of SECP in 2009 and 2013 and as per the view of Pakistan corporates environments.

3.2.2 Dividend pay-out policy: scale with the ratio of cash dividend on common stock to net sale (Benlemlih, 2019; Chay & Such, 2009; La Porta et al., 2000). To measure DPR study, use net sale rather than market capitalization and earning method for multiple reasons. First, Earnings manipulation through accounting techniques and resources might be diverted before earning are detailed, in this situation dividend to earnings ratio overstate the portion of true earning that is distributed among shareholders (La Porta et al., 2000). Thirdly, negative earnings render ratios insignificant. Eliminating firms with negative earnings decreases the size of the sample by 11% to 12%. Fourthly, negative earnings can skew pay-out ratio outcomes. Lastly, low share prices may inflate the cash dividend to market capitalization ratio. Thus, the study employs net sales instead of earnings and market capitalization for pay-out ratio calculations. After under considering these

problem study uses the pay-out ratio as net sale rather than earning and market capitalization methods.

3.2.3 Shariah Compliance: Play a moderating role between the firm CSR and dividend pay-out. Shariah compliance conformity criteria are developed in Pakistan under the direction of Mufti M. Taqi Usmani (Usmani, 2002). Shariah compliance index are govern under the shariah advisory board of Meezan bank in Pakistan. Siddiqi (2006), Shariah compliance test consist of two criteria one is financial screening test and other is business screening test (Raza et al., 2022). Also, list of firms that hold shariah status available on PSX website.

3.2.3.1 Financial Screening Criteria

- i. Debt as compare to conventional banks should not be exceed 37 percent of firm total assets.
- ii. Illiquid asset ($IA/TA \geq 25\%$) illiquid assets to total assets ratio should be 25 percent or greater than the firm total assets.
- iii. Non shariah compliance investment ($NCInv/ TA < 33\%$) should be less than 33 percent of firm total assets.
- iv. Noncompliance income to total assets ratio is less than 5 percent of firm total assets.
- v. Net liquid ratio is less than price

3.2.3.2 Business Screening Criteria

- i. As per shariah principle, the major business line must be Halal. Meanwhile, others activities like alcoholic things, traditional banking and insurance, pork, cigarettes and pornography are restricted.

After that study use dummy variable, when firm meet above mention screening criteria then consider “1” otherwise “0” (Azam, Khalid, et al., 2019)

3.2.4 Control variables. following the existing literature (Abor & Fiador, 2013; Ben Salah & Jarboui, 2022; Benlemlih, 2019; Ramzan et Al, 2021; Saeed & Zamir, 2021; Ullah et al, 2021; Widiatmoko et al, 2021) the model incorporates standard control variables. Leverage is firm total debt divided firm total assets, cash holding is the cash and cash equilent scaled by total assets, Profitability is EBIT divided by total assets, CFO is cash flows from operation/total assets, risk of firms is price of share divided by earning per shares, tangibility is noncurrent assets divided firm total assets, firm life-cycle proxy is the ratio of retained earnings to book value of total equity.

4. Findings and Discussion

4.1 Summary Statistics

Table 1, display the summary of all underpinning variables including the individual components of CSRI for the period of 2011 to 2021. So, the mean value of DPR is 0.04 with the SD on 0.069.

The average value of CSR index is 13.788 with standard deviation on 6.834. So, corresponding to smaller standard deviation than the mean signifies that there are smaller chances that an entity doesn't take part in CSR initiatives (Sheikh et al., 2022). Hence, individual components of CSR Index including ECSR (mean value is 4.807, SD is 3.509), CCSR (mean value 2.072, SD is 0.944). Also, CCSR includes (mean value is 1.561, SD is 1.295). ECSR includes (mean value is 3.85, SD is 1.377) respectively. So, SC has the mean value is 0.371 with SD on 0.483 respectively. Leverage (mean value is 0.49 with SD 0.195. Profitability is average at 0.106 with SD of 0.114 respectively. While average CFO is about 0.083 with the SD of 0.135. Risk stands at 0.06 with the standard deviation of 0.069, while cash holding is average at 0.012 with SD at 0.15 respectively. LCP and tangibility include the average values of 0.631, 0.465 with the SD of 1.19 and 0.21 respectively.

Table 1:

Variable	Obs	Mean	Std. Dev.	Min	Max
DP	1276	.04	.069	0	.849
CSRP	1276	13.788	6.834	1	30.033
ECSR	1276	4.807	3.509	0	13.071
CCSR	1276	2.072	.944	0	3.25
CCSR	1276	1.561	1.295	0	4.2
ECSR	1276	3.85	1.377	0	6.143
SC	1276	.371	.483	0	1
Prof	1276	.106	.114	-.278	.78
LCP	1276	.631	1.193	-1.471	30.026
Lev	1276	.49	.195	.033	.995
CFO	1276	.083	.135	-.718	.698
Risk	1276	0.06	0.069	-19.941	20
CH	1276	.012	.15	-.628	.717
Tang	1276	.465	.21	0	3.407

4.2 Correlation Analysis

Table 2 indicate that CSR and dividend payments are positively associated because correlation of both is 0.212, implying that higher the CSRP linked to higher pay-outs of dividend. However, SC firms have 0.006 correlation with dividend policy. While the leverage has negative correlation with dividend policy is -3.6%. The correlation matrix indicates that there are no correlation coefficients exceeding 0.05 among the all variables. Thus, there is no issue of collinearity in the estimated model. In the next phase of study data analysis, the applicable diagnostic test is used to validate regression assumptions i-e variance inflation factor (VIF) for multicollinearity and wald test for groupwise Heteroskedasticity.

Table 2 correlation matrix

Variables	CSR per	SC	Div	Prof	LCP	Lev	CFO	Risk	CH	Tang
CSR per	1.000									
SC	0.068*	1.000								
DP	0.212*	0.006	1.000							
Prof	0.128*	-0.097*	0.432*	1.000						
LC	0.100*	0.076*	0.105*	0.250*	1.000					
Lev	-0.036	0.124*	-0.226*	-0.287*	0.075*	1.000				
CFO	0.091*	-0.057*	0.247*	0.517*	0.127*	-0.141*	1.000			
Risk	0.090*	-0.060*	0.151*	0.275*	0.093*	-0.141*	0.131*	1.000		
CH	0.017	-0.053	0.141*	0.315*	0.063*	-0.235*	0.298*	0.094*	1.000	
Tang	-0.023	0.065*	0.023	-0.227*	-0.066*	-0.081*	0.012	-0.112*	-0.108*	1.000

4.3 Post Estimation test

4.3.1 Unit Root Analysis

Test is used for the stationary and non-stationary of variables. The results of URT represent prob-value of all the variables is less than 5% concludes that series is stationary.

Table 3:

Variables	Unadjusted t	Adjusted t	p-value
Div	-34.4625	23.3203	0.0000
CSR per	-24.3004	-14.0516	0.0000
Leverage	-37.5694	-28.7145	0.0000
Profitability	-28.9739	-17.9260	0.0000
CFO	-43.4629	-30.7347	0.0000
Risk	-31.0978	-20.0540	0.0000
Cash holding	-36.3023	-25.8548	0.0000
Firm life cycle proxy	-28.4166	-20.4250	0.0000
Tangibility	-27.4880	-16.9202	0.0000

Note * shows significance at $p < 0.05$

4.3.2 Wald Test

Table 4, suggested the outcomes of group wise heteroscedasticity of model 1 and 3. Results explain that the $p < 0.05$ conclude that the residual is heteroscedasticity.

Table 4:

	Model 1 Coef.	Model 3 Coef.
Chi-square test value	2.505	5.147
P-value	.000	.000

Note * shows significance at $p < 0.05$

4.3.3 Hausman (1978) Specification Test

Hausman (1978) test is conducted to select the appropriate regression model for explaining the relationship between key variables. Table 5 indicates that the p-value is below 5%, leading to the rejection of the H_0 for the cross-section random effect model. Consequently, for our Models 1 and 3, the fixed effect model is judged to be more appropriate than the random effect model.

Table 5:

	Model 1 Coef.	Model 3 Coef.
Chi-square test value	24.36	26.415
P-value	.002	.002

Note * shows significance at $p < 0.05$

4.3.4 Fixed Effect Redundant test

This test is used in our models 1 and 3 to evaluate the necessity of fixed effects. In order to compare separately pooled panel and fixed effects mode, the likelihood ratio test is used (Nguyen et al., 2015). Table 6 shows the outcomes of test for both of models. As the prob-values of the cross-section chi-square tests are less than 0.05 in both of models, in models 1 and 3, the fixed effects model is favoured over the independently pooled panel, indicating the rejection of the null hypothesis that independently pooled panels are more efficient.

Table 6 Fixed Effect Redundant test

Redundant Effects Tests	Fixed	Model 1			Model 3		
		Statistic	d.f.	Prob.	Statistic	d.f.	Prob.
Cross-section F		15.198621	(115,1142)	0.000	14.720751	(115,1151)	0.000
Cross-section square	Chi-	1184.6645	115	0.000	1157.1936	115	0.000

Note * shows significance at $p < 0.05$

4.4 Hypotheses Testing

Table 7, summarized the estimated results in relation to the impact of CSR performance on firm's dividend pay-out level. In Model 1 of our study, we conducted post-estimation tests starting with the Wald test, which indicated that the p-value was less than 5%, suggesting heteroskedasticity in residuals and thus a violation of OLS assumptions. Consequently, we turned to the random effect model. Subsequently, the Hausman test revealed a p-value below 5%, leading us to favour the fixed effect model. Following this, we performed a fixed effect redundancy test, which also showed a p-value below 5%, verifying that the fixed effect model is the best fit for Model 1 in our investigation.

Table 7 Model 1 Estimation

	(OLS)	(Random Effect)	(Fixed Effect)
	DR	DR	DR
CSRP	.002*** (0)	.001*** (0)	.001** (0)
Lev	-.033*** (.011)	-.016 (.01)	-.011 (.013)
Prof	.24*** (.021)	.145*** (.027)	.126*** (.026)
CFO	.004 (.013)	-.013 (.01)	-.015 (.01)
Risk	0 (0)	0* (0)	0 (0)
CH	-.001 (.013)	.027* (.015)	.033** (.016)
LCP	0 (.001)	0 (0)	.11 (.04)
Tang	.037*** (.009)	.012 (.007)	.007 (.006)
Cons	-.01 (.007)	.014 (.008)	.019 (.009)
Obs	1276	1276	1276
Within R ²	.235	.070	.072

Robust standard errors are in parentheses

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

In model 1 coefficient is 0.001 and p- value is 0.01 that shows coefficient is positive and significant because probability value is less than 0.05($\alpha= 0.001$, $p< 5$ percent) demonstrate that a greater CSRP results in a greater number of dividends being paid to shareholders by the company. The argument presented revolves around the association between CSR and a firm's dividend pay-

outs. According to the FCF hypothesis, managers with significant cash flows may engage in excessive investment, including CSR, to serve personal interests. However, high pay-outs can restrict such overinvestment, leading to a positive link between CSR and firm pay-out levels (Brown et al., 2006; Choi et al., 2019; Sheikh et al., 2022). Signalling theory suggests that both CSR and dividend policy indicate a company's potential future prospects and ethical behaviour (Bhattacharya, 1979; Harjoto et al., 2019; Su et al., 2016). Stakeholder theory further emphasizes the positive correlation between CSR and dividends, as firms must fulfil obligations to various stakeholders (Benlemlih, 2019). Control variables in the study include negative correlations between leverage and dividend policy (Trihermanto & Nainggolan, 2020), as well as negative correlations between cash flow from operations (CFO) with dividend policy. Cash holding are positively related to dividend policy (Sheikh et al., 2022). Additionally, profitability positively influences dividend pay-outs, although dividend payment rates are positively impacted by the firm's life cycle stage, as mature firms often have more cash for higher pay-outs.

Table. 8 Model 1a Estimation

	Dividend pay-out	Dividend pay-out	Dividend pay-out	Dividend pay-out
Environmental CSR	.003*** (0)			
SC	-.008** (.004)	-.007* (.004)	-.007** (.004)	-.007* (.004)
Leverage	-.034*** (.011)	-.039*** (.011)	-.034*** (.011)	-.036*** (.011)
Profitability	.246*** (.02)	.245*** (.02)	.249*** (.02)	.246*** (.02)
CFO	.006 (.014)	.007 (.013)	.008 (.014)	.01 (.014)
Risk	0** (0)	0* (0)	0*** (0)	0* (0)
Cash holding	-.002 (.013)	-.007 (.013)	-.004 (.014)	-.005 (.013)
Lifecycle proxy	.005 (.004)	.005 (.004)	.01** (.005)	.004 (.004)
Tangibility	.036*** (.01)	.034*** (.01)	.039*** (.01)	.037*** (.01)
Community CSR		.01*** (.002)		

Customer CSR			.003**	
			(.001)	
Employees CSR				.007***
				(.001)
Cons	0	-.001	.007	-.01
	(.008)	(.008)	(.008)	(.008)
Observations	1276	1276	1276	1276
R-squared	.24	.233	.218	.233

Robust standard errors are in parentheses

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

Separately, model 1a present the impact of individual components of CSR performance on dividend policy. So, environmental CSR profoundly and favourably affects dividend pay-outs because it has a coefficient of 0.003 and p-value is 0.000 that is less than 5 percent ($\alpha=0.003$, p-value<0.05) table 8. Also, community CSR has coefficient of 0.01 and p-value is 0 that shows community CSR also significantly positive impact on firm pay-out ($\alpha=0.01$, p-value<0.01). This may due to control manager donation tactics because high dividend pay-out associate with high charity giving behaviour (Benlemlih, 2019). Customer CSR has a coefficient of 0.003 and prob-value is 0.011 which shows significant positive association of both ($\alpha=0.003$, p-value<5). Finally, employees CSR has coefficient value of 0.007 and prob-value is 0 that shows significant positive impact on dividend policy ($\alpha=0.007$, p-value<0.01). Hence, these findings tend to indicate that investing in CSR dimensions can enhance the companies' ability to pay more dividend to its shareholders. Also, these finding implies that all of CSR individual components affect dividend policy and help in rising pay-outs.

Table. 9 Model 2 Estimation

	(OLS) DR
CSR index	.002*** (0)
SC	.009** (.004)
Lev	-.035*** (.009)
Prof	.245*** (.02)
CFO	.005 (.015)
Risk	0

	(0)
CH	-.001 (.012)
LCP	.01 (.001)
Tang	.035*** (.009)
Cons	-.013 (.008)
Obs	1276
Within R ²	0.239

Robust standard errors are in parentheses

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

Subsequently, model 2 presents the results of direct impact of firm shariah compliance status on dividend policy (table 9). Model 2, we are only presenting the results of OLS because when we run tests for random effects or fixed effects, the software omits the main variable, which is Shariah compliance in this case. Firm SC status has positive and significant impact on pay-out in Pakistan. Because as we can see coefficient value of shariah compliance is 0.009 and probability value is 0.011 ($\alpha=0.009$, $p<0.05$) table 9. SC significantly influences the dividend policies of Pakistani firms, attributed to financial characteristics such as firm size, higher profitability, lower debt ratio, reduced leverage, low cash holdings, and higher retained earnings to total equity (Omran & Pointon, 2004; Skinner & Soltis, 2011). The investment hypothesis argues that SC firms, constrained by Islamic laws that limit investment options, often give shareholders higher dividends, particularly when they cannot find suitable investment opportunities due to higher retained earnings (Ben-Nasr & Ghouma, 2022). The control variables reveal a positive association between profitability and dividend, supported by (Imamah et al., 2019). Conversely, leverage exhibits a significantly negative coefficient, aligning with the views of Jensen (1986); Vo and Nguyen (2014), suggesting that debt can be used as a replacement for agency issues.

Table. 10 Model 3 Estimation

	(OLS)	(Random Effect)	(Fixed Effect)
	DR	DR	DR
CSRP	.001*** (0)	.001*** (0)	.001** * (0)
CSR*SC	-.001** (.001)	0 (.001)	.001** (0)
Lev	-.011*** (.013)	-.016 (.01)	-.034*** (.011)
Prof	.126***	.146***	.244***

	(.026)	(.027)	(.021)
CFO	-.015	-.012	.006
	(.01)	(.01)	(.013)
Risk	0	0*	0
	(0)	(0)	(0)
CH	-.033	.027*	-.002
	(.016)	(.015)	(.013)
LCP	0	0	-.001
	(0)	(0)	(.001)
Tang	.007***	.012	.037***
	(.006)	(.008)	(.009)
Cons	.019**	-.013	-.01
	(.009)	(.008)	(.007)
Obs	1276	1276	1276
Within R ²	0.210	0.228	0.241

Robust standard errors are in parentheses

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

In addition, model 3 reflect the moderating role of firm shariah compliance status on CSR and dividend payment (table 10). Suggested that firm shariah compliance status positively and significantly moderate the association of dividend payments and CSR performance because the coefficient value of moderator (CSR*SC) is 0.001 and probability value is 0.01 ($\beta=0.001$, $P<0.05$) table 10. Enterprises that perform better in CSR typically give their shareholders larger dividends. This connection is reinforced in firms with higher shariah compliance status, as per modern stakeholder theory (Freeman, 1984; Rakotomavo, 2012). Islamic principles promote charity and social welfare, with shariah-compliant firms actively engaged in both community welfare and dividend distribution (Al-Malkawi & Javaid, 2018; Farooq & Tbeur, 2013). Islamic principles emphasize wealth redistribution, aligning with stakeholder theory and highlighting the link between firm CSR, shariah compliance indices, and dividend policy (Abubakar, 2016; Usmani, 2010).

5. Conclusion

Dividend policy is a debatable issue in corporate finance because it impacts on firm's financial and investment decisions. The primary goal of a firm is to maximize the wealth of shareholders. For several years the relationship between finance and CSR has received much of recognition from business professionals, communities, media, and academics. For this, reason study intends to examine the impact of CSR performance on firm payouts, shariah compliance effect dividend payouts and CSR performance influenced the dividend payouts with the interesting role of shariah compliance in non- financial listed firms in Pakistan. For this purpose, study utilized a dataset spanning from 2011 to 2021, comprising 116 non-financial listed firms on the PSX and employed various statistical techniques to examine the facts. The study's outcomes are as follows; the study found a significant positive impact of CSR performance on firm dividend policy. This implies that

Firms that participate in CSR initiatives typically have more advantageous dividend policies. This finding aligns with previous research, suggesting that firms use CSR to demonstrate ethical wealth creation and dividend policy to signal their future prospects. SC and Dividend Policy: The investigation identified positive link among SC and pay-out of dividends. Shariah-compliant firms were found to have lower leverage, larger firm size, higher profitability, lower debt ratios, and higher retained earnings to total equity. This can be attributed to Islamic principles limiting investment opportunities and encouraging more generous dividend payments due to higher retained earnings. Moderating Effect of (CSR*SC): The study introduced the moderating term (CSR*SC) and found a significantly positive association with dividend pay-outs. This outcome aligns with the stakeholder theory explain that both CSR and Shariah compliance contribute positively to dividend policy, promoting wealth distribution in the economy. The study offers several policy recommendations: The government of Pakistan should increase its investment in corporate social responsibility activities to address social and environmental challenges effectively. Expanding and implementing CSR programs at all levels of the economy can help promote wealth distribution and address societal challenges. It's advisable for companies to consider increasing their spending on CSR activities while avoiding dividend cuts to maintain a positive reputation in the long run.

5.1 Implications of the Study

Beyond academic inquiry, the study's implications extend to various stakeholders. The study's findings not only serve as a valuable guide for finance experts and policymakers, providing insights into the complexities of dividend policies but also enable them to make decisions that align with both the immediate financial interests of shareholders and the overarching goal of maximizing long-term shareholder wealth. Moreover, in addressing agency-related conflicts, this study responds to shareholders' concerns regarding the potential negative impact of Corporate Social Responsibility (CSR) investments on returns. While there is a perceived conflict between shareholders and management, the study indicates a positive relationship between CSR and dividend pay-out. This suggests that engaging in CSR activities does not detrimentally affect shareholder returns, allowing firms to pursue socially responsible initiatives without compromising shareholder interests.

Furthermore, the study contributes not only empower managers to make informed and transparent dividend decisions but also lead to direct cost savings for investors. Reduced information acquisition costs contribute to creating a more efficient and accessible investment environment for shareholders, enhancing overall investor experience. Additionally, the study plays a significant role in assisting investors considering Islamic firms for investment. Addressing common concerns about interest prohibition and uncertainty about dividend distribution, the study instils confidence by highlighting the effective distribution of dividends in Islamic firms. It underscores a positive relationship between Islamic principles and dividend distribution, assuring investors that these firms can satisfy shareholder expectations with favourable dividend policies while adhering to Islamic values.

5.2 Limitations and Recommendations

Our findings could provide valuable recommendations regarding dividend distributions and CSR endeavour's for managers of firms. Gradually increasing the distribution of earnings as dividends and making investments in CSR activities can be costly. Moreover, CSR disclosures reveal the way companies balance their economic, social, and environmental objectives while addressing stakeholder expectations. Thus, an understanding that signalling via CSR disclosures and dividends are complementary may help relieve the financial pressure on smaller Pakistan growth firms trying to satisfy the broader mission of stakeholder relationships. Our study argues that not only does dividend distribution help resolve the principal-principal agency conflict but CSR activities and their disclosure of doing good also signal to stakeholders that help solve the information asymmetry between insiders and outside stakeholders and aid in building the firm's reputation. In addition, the study suggests that the Security and Exchange Commission of Pakistan should give more emphasis to Shariah compliance when formulating Corporate Social Responsibility (CSR) policies and dividend pay-out. This implies that integrating Islamic principles into CSR strategies can contribute to improved social development, human well-being and equal wealth distribution. This aligns with the idea that businesses adhering to Shariah principles may have a positive impact on the broader society and their wealth.

The findings are deemed to be applicable to Islamic countries, regardless of their developmental status (developed or developing). This implies that the recommendations are not limited to a specific economic or social context and can be considered as a broader guideline for countries with Islamic principles in shaping their CSR strategies and dividend policy. The study acknowledges several limitations, including the time required for data collection and measurement, sample size reduction due to missing data and companies that don't pay dividends and the financial industry excluded, small sample size, and the exclusion of more recent data due to non-availability of annual reports. To sum up, this investigation contributes valuable understanding regarding connections of firms' CSR performance, their dividend payments and Shariah compliance within the framework of the emerging Pakistan's market.

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