Export Supply and Import Demand Models: An Investigation from Pakistan

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Abstract
It was determined from the economic progress of the developed nations that the major reason of their underdevelopment was due to the absence of trade and their dependency on imports rather than exports because they were having a sub-standard level of mechanization. This study is an attempt to examine the relationship between exports and imports in Pakistan. Monthly data from 2003 -2011 has been considered. Economic growth and Balance of Trade in Pakistan have previously been researched and keeping that researcher’s work in mind this research proves that imports of Pakistan shows exceeding trend as compared to her exports. Unit Root Test demonstrates that imports appear to have a stronger impact on exports. The effect of export supply meeting the import demand is not modest. This paper finds no support for export supply meeting import demand hypothesis in Pakistan.

Keywords: Balance of Trade, Export Supply, Import Demand

1. Introduction
The necessity and importance of exports for economic progress has been well documented in literature. Import Substitution (IS) and Export Promotion (EP) approaches have been scrutinized extensively in development works. Majority of the third world countries that got freedom from the foreign supremacies (Commonwealth countries) were underprivileged and recessive. It was determined from the economic progress of the developed nations that the major reason of their underdevelopment was the absence of trade and their dependency on imports rather than exports because of the fact that they had a sub-standard level of mechanization. The magic of western mechanization conceived a solution that meant for fundamental conversion from a major agricultural structure to a fast growing industrial growth. These countries adopted IS mechanism strategy with the expectation that such a plan would boost employment, permit Foreign Exchange (FE) earnings through export’s steadiness and lesser complications in Balance of Payments (BoPs). IS was used as a measured dogma for encouraging setting up of new industries and intensifying recognized domestic commerce. IS was carried out behind the barriers of tariff safety and concessionary monetary and fiscal policies.

During the past three decades a number of emerging countries, including Pakistan, have pursued EP policies. Export promotion policies will lead to better dimensions utilization, spill-over effects of labor output, and useful effects on Bops by following a healthier Balance of Trade.

International trade plays a dynamic role by widening the market and would result in resource Allocation according to comparative advantage, and generate technological improvements.

Export promotion strategy was emphatically adopted in early 1990s, while in the early decades Pakistan had followed a vigorous IS strategy. Exports had not been figured-out prominently in the economic growth and development of Pakistan’s economy during last many decades.

1.1 Purpose of the Study
The purpose of this paper is to re-investigate the relationship between Exports and Imports in Pakistan. The contribution of the paper to the literature is that the studies on Pakistan’s exports-based economic growth were not been examined as the export-led growth hypothesis, exclusively for the post- liberalization period.

1.2 Scope of the Study
This paper uses monthly data (2003: 2011) on, Balance of Trade for a period of more than 9 years and is expected to provide a better view of the achievements of the post-liberalization period regarding exports, imports and Pakistan’s Trade Balance. Unit root test utilizing the augmented dickey fuller equation has been applied in this research.
1.3 Problem Statement
“Determining whether export supply is meeting the import demand of the country or not?”

1.4 Hypothesis
“Export Supply is Meeting Import Demand”
The objective of this research is to prove whether the hypothesis is acceptable or not? Or has been rejected by the figures of balance of trade. Unit root test will be applied on these figures to reach a conclusion whether the above statement is liable to be proved or disapproved.

2. Literature review
During the past three decades a number of cross-sections and time series studies; using different samples, time period and methodologies, have been made in developed and underdeveloped countries, on export-economic growth link. Earlier studies concentrated on the investigation of statistical correlation between exports and FE earnings. (Yaghmaian, 1994). (Marin, 1992) has argued that it is export promotion that stimulates economic growth rather than vice versa. (Salvatore & Hatcher, 1991) Showed that except Pakistan, there seems a general positive correlation between exports and the GDP growth rates of the members of sterling area for the period 1963-61. (Kais, 1990) shared a “common fault” because exports are themselves part of the national product; a positive correlation of the two variables is almost inevitable. (Ram, 1987) in his study, which includes Pakistan, using time series data has concluded a positive role of exports in economic development. (Demetrius, 1989) by using two -sector models of growth has supported EP policies. (Oxley, 1993) using simultaneous equation model concludes that trade is neither actually harmful nor exceedingly beneficial but appears to serve more in the nature of handmaiden than an engine of growth. (Begum & Shamsuddin, 1998) applied the simultaneous equation model to study the trade-growth relationship and the liberalization experience of Bangladesh for 1977-1989 and has reported insignificant coefficient for exports. (Love & Chandra, 2005) have studied export-growth relationship in Pakistan for the period 1972–88 and 1960-2003 respectively. (Bhagwati & Srinivasan, 2006) reports insignificant coefficient for exports; (Oskooee & Alse, 2001) concluded strong relationship between exports and economic growth. Strategies applied have shown better performance as compared to those countries, which followed inward-oriented trade strategies.

3. Methodology
3.1 Unit Root Test
In time-series econometrics the starting point is to study the time series properties of the variables being considered to avoid any spurious relationship between them. If the time-series properties of the variables are satisfied, then a possible long-run relationship or co-integration is likely to exist. For the application of Unit root test it is necessary that the variables are integrated in the same order. They are stationary in both, their level trend and intercept stages. The theory of Unit Root Test attempts to study the long-run relationship between the non-stationary time series. When achieving non stationary difference status, it is initially proved that variables have a long-term relationship.

3.2 Data Sources
Monthly data on Balance of Trade (BOT) has been used from 2003 to 2011.Monthly data on imports and exports from 2003-2011 as well as the annual data on Balance of Trade from 2003-2011 were collected from State Bank of Pakistan’s (SBP’s) website.

3.3 Method
It is necessary that the data be examined in order to comprehend its Stationary or Non-Stationary nature, which is closely linked to the tests for unit roots. For this purpose Schwartz criterion unit root test has been used. Unit roots tests are routinely computed by econometrics software’s (E-views) and therefore, theory underlying the test is not explained.

4. Results & Discussion
4.1 Level and Intercept BOT
Data is stationary as probability is above 5% indicating that the data cannot be used for forecasting. Since the value is near 34.5%, therefore, R-square value is significant. Durbin Watson result is closest to 2 (around 1.99) showing
the level and intercept to be valid. Difference of R–square and adjusted R-square is less than 5%, showing no sample error. T-statistic is greater than 2 indicating significance.

Augmented Dickey Fuller Statistic is -2.012 showing fail to reject the hypothesis of presence of unit root i.e. BOT is non-stationary. In statistics and econometrics, an Augmented Dickey–Fuller test (ADF) is a test for a unit root that uses time series sample. It is an augmented version of the Dickey–Fuller test for a larger and more complicated set of time series models. The augmented Dickey–Fuller (ADF) statistic, used in the test, is a negative number. The more negative it is, the stronger is the rejection of the hypothesis that there is a unit root at some level of confidence.

4.2 Level and (Trend and Intercept)
Taking figures of Pakistan’s Balance of Trade (BOT) into consideration the data was re-analyzed on E-Views to implementing the unit root test. While taking Level with incorporating trend and intercept, from both the following was derived:

Data is still stationary as probability is above 5% (exactly 81%) indicating that the data cannot be used for forecasting. R-square is 34.5% and is significant as F-statistics is greater than 4. Durbin Watson is 1.986 showing the trend and intercept level to be valid. Difference of R–square and adjusted R-square is less than 5 % showing no Sample error. T-Statistic is greater than 2 indicating significance.

Augmented Dickey Fuller Statistic is -1.513 which is higher than the t-Statistic at 10% level (-3.1) showing fail to reject of hypothesis After this analysis we need to further conduct Unit root test on the balance of trade, while taking first difference and intercept in consideration till the data has attained non-stationary status.

4.3 1st Difference and Intercept
Taking Balance of Trade (BOT) figures into consideration the data was re-analyzed on E-Views implementing the unit root test. While taking difference and incorporating intercept both the following was derived. Data is still non-stationary as probability is less than 5% (exactly 0.1%) indicating that the data will or can be used for forecasting. R-square value is highly significant as the value is near 77.1%. Durbin Watson is the closest to 2 around 1.99 Showing the 1st difference & intercept to be valid. Difference of R–square and adjusted r-square is less than 5 % showing no Sample error. t-statistic is Greater than 2 Indicating significance. Augmented Dickey Fuller Statistic is -11.713, which is lower than the t-Statistic at 10% level (-2.5) showing rejection of hypothesis.

5. Conclusion
After applying the Unit root test on the BOT figures from 2003-2011, the test indicated that at level testing for both, trend and intercept, the data has remained stationary, resulting in a fail to rejection of the hypothesis. Further carrying out the test, while taking the first difference and intercept, it is revealed that the data has become non-stationary indicating that the data can be used for forecasting.

Furthermore the augmented dickey fuller value and the t-Statistic value, when compared concluded that the hypothesis is rejected.

The exports from Pakistan are not meeting the surging import demands of our economy, hence leading to inflation, and show a negative Balance of Trade. Pakistan is dependent on imports, exchange rates is increasing worldwide affect the price of goods leading to inflation since local production has collapsed since the energy crisis faced by the country and the industrial sector.
References


Table 1
Level & Intercept
Null Hypothesis: BOT has a unit root
Exogenous: Constant
Lag Length: 2 (Automatic based on SIC, MAXLAG=12)

<table>
<thead>
<tr>
<th></th>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey-Fuller test statistic</td>
<td>-2.012744</td>
<td>0.2810</td>
</tr>
<tr>
<td>Test critical values:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% level</td>
<td>-3.497727</td>
<td></td>
</tr>
<tr>
<td>5% level</td>
<td>-2.890926</td>
<td></td>
</tr>
<tr>
<td>10% level</td>
<td>-2.582514</td>
<td></td>
</tr>
</tbody>
</table>


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(BOT)
Method: Least Squares
Date: 01/29/12  Time: 16:36
Sample (adjusted): 2003M10 2011M12
Included observations: 99 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOT(-1)</td>
<td>-0.115818</td>
<td>0.057543</td>
<td>-2.012744</td>
<td>0.0470</td>
</tr>
<tr>
<td>D(BOT(-1))</td>
<td>-0.574730</td>
<td>0.101934</td>
<td>-5.638233</td>
<td>0.0000</td>
</tr>
<tr>
<td>D(BOT(-2))</td>
<td>-0.285217</td>
<td>0.096934</td>
<td>-2.942279</td>
<td>0.0041</td>
</tr>
<tr>
<td>C</td>
<td>-125.3642</td>
<td>63.3873</td>
<td>-1.977749</td>
<td>0.0509</td>
</tr>
</tbody>
</table>

R-squared      0.345058  Mean dependent var  -8.525253
Adjusted R-squared 0.324375  S.D. dependent var  403.4733
S.E. of regression 331.6405  Akaike info criterion 14.48555
Sum squared resid 10448615  Schwarz criterion 14.59040
Log likelihood   -713.0345  Hannan-Quinn criter. 14.52797
F-statistic      16.68366  Durbin-Watson stat  1.992000
Prob(F-statistic) 0.000000
Table 2
Level (Trend & Intercept)
Null Hypothesis: BOT has a unit root
Exogenous: Constant, Linear Trend
Lag Length: 2 (Automatic based on SIC, MAXLAG=12)

<table>
<thead>
<tr>
<th>Augmented Dickey-Fuller test statistic</th>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey-Fuller test statistic</td>
<td>-1.513176</td>
<td>0.8187</td>
</tr>
</tbody>
</table>

Test critical values:
- 1% level: -4.053392
- 5% level: -3.455842
- 10% level: -3.153710


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(BOT)
Method: Least Squares
Date: 01/29/12   Time: 16:37
Sample (adjusted): 2003M10 2011M12
Included observations: 99 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BOT(-1)</td>
<td>-0.127679</td>
<td>0.084378</td>
<td>-1.513176</td>
<td>0.1336</td>
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<tr>
<td>D(BOT(-1))</td>
<td>-0.565748</td>
<td>0.112524</td>
<td>-5.027788</td>
<td>0.0000</td>
</tr>
<tr>
<td>D(BOT(-2))</td>
<td>-0.280246</td>
<td>0.100777</td>
<td>-2.780839</td>
<td>0.0066</td>
</tr>
<tr>
<td>C</td>
<td>-119.2399</td>
<td>71.17237</td>
<td>-1.675368</td>
<td>0.0972</td>
</tr>
<tr>
<td>@TREND(2003M07)</td>
<td>-0.330881</td>
<td>1.713987</td>
<td>-0.193047</td>
<td>0.8473</td>
</tr>
</tbody>
</table>

| R-squared | 0.345317 | Mean dependent var | -8.525253 |
| Adjusted R-squared | 0.317459 | S.D. dependent var | 403.47333 |
| S.E. of regression | 333.3338 | Akaike info criterion | 14.50535 |
| Sum squared resid | 10444474 | Schwarz criterion | 14.63642 |
| Log likelihood | -713.0149 | Hannan-Quinn criterion | 14.55838 |
| F-statistic | 12.39526 | Durbin-Watson stat | 1.986865 |
| Probe(F-statistic) | 0.000000 | | |
Table 3
1st Difference and Intercept

Null Hypothesis: D(BOT) has a unit root
Exogenous: Constant
Lag Length: 1 (Automatic based on SIC, MAXLAG=12)

<table>
<thead>
<tr>
<th>Augmented Dickey-Fuller test statistic</th>
<th>t-Statistic</th>
<th>Prob.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>D(BOT)</td>
<td>-11.73384</td>
<td>0.0001</td>
</tr>
</tbody>
</table>

Test critical values:
- 1% level: -3.497727
- 5% level: -2.890926
- 10% level: -2.582514


Augmented Dickey-Fuller Test Equation
Dependent Variable: D(BOT,2)
Method: Least Squares
Date: 01/29/12  Time: 16:39
Sample (adjusted): 2003M10 2011M12
Included observations: 99 after adjustments

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>D(BOT(-1))</td>
<td>-1.966198</td>
<td>0.167567</td>
<td>-11.73384</td>
<td>0.0000</td>
</tr>
<tr>
<td>D(BOT(-1),2)</td>
<td>0.319181</td>
<td>0.096962</td>
<td>3.291800</td>
<td>0.0014</td>
</tr>
<tr>
<td>C</td>
<td>-16.88466</td>
<td>33.88972</td>
<td>-0.498224</td>
<td>0.6195</td>
</tr>
</tbody>
</table>

R-squared: 0.771109  Mean dependent var: -0.393939
Adjusted R-squared: 0.766340  S.D. dependent var: 696.8985
S.E. of regression: 336.8695  Akaike info criterion: 14.50710
Sum squared reside: 10894181  Schwarz criterion: 14.58574
Log likelihood: -715.1016  Hannan-Quinn criter.: 14.53892
F-statistic: 161.7065  Durbin-Watson stat: 1.996725
Prob(F-statistic): 0.000000
Impact of Advertising Expenditure on Stock Prices

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Abstract
This research paper investigates the impact of advertising expenditures and two main variables; advertising expenditure and stock price. Among these variables; several sub-variables, such as time and company sizes, have also been considered. Time is to be termed as period of expenditures, whereas company size is the total assets of the company. Source of information, that was already available, used in this research paper is secondary data. After the data collection, a regression model was used to identify the impact of one variable over the other. We hypothesize that advertising expenditure made by the company has a positive impact on the stock price and the result found has shown a positive relationship between advertising and stock prices, whereas a negative correlation between company size and stock price.

Keywords: Advertisement, Stock returns, Investment, Marketing Expenditure.

1. Introduction
The marketing managers have to monitor and to communicate the impact of their budget on shareholder returns (Srinivasan et.al. 2008). Advertisement is an expensive form of communication between companies and its customers. In order to satisfy these expenditures Marketing Managers always remain under increasing pressure to prove that these expenses are productive for the company and its stakeholders. (Marketing Science Institute, 2004). Nevertheless, many companies also use corporate advertisement for escalating their image or correspond with the perspective of company. (Bobinski, Pawls, Silva, 1994). At the outset it should be declared that the effect of media hype does not depend solely on the amount of dollars spent on publicity (Rasmussen, 1952).

One should not correlate the advertisement with the price spent on it because the benefits that are achieved through advertisements sometime multiplied by many times the expectation of the company. Therefore, the success of an advertisement must be seen irrespective of the amount being spent on it. (Bobinski, Jr. & Ramirez, 1994). However, realization of these effects depends much on the nature of advertisement as well. (Acharya & Mukherjee, 2003).

Successful advertisement bridges the gap between the goal of corporate sales and customers need, on the one side and satisfaction of the financial & marketing stakeholders, on the other side. Advertisement paves the way of implementing corporate strategies smoothly and it is beneficial in achieving corporate goals. Financial-relation’s advertisement tries to improve the image of the company within the financial population. (Bobinski, Jr. & Ramirez, 1994).

Advertising campaigning is not an easy task. It should be well tailored to achieve the desired goal. Advertisements may be classified broadly into informative, persuasive, targeted and for making comparison. (Acharya & Mukherjee, 2003).

A. Informative: This is the strategy used mostly for technical products like Personal Computers, Cell phones etc. It educates the audience about the quality of the product and convinces them to try it. Such ads. Are expected to eliminate informational externality and influence the buyers’ willingness to pay. (Acharya & Mukherjee, 2003).

B. Persuasive: Such ads. Are very attractive and appealing to the customers in increasing their thirst by pointing on their needs. Such ads. Ensure the customer’s comfort and taste of life. Persuasive ads intended to enhance the taste of consumers and particularly attract inexperienced and new consumers. (Acharya & Mukherjee, 2003).

C. Targeted: Such ads. Do not focus on the general public; instead they target a specific consumer segment. For example; children shoes ads. Go on air in between cartoon times. In targeted ads, the focus is narrowed...
down to a particular group of consumers, and to a few attributes of the advertised brand. While expenditure on such ads. Can be kept within limits, their scope of generating the demand-augmenting effect remains limited. (Acharya & Mukherjee, 2003).

D. Comparison: These ads provide comparisons that include both direct and indirect comparisons of the company’s product with that of the competitors. Normally companies use indirect comparisons. Extra care is required in direct comparison ads. Because sometimes direct comparison ads. May go-wrong. Comparison ads are not legal in most countries including India. (Acharya & Mukherjee, 2003).

The problem that is being discussed in this research paper is the level of effect advertising expenditure has on stock prices. This research is based on data collection of more than 250 observations. There are two kinds of variables that were observed in the initial stage. The dependent variable was the closing year-end stock price. The independent variables were total assets, and the amount spent on corporate advertisement. Time will be termed as periods of expenditures and its effect on stock prices in that period. The research paper will focus on various sectors that include Textile sector, Oil and Gas, Banking, Insurance and Pharmaceuticals. The size of the company will be represented in terms of company’s total assets. Data for the research paper has been collected from three major sources, which include KSE-100 index, company’s financial statements for the year and State Bank of Pakistan.

The outcome of the research might allow investors to have an idea about the impact of advertising expense on the share price of that company. The research paper followed the data collection after the topic was reviewed. Once the data collection was completed, a correlation function through SPSS software was used in order to identify the quantitative effect of advertisement on stock price for the corresponding year.

2. Literature Review

The reasons for fluctuations in stock prices have been under active discussions with arguments. People still think that the reason for this fluctuation in stock prices has been due to self-generated rumors about potential fluctuations in stock prices (West 1988). This issue existed for a long time as to what makes the stock fluctuate? This is the major issue that investors face because they would like to buy stocks to get maximum dividends and also like to know what makes it come down so that they can avoid the losses.

The subject has received increased attention in recent years because of the volatility tests of Leroy and Porter (1981) and, especially Shiller (1981). These tests seem to indicate that stock price fluctuations are too large to result solely from changes in the expected Present Discounted Value (PDV) of dividends. However there are questions raised as to the validity of this conclusion. Marsh and Merton (1986) have objected to the tests’ assumption that dividends are stationary around a time trend; Flavin (1983) and Kleidon (1985, 1986) have argued that in small samples the tests are biased toward finding excess volatility (West 1988). The issue of changing stock prices has been an old one and they wanted to know the reason of changes them because investors would like to have the best returns to the possible extent. The first deduction of a formula was worked out by Leroy and porter in 1981. They were able to determine the price changes but the issue with their model was that they were only able to judge price fluctuations that were large in scale and therefore the model was heavily criticized by other researchers as they thought it was not accurate and also gave biased results.

In 1974, companies in the United States spent around $6.5 billion for various forms of corporate communication channels; that included annual reports, advertisement, analyst meeting & publicities etc. The amount spent also included $800 million worth of expenditure on media advertisement in the financial press such as Fortune & the Wall Street Journal etc. Looking on the media that had been chosen for this advertisement and also the content of message, it was clear that the main target audience was the financial community for the heavy proportion of financial press advertisement. Corporate advertising officers as well as media representatives suggest the main objective to be achieved through these advertisements was to influence security prices (Boyd & Schonfeld, 1977).

The above data shows that there has been a lot of spending shown on advertising over the years in the financial sector to inform the investors about their investment and then start a bid for their share the more the investors the more the chances of having a higher bid that is how the prices of the stock is rising even though these prices actually may not be as real as they should be. Heavy expenditures are being made in order to influence shareholders’ decision about the share of the respective company.

The authors, who have written books on finance, are of the opinion that rather than number of shares and share holders, the investment policies influence the ongoing stock prices, because it is not liked to sell shares in a market, but it is the decisions being taken for the utilization of resources, which makes the difference (Scholes 1972).
Various finance authors over the years have claimed in their literature that it is the investment decisions that make a company’s value grow. Shares prove an uncertain stream of income which can be done by any organization. Finance theorists would argue that it is the uniqueness of an individual asset and not the securities in the capital market which proves to differentiate amongst various companies.

The people, there is not a single moment, in their lives that they do not come across an advertisement, which is one of the most important marketing strategy for companies to boost their products. Almost everything, from breakfast items to late night movie shows, is advertised and there is no escape from it. Questions always arise as to what is the purpose and economic benefits of these advertisements? There is a misunderstanding that ‘there are some unanswered questions that come up in mind every time an advertisement is seen’ (Acharyya & Mukherjee 2003). Spreading information about a product’s brand through advertisements has been going on from a long time but now it has almost happening in our daily lives. Is there an economic benefit for the companies from it or is there something else because at the end of the day the Corporations are spending millions and billions of money on their advertising campaigns. Thus there must be a good solid reason for this.

The Securities & Exchange Commission (SEC) recognizes this possibility because it constrains such advertising efforts when going through the registration of a company. But still, the basic question remains unanswered whether financial advertisements actually influence a shareholders’ investment decision? (Boyd & Schonfeld 1977). When Company’s advertising agents or media representatives were asked as to why do they make so much advertising? They briefly said that it brings a huge amount of rise in their stock prices, a healthy signor their company. Rules have been applied to this by Schonfeld, who clearly stated that only registered companies can advertise so that they can be checked that no bubble money is being created by the companies, which may block the countries money supply. There have been number of studies focused on sales and several other dimensions to measure the impact of advertisement (Horsky 1977).

Advertising also serves the companies to give signaling effect whether they are financially and competitively workable. There can be a number of ways to influence investor’s behavior. (Mathur and Mathur, 2000) recently researched on the stock market’s reaction to the green marketing strategies announced by companies. Michael Jordan’s publicized return in NBA resulted in an increase of 2% in his client company’s stock value (Joshi & Hanssens, 2007). Thus the impact is clear on how companies use signaling effect to increase its market capitalization and off course it also helps in future earnings.

Advertisement content can be considered by a section of investors, viewing the advertisement as “a symbol that a business is forcefully busy in doing trade and attracting its reputation (Garbett, 1981). Another concept, which an advertiser should keep in mind, is not only to attract the local consumer but also to be a focus for the shareholders, who are generating money in the form of capital. This advertising increases the reputation of the company and also shows that they are very much engaged in business activity.

Barron (1971) went on surveying various money managers to know their responses about the impact of corporate decisions. A total of 218 respondents were surveyed, out of which 82% responded with a “Yes” Another survey, which was termed as 'institutional' advertising to look into a company as an investment potential." The survey consists of 179 respondents, out of which 79% responded that it did led to the purchase of securities. Another 87% institutional investors when they were surveyed also answered “Yes” (Boyd & Schonfeld 1977). One of the researchers have conducted a survey in which he decided to ask people the influence of advertisement to look into the possibility of investing in a company? Most of the respondents present at that time answered in affirmative. The majority of them also said that because of the above they had also purchased some stocks of the company.

In the last decade there has been sharp increase in the common stock prices in United States. It was traditionally considered that higher stock prices will generate more income. Higher stock prices will also allow companies to raise capital that will enabling to invest in capital goods. It is because of this reason, it was considered that decline in stock prices will decrease the rate of consumption (Atesoglu 2002). It was considered earlier that people consume more when they get good stock returns, and if the stock prices go down, it will affect the consumption.

The tests carried out clearly indicated that share prices are unpredictable to the expected present discounted value of dividends, with a constant rate of discount. There is likelihood that the excess unpredictability is caused by discount rate fluctuations because of negative results. The possibility, that the unpredictability has received very little attention, is because of the bubbles (West 1988).

The above discussions indicate that the stock prices, keeping in mind the discount rates, are much unstable to
determine the expected returns from the dividends. It is because of the fact that the discount rates keep on fluctuating from time to time and are not stable and causes the problem to determine the prices. Moreover, there are other trends that revolve around the market, which also keeps on changing the discount rates. Because of customers’ changing interests it becomes more difficult to determine the prices. However, since changes are brought so it is important for us to look upon this case also and create an appropriate model accordingly.

There are many valid reasons to believe that financial advertising can have an impact on share prices. The content of these advertisements generally contains messages that are controlled by the management and seem “biased” to an extent. Therefore, such contents require exceptionally enhanced creative strategies (Boyd & Schonfeld 1977). Such strategies are made; first to attract the investors, and since there is a concept of demand and supply so only a few high bidders can enter the market and purchase the stocks at the highest price. Thus the prices increase due to timely financial advertising strategies to attract the investors. Large organizations that are publicly owned need to constantly interact with the stock market with the help of two-way signaling and monitoring. This is done by disseminating information to the market through reports and announcements. In return, the stock price serves as a signal to the company regarding the accomplishment level to be achieved in order to give shareholders the maximum return (Lane & Jacobson, 1995).

The advertising strategies works in two ways, firstly, it changes the customer’s choice and thus convince the customer to switch over. Secondly, new companies entering markets use advertisement to create awareness they must be equivalent in terms of commercial expenditures to grow in an optimistic market share. In contrast, since advertisement expenditure is considered as a dumped expense, which may not be sustainable after stopping manufacturing. The applicant is expected to engage in aggressive post-entry position and abide short-run sufferers to abide such expenses. (Acharyya & Mukherjee, 2003). The way in which the strategic effect can work is that it can begin with the thinking process between people about the brands, keeping in mind the competitions in the market, and the consumers’ brand choice. What is better for them and will suit them. A new company that is about to enter the market it is important for it to advertise its products for the sake of spreading information and also to gain a healthy market share. Besides this the companies should keep in mind the amount of spending that they are doing on advertisements, because when this cost is classified as a sunk cost it cannot be recovered. So in order to re-emerge in the market such companies may have to bear some extra expenditure on advertisements, in the beginning, but in the long run these may help the company to continue its existence.

Furthermore, the process of buying is general and thus the purchase of products and securities is same in many ways. Therefore, there is a slight reason to believe that individuals, who are responsive to the advertisements relating to their desired products, will also respond positively to the advertisements done in a financial context (Boyd & Schonfeld, 1977). For a normal person, not an investor, to whom the message has been conveyed for a product like shampoo will be interpreted in a different manner for different products, as it is concerned with the money that he has earned.

Every company in itself is different as it produces different products and provides services; therefore, the size of the company cannot be identified using one single factor of a company. Therefore, there is no fix measure to identify the size of the company. Different researchers may use different factors such as sales, employee number, fixed assets, cost of goods sold or equipment to measure size of the companies (Takayasu & Okuyama, 1998).

Organizations nowadays work on Shareholder Value Analysis (SVA) and managers have visions to maximizing the stakeholder’s return. This in turn provides favorable environment for a company’s operations. Concept of (SVA) holds that business should be carried out to get maximum returns for shareholder’s investment. Thus the concept is now becoming standard to judge the managerial actions towards the organization. (Doyle, 2000).

Unseen factors that have an impact on advertising expenditures and on the stocks of thought quality may end up making positive estimates of the impact of advertising. In other words, if we highlight an effect of advertising, then we cannot be positive if this prediction is in the same sense with higher advertising expense leading to more awareness and quality or in the sense that other brands have varied stock of perceived quality and different advertising expenses. (Nerlove & Arrow, 1962).

It is not necessary that all the information through advertising is equally distributed to all the investors. In fact some investors may use this information source to take an advantage of benefit. (Boyd & Schonfeld, 1977). All the investors may not make a decision on just the basis of an advertisement instead they may take it as a source of information and then they may investigate, before make safe and sound decision whether to invest or not to invest, keeping in mind the companies credibility and past records.
Some researchers through “event studies” tried to find the relationship between company’s value and the marketing actions. This subject is yet to receive proper attention. To be specific, there has been no research paper carried out to identify the direct effect of marketing actions on company’s value (Joshi & Hanssens, 2007). There has been little or no research, based on the topic, and the only research carried out was based on event research paper. This meant that stock prices are being tracked around a time frame, which is bordered by certain events. Therefore, the focus of such studies was of short-term basis.

Though advertising has a vital influence on the stock prices, but it looks that it will not apply on all the companies. The companies that are making more profit may get more benefits (Boyd & Schonfeld, 1977). Advertising may not be a good source for all the companies because some of the well-known companies, whose credibility and image emerged in the past, will definitely be affected. People would always be looking for a chance to invest but if they don’t know about a company’s credibility and past performance, then advertising will not have a major impact and a role on investment decision making by the people.

Gifford in 1997 studied the impact of company’s environmental friendliness on its value. He found that creating a pro-environment practice was not enough until the companies advertise to attract the financial community to increase its financial returns. Therefore, this case shows that information conveyed through advertisement may not increase sales, but it can have a sufficient impact on the stock prices.

The impact of marketing actions on consumer response is well researched, but what impact advertising will have on investors’ needs is still required to be studied. It is normally measured by stock returns. Investors are different from consumers because they are motivated by accelerating cash flows with minimal risk (Srinivasan, Pauwels, and Silva-Rosso & M.Hanssens, 2008). Investors require enhanced cash flow on their investment unlike consumers, who expect innovations in product from the companies.

Modern investment theory works on the expectations concept, in terms of a company’s characteristics that is incorporated in its stock price. This theory has been discussed in most of the investment literature and is being used in current literature of finance. It is not only bound to academics, but the same is also believed in the financial community (Elton, Gruber & Gultekin, 1981). The investment theory as mentioned above considers changes in company’s characteristics that may possibly bring about a change in stock price. But there has been a very little empirical evidence to support this fact. This is due to the fact that all the data already used by researchers was based on historical explorations that serve as a basis of future expectations.

There is large impact of advertising in terms of monetary distinctiveness of the company, such as past constancy of ever increasing earnings, which was originated to work defiantly with advertising expenditure. Messages which are being portrayed in corporate advertisements never demonstrate constructive communication. Corporate communication and advertisements may be good with numbers while testing, but the interpretation of this testing must be done carefully. Companies should depend on its financial performance to get the best out of its corporate advertising strategy. Strategy for corporate advertisement should be designed in a way that must communicate appropriate message to the investors. (Boyd & Schonfeld, 1977). Messages also play a vital role in convincing an investor to invest or not. Since financial advertisements are based on facts and figures, it is important for the company to send messages, which describe the company’s achievements like past records, their credibility, their past returns, testimonials from other investors, and there disbursement ratio etc. This sort of information should be shared with the investor to enable him start thinking process, which may reach to a conclusive point. However, the important point, to be noted, is no matter what type of message is sent out it should be positive as it increases the brand perception in the mind of the investors. It is a tough job for the marketers to create value for the company’s products because they have to create an image of quality product in the eyes of the customers, to get best value for its products. To create an effect of this sort they have to make changes in the whole perception, which is the toughest thing to do and if they are successful in doing so then they can translate this into increased profits and add value to the company’s finances.

Marketing procedures are expensive, and investors have to consider their (predictable) profit and negative aspects. Moreover, the share price impact of marketing procedure is desired to be assessed in the occurrence of other essential drivers, as acknowledged in the bookkeeping and investment journalism (Fama & French 1992). Advertising is really expensive to do and there is no guarantee that an advertisement may bear its fruits. Therefore, it is important to highlight the key factors for the investors; like stock returns, which enables interested investors in decision-making in favor of the company.

Furthermore, investors may recognize improved outstanding worth through marketing exposure, as well as its effect.
on company’s monetary presentation (Joshi & Hanssens, 2007), (Srinivasan Pauwels Silva-Risso & Hanssens, 2008).

There is an added advantage for companies if it has diversified portfolios, which will enable into have money invested in more projects. This will also enable the investors to reduce the risk of the investment made and also reap more chances of better earnings. In case one portfolio falls the other may be able to recover a loss of zero at the end.

Apart from the different impacts there are two major effects that influence the companies to incur huge expenses on advertising: the strategic and demand effect (Acharyya & Mukherjee, 2003). The two main reasons that come in the mind of investors are the demand creating effect of those advertisements on people and that means it has a very high effect on people in creating sales for their organization. Moreover the advertisements separate the products from each other so that customers can easily identify the brands and also their usage clearly more over it is also to increase the brand perception in a positive manner.

The research paper by Boyd & Schonfeld (1977) concludes that financial advertising can exert a positive influence on the prices of common stock, at least for some time. Thus this conclusion reassures many companies with the focus of reaching the customers. It also helps those companies, which are not involved in having benefits through financial advertisement. The results in this research paper showed that 320 companies, out of a total sample of 721, did not use the mode of such advertisement during 1971-73. This probably sends a signal that financial managers in most of these companies thought advertising as just another expense with immeasurable benefits rather than considering it fruitful for the organization. Boyd and Schonfeld found that “yes” companies do receive an advantage in their stock prices by advertising. Another thing, which was studied by them, is that all the companies don’t receive this benefit but only a few of them receive some advantage. However, it might have brought some sort of satisfaction to the companies did not go down the drain as it does not benefit all the companies. It shows the fact that many managers are against advertising, which they consider purely a cost that cannot be recovered, providing them a benefit that cannot be measured.

In this dynamic environment, where Shareholder Value Analysis (SVA) gets the short term profits, it is said that the investment that is made by the investors should be seen in respect to the shareholders returns. That is every kind of investment should be seen from the SVA perspective. The common tool used here is the share price; moreover, the profit earned by the company is seen by market capitalization (Joshi & Hanssens, 2004). A new principle has evolved in the corporate world, which is to do what the shareholders want you to do. Every decision the company makes should be in the interest of its Shareholders in order to grow their earnings. The shareholder’s value becomes the most important pinnacle for him to monitor whether the managers are doing a good job or not. Moreover every decision the managers make regarding the man power, or the operations held in the company should increase the shareholders’ value, otherwise the decision will not be worthy of taking it, because most of the investors are interested to capture the market as much as possible, and also sell their shares at higher price.

A company’s value has been classified as tangible and intangible value (Simon & Sullivan, 1993). From marketing point of view, sales and profits are included in tangible assets and the impact of these numbers on sales and profits are easily acceptable on both short and the long term basis. The greater part of company’s worth is replicated from its indescribable assets like brand equity. To determine the value of any company, one must see its annual reports. Moreover; he must ask the people about the perception of the companies in order to measure the value. However, the future growth and condition of a company mainly depends on its intangible value because if people don’t find it favorable they won’t do business with you and the trust and image that has been created, cannot be measurable at all, and the satisfaction level that a customer wants, cannot be judged accurately.

Indescribable property may be classified as (I) Market particular factors; for instance set of laws that lead to unsatisfactory opposition, (ii) Company-specific factors, for example R&D expenses and patents, and (iii) Trademarks (Joshi & Hanssens, 2004). Intangible assets may be defined as external factors such as competition, and internal factors include the human resource, the research and development, and also the patents and the brand equity which show optimistic picture created through name recognition.

By tradition, to promote a specific product or service, companies usually use the simple advertisements, but many companies also use corporate advertisements to enlarge or to converse company’s viewpoint (Alvarez, 1993). It can be stated that companies used to work for the brand image and when company can think for the factor which is intangible then why company cannot think that these advertising would have an impact on stock prices of the share. The more the advertising of a brand the more will be its profit because the advertising has an impact on revenue. So this cannot be the only motto of an advertising but also to create awareness of the brand, there are also many other factors.
An aspect of this contradiction may stem from the truth that advertising is not the only phenomenon, but also the messages delivered on a given issue pointed to make a positive impression of the company (Sethi, 1979). It is obvious that advertising plays an important role in creating awareness, may it be through any medium, but the factor which always should be considered is as to what it needs to attract. If it has to attract shareholder then be may be shown the turnover, and the purchase of shares, otherwise local consumer can be targeted in many other ways also.

Image advertising is based on many different categories, that include messages that aim to identify for the corporation in the minds of the people, getting messages that give the company a positive sign for the potential employees, sponsorship messages and hybrid advertising that combines the messages about both the products and the financial relations that aims to improve the brand image in the financial community (Hartigan, & Finch, 1986). Advertising is very much useful but the advertising is providing the dual benefit, one is with the revenue or it can be related to sales that increase but the other factor which is not very much discussed is about the financial benefit, the company shows their money through advertising that they have so much strength in their selves that they can do so much heavy advertising, so the shareholders trust develops and they invest in their company as much as they can.

The impact of financial relations marketing is clearer and easier to calculate than those of other categories of commercial publicity. The reason of financial relations promotion is to market the company itself as manufactured goods and eventually to manipulate the claim for the company’s share and raise its value (Bobinski, & Ramirez, 1994). The product which we think is the good which is been sold out in the market but here the product is also the advertising which is been done to capture the market either through sales or shares. Both are to generate cash inflow in the company. The corporate advertising is being make related to this concept but it’s totally different because the corporate sales is just same as direct sales but here the corporate people are involve in it. So the financial relation is what we have to consider with the advertising and it has importance as per discussed.

The significant advantage of corporate advertisement is that it guides the members of financial community to inspect companies investing experience but it does not stimulate the market players to buy and sell and also not alter the prospect of the market and so the stock price (Botwinick, 1984). It’s true that the corporate advertising which companies do to increase sales but the impact on that company is that other company start to inspect your company and start looking the financial position and strength but it cannot be said that it will have some bad impact on the company because it won’t be affecting profit, stock pricing, and future market.

The use of periodical share price as the reliant unpredictable precludes test of the chronological relationship between business marketing and stock prices. The underlying connection between company publicity and stock prices is undecided and the opportunity that companies with growing values of stock are willing to spend more on mutual marketing cannot be ruled out(Boyd & Schonfield, 1982). One factor which is not been discussed that the company first increases the stock prices and then they do start advertising but this issue is not be discussed because its practical application is not been seen as such but one thing can be said that the link between the advertising and stock prices ambiguous.

Generating and increasing the good attitude towards the product, a good advertisement will influence the current stockholders to purchase more shares (Bobinski & Ramirez, 1994). The company’s stocks are the most important thing which every person thinks about how to increase the share and image of their own company. This is what now days the companies are achieving through the image what they have done through advertising.

Ordinary shares are seen as objects with a high level of homogeneity in finance, and the purchase decision of the consumers is based totally on the return of the stock. Expectations are based on the future cash flows, the stock price would fluctuate to the response to the new information would quickly adjust to show it (Fama, 1970). The stocks are the product but the question arises that how it can be informed to the company’s shareholders to invest on the company because it is excellent and the company has the potential to growth. The advertising basically aware the consumer and the shareholder that our product is excellent and can grow. So the advertising creates awareness and as well increase the stock prices of the share.

It is much unexpected that the overall demand for a stock or its price is being affected by financial relation advertising. But as per the research paper of financial researchers, the entrance of the information will not shake the roots of the market as a whole but it is possible that it may change the outlook of the company as an individual investor (Karpoff, 1987). It generally looks impossible that an advertise will influence an investor to go on and buy the stocks of that company, but the researches prove the above evidence.

Some of the market participants, such as the pioneer investors, the big players, money managers may see advertising
as a costly expenditure which will not change the perception of the market for the company (Garbett, 1981). Advertisement is also been forced by the investor that the awareness of the product must be in the market. But some investors think advertising as a cost more than the benefit they get in return and they have a view that advertising do not change perception of the company’s image.

It as a result might generate or strengthen a discernment that the company is in problem and thus outcome in inferior opportunity for the company’s expectations monitory presentation. Obviously, even though the order provided in the financial advertising will almost certainly will not be interpreted as new or applicable for the market as a whole, it may cause being investors to adjust their pots (Bobinski & Ramirez, 1994). One perspective which we is very much in discussion that advertising will be not be having any impact on stock prices, and this view can also be considered also because it’s not always ads create a positive reinforcement, sometimes its opposite to it. So the company should also consider this factor before doing advertising of their product.

The effect on trading volume of financial relation advertisement is inclined by two reasons either the ad is new or it’s a repeated version of financial ads. Involvement of consumers with the product or service is been displayed to affect their concentration. (Krugman, 1965). The effect of advertising on stock prices can be positive on new product because the company have to give positive image and can cash the advertising in form of revenue and investment. And other perception which is also in consideration that the ads show in past and have been brought back due to the sales which that ad provided.

Stock price is not affected by financial relations, sure not in the short run. These are continuous with the statement of the efficient capital markets to the basic view that advertising marks to the increase in stock price. The rise in the stock volume without the rise in stock price is constant with the variation in expectations (Bobinski & Ramirez, 1994).

Individuals associated with the financial community have a very high involvement with some companies and even industries, particularly analysts and major market players look to seek information actively. Stockholder currently associated to the company are also attentive at the financial advertisements made by the company. These stockholders would look to pay attention on the initial impact rather than following appearances which are proven to be less effective. The available sources of finance indicate that stock prices do react on the information occurrence (Fama, 1970). The financial advertising is now much very much in attention that how company is doing their advertising because the better the advertising the better the company’s image will be improved and ads basically to boost the market and shows investors or give that hope that the market is not that much in worse condition, ads basically gives boost to investors that invest and you will get a good return on the investment. When considering the latest literature in this regard which relates advertisements to print advertisements only, it was found that the size of the advertisement was the most important aspect and that it had significant impact on the attention being received, comprehending and elaboration of the message. Thus it concluded that the larger the advertisement is in size, the greater the expectations from the advertiser resulting in greater volumes of sales. (Finn, 1988).

Share value alters merely when market participants re-examine asset values on the origin of unexpected (new) and constructive information. Moreover, market effectiveness suggests that information is absorbed quickly into market prices. Consequently, company publicity would influence a stock’s price only if new information is provided (Bobinski & Ramirez, 1994). We can say that that the advertising which we do can affect the stock pricing only when ad is providing some new information otherwise its useless and another view is that only the assets are increases the stock prices.

These financial relation advertisements are likely to raise the stock trading volume but this potential is only viewed in the early emergence of the ad (Bobinski & Ramirez, 1994). Initial appearance is something which is affecting the stock pricing but the only initial appearance because of the information which add is given to the customer then after that it get old, which create no impact on shares. The factor of company’s capitalization relates the impact of financial advertisement on stock volume especially for small companies. It was found that stock volume showed significant increase throughout the month when a financial advertisement appeared. Apart from this, many other events were not considered responsible for this research paper (Bobinski & Ramirez, 1994). The companies have to invest wisely and the advertising expense which companies do is also very important because the company has to keep their investor happy and with that they also have to attract new customer.

The expectations of the stock prices reflect the changes of the market as a whole, as to the changes in volume shows the expectations of independent investors, it does not show that financial relations affects the market as a whole, but it shows and seeks to influence investors’ expectations, which leads to increase in trade volumes (Karpoff, 1987).
Financial advertising have impact on some factors but not on market as a whole, ads have an impact on individual investors whether the company has that much potential or growth chances that one invest in that company. But changes in stock prices have an impact on a market and trading between the investors reflect the investor mood and his trust about the company.

The information about the existence of a brand or about its quality is received by non-price advertisements. The significant advantage of non-price advertisement is the increment in knowledge of the consumer of existing brands. This also leads to reduce cost and expands the consideration sets and as a result of that elastic demand increases. Herein sight; publicity can raise purchaser benefit by dropping markups of worth over secondary cost and generating enhanced matches between purchaser tastes and attributes of selected brands (Nelson, 1970). This shows that advertising increases the brand awareness which leads to cut down in many cost of the company, which results in more elastic demand.

A key point is that advertising may affect the price elasticity of demand for a brand in two fundamentally different ways. First, advertising may affect the parameters of the demand functions of individual consumers in such a way as to make individual consumers more or less price sensitive. Second, advertising may affect the composition of the set of consumers who buy a brand. If advertising draws more price sensitive consumers into the set that are willing to pay for a particular brand, this will increase the price elasticity of demand facing the brand. This suggest that the advertising leads to draw more consumer who are willing to pay, which in turns increase the elasticity of demand and when the demand increases the company stock price also increases.

The Becker-Murphy instance illustrates how the force of publicity on the flexibility of demand at the brand level can be fairly misleading of how marketing impacts entity purchaser price understanding (Becker & Murphy). In the following research they have illustrated with an example that the effect of advertising on the elasticity of demand can be misleading as how much it affects the Consumer Price Sensitivity.

Example of Becker-Murphy illustrates that the impact of advertisement on demand is quite decisive in the evaluation of consumer’s heterogeneity. It is necessary to have a rich structure of observed and unobserved heterogeneity in consumer tastes as to measure the compositional effects of advertising. However, some consumers are differently affected by advertisements than other consumers. Allowance for a much richer structure of heterogeneity is the main contribution of our work rather than working on the effect of advertisement on demand of the consumer (Becker & Murphy). The example further illustrates that the effect of advertising of a particular brand varies from person to person, so how can it affect the all the consumer in the same way, hence it would not affect the consumer price sensitivity in an absolute positive way.

Brand responsiveness and superficial excellence are obviously viewed as stocks that are built up over time in reaction to marketing at the same time; these stocks decrease in value as clients not remember history promotion campaigns or as an old campaign is out of date by a new campaign (Nerlove & Arrow, 1962). This suggest that advertising is the factor which leads to stock built up, but as the time moves on the advertising campaign become old and the stocks depreciate.

Advertisements also consist of content that was poorly disseminated or unavailable to the investors. There have been evidences that buyers extensively expose themselves to the information available (Boyd & Schonfeld, 1977). Investors also are very much concerned about the money they are investing they may not only go for one source of advertising they go for many different types of sources that they may trust because they are also having investing their hard earned money in it and may not trust news research paper commercial only but they may also require people that they must trust to support their investment idea.

3. Methodology

The method used in this research paper has been adopted extensively in the field of finance. It is based on the annual advertising expenditures, opening and closing stock prices and company’s assets respectively. The research is based on the hypothesis that any information given to the external environment by the company quickly responds to the change in share price.

A regression model is used in this research paper in order to predict one variable with the change in another. Regression analysis concerned with the research paper of the dependence of one variable, the dependent variable, on one or more other variables, the explanatory variables, with a view to estimating and/or predicting the (population) mean or average value of the former in terms of the known or fixed(in repeated sampling) values of the latter (Gujarati, 2003). The research hypothesize that advertising expenditure has a direct effect on the valuation of stock
price. This research consists of 5 years observations of 55 companies which include their advertising expense throughout the year, the opening and closing prices of their stock and their asset value spreading over a period of last five years. This makes the observation count at 280. All the companies included in our data collection are listed on Karachi Stock Exchange (KSE-100) index. Our main sources for data collection were the publications available in State Bank of Pakistan and Karachi Stock Exchange. Some of these annual reports are available on the company’s website and are widely circulated in the financial markets all over Pakistan.

Predictors: (Constant), Company Size, Advertising Year

4. Results and Conclusion

The data was analyzed using multiple regressions, where Advertising Expenditure (Ex) and Company Size (Sz) have been used as explanatory variable to predict Stock Price (SP).

\[ \hat{SP} = \alpha + \beta_1(Ex) + \beta_2(Sz) + \varepsilon \]

Table-1

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R.Square</th>
<th>Adjusted R.Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
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<td></td>
</tr>
<tr>
<td>1</td>
<td>.221(^a)</td>
<td>.049</td>
<td>.039</td>
<td>323.34382</td>
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<td>Model</td>
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<tr>
<td>-------</td>
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<tr>
<td>1 Regression Residual Total</td>
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</tbody>
</table>

a. Predictors: (Constant), Company Size, Advertising Year

The results indicated an overall model fit, i.e. \( R^2 \) of .049 having \( F \) Value of 5.073 significant at 0.007. This shows that our explanatory variables within our data limitations explain 4.9% of the variation in the dependent variable.

However the significant value of the residual also indicates that there are other explanatory variables too, which might be empirically tested in further researches.
Table 3

COEFFICIENTS

<table>
<thead>
<tr>
<th>Model</th>
<th>Un-standardized Coefficients</th>
<th>Standardized Coefficients</th>
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<th>Sig.</th>
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<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
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<tr>
<td>1</td>
<td>(Constant)</td>
<td>157.387</td>
<td>27.996</td>
<td>5.622</td>
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<tr>
<td></td>
<td>Advertising Year</td>
<td>5.286E-7</td>
<td>.000</td>
<td>.230</td>
</tr>
<tr>
<td></td>
<td>Company Size</td>
<td>-3.374E-10</td>
<td>.000</td>
<td>-.157</td>
</tr>
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</table>

The Constant of the model is 157.397, having T Value 5.622 significant at 0.000, indicating that the constant was accurately calculated however data bias and limitation might hamper the predicting capacity of the model.

The Beta of the Explanatory Variable (Ex) is 0.230, having T Value 3.043 significant 0.003, indicating that the Variable (Ex) was accurately predicted. Beta of Advertising Expenditure shows that a unitary change in the Advertising Expenditure might case a change of 0.230 in dependent variable .i.e. the stock price.

Both variables are positively correlated however the size of the company is negative and shows that a unitary changing in the company size might bring about a negative change of 0.157 in stock price.

Thus we failed to accept the first null hypothesis and found that advertising expenditure has a positive relation with stock prices. For the second hypothesis we fail to accept the null hypothesis of no relation between company size and stock price. As now our results indicate a significant negative relationship.

5. References


Impact of Personal Involvement on the Decision to Choose Store Brand

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Abstract
The trend of retail stores is not new for the developed countries. It has also acknowledged very positive response from the customers of developing countries like Pakistan. Large retail stores of clothing such as Chen One, boutiques, kurta, loose garment shops and authorized retailers of internationally recognized brands are taking more advantage in retail clothing industry. This study mainly focuses on the impact of personal involvement on store brand selection and that how their involvement affects when it comes to selecting store brands as compare to national brands.

Many attributes were considered for the evaluation of store brand selection including the specific demographic variables of customers, as well as the store variables. A total of 100 respondents were selected randomly from different retail stores outlets like Chen one, boutiques, Kurta shops and other retail clothing stores in Saddar through mall-intercept survey.

Keywords: Personal Involvement, Store Brand Selection.

1. Introduction
In recent years consumer goods markets have increasingly shown the presence of private label products. Personal label products are defined as consumer products produced by the retailer himself and sold under the retailer’s name, logo or trade mark throughout their outlets.

The cost of production of retailer products is usually less because manufacturers or producers usually do not spend heavily on the advertisement of such products. Private or own-label brands also enable the manufacturers to achieve the economies of scale in production and distribution of the products and utilization of capacity.

This strategy seems to be very successful in private brand apparel sales, which has been gradually increasing in the situation of an overall decreasing market (NDP Group, 2003). A recent worldwide study involving 36 countries showed that the growth of private brands outpaced that of manufacturer brands in over two-third of the market studied(AC Nielsen, 2003). It has often been seen that consumers try to reduce their expenses by purchasing more private labels as compare to national brands because private label brands are 10% to 30% cheaper than national brands.

1.1 Research Question
How personal involvement affect when customers decide to choose store brands?

1.2 Objective of Research
The main objective of this research is to determine how personal involvement affects when consumers select store brands (private labels).

1.3 Hypothesis
H1: The higher the level of personal involvement with the product category, the greater the knowledge an individual has of different brand alternatives.

H2: The higher the level of involvement of customer, the greater the number of alternative brand attributes
considered in decision making.

**H3:** The higher the level of customer involvement, the greater the number of different brands which form part of the evoked set of individual.

**H4:** The presence of the greater number of different brands in the evoked set implies the use of a greater number of attributes with which to evaluate the different alternatives.

**H5:** The greater the number of brands remembered by the individual, the greater the knowledge an individual possesses of the different alternatives.

**H6:** The use of more attributes at the time of decision making suggests greater knowledge of alternatives.

**H7:** The greater knowledge of consumer about the category leads him to prefer different national brands.

2. Literature Review

Cmar and Salmon et al. (1987) provided a number of reasons to explain the expansion of private brands in retail garments. Firstly, various consumers though shop in shopping malls where customers get a large assortment of clothes but specialty shops and boutiques within large retail stores focus on keeping limited stock of clothes in order to target particular segments. Secondly, new technologies permit more quick response to consumer demand in terms of clothing design, collections and stock. Moreover, retailers now have more negotiation power over the manufacturers than it used to be. Retailers therefore recommend customers their personal brands along with the national brands. Store brands help retailers distinguish themselves and increase store loyalty (Legwear Trends and Fashions, 2003).

Researchers have noted that in apparel industry, some attributes have more importance while judging products Forsythe (1991), like its uniqueness, brand name, quality excellence and value of clothes. The result of various studies have revealed that while quality perceptions were not affected by brand name, brand name predisposed the perception of price. The price of designer clothes is greater than clothes of national or private brands. The advantage to customer from these private labels is that they have gained access to low-priced products and various options are now available in their choice set. Moreover, consumers appreciate the quality assurance offered by the well-known store name on their inexpensive product as compare to unfamiliar minor national brands. It is also important to draw difference between private brands that take on the name of stores or chains like Kmart, and the private brands that although belong to a store but have their own brand name like J.C. Penney's Arizona brand (AC Nielsen, 2003).

Frank and Boyd (1965), explained that both manufacturer brands and private labels were used by consumers with virtually alike socio-economic conditions and expenditure uniqueness. It has been observed that consumer’s awareness about store brands has been escalating. Consumers are usually more inclined to private label brands because these brands are in general cheaper than the national brands. Private labels are favorable to manufacturers as well because they do not have to spend heavy budget on promotion of these products and thus it reduces their cost of production.

It has been found that consumers respond differently to private labels as compare to national brands because customers have now become more price conscious and prefer purchasing more private labels (Burger & Schott, 1972).

Although all human beings are influenced by emotional and cognitive processes, dissimilarity in decision making can also be due to the difference between situational and individual factors and incentives (Muncy and Hunt, 1984). Personal involvement of customers also important when it comes to selecting store brands, whether it is a grocery item or clothing; in either case the store brands play a vital role. This approach leads him to participate in a complex condition of commencement (mainly motivation) and attention due external stimuli (location of retail store,
ambiance) and internal stimuli (self-image, values). In order to realize customer involvement, the ego, motivation and buying situation of customer must be viewed to understand retail brand equity. The more the involvement of consumer in shopping, the more personal attention he gives to various product attributes and decide the product.

It has been revealed from various studies that consumers look out for more information in case of high involvement as compare to individuals with low involvement (Petty et al., 1983) & (Bloemer et al., 1998).

Livesey and Lennon (1978) noted many reasons for perception differences about store brands like marketing actions, differences in needs, perceived risk and different product significance among consumers.

Bettman (1974) found variables indicating lower risk and greater knowledge linked with private-label proneness. Szymanski and Busch (1987) reached the conclusion that demographic and psychographic factors affect consumer perception about product.

Studies in past revealed that consumers typically see private brands as inferior to national brands (Ward et al., 1986). However, today store brands are competing against national brands and are doing well in terms of superior image and worth. Clothing brands of store are marketed the same way as national brands (NDP Group, 2003). The differences that distinguish store brands from national brands are in the market orientation which is broader for national brands and that they are heavily advertised as compare to store brands.

2.1 Theoretical Framework

Following model has been developed to find how variables are correlated with each other and that how they affect when customers are personally involved in deciding store brands.

In the proposed model, one of the predictors of consumer choices related to national brands or store brands is the customer involvement level with the product. Rothschild (1979) proposed that customers who are highly involved in shopping show great interest in the product category. They are active in finding out more attributes of store and national brands (Kwon, 1990). This interest helps them in evaluating a large number of brands within the product category under analysis (Barber & Venkatraman, 1986).
3.0 Research Method

3.1 Data Collection

Two sources available for data collection are primary and secondary. In this research, both primary and secondary sources were utilized. Secondary data was obtained from the books, journals, articles and internet while primary source was survey. Questionnaire was used as the survey instrument. The research study was based on the store (retail) brands in the clothing industry. Data was collected from 110 respondents which included both males and females. The data was collected from different locations of Karachi such as loose and readymade garments shops in Sadder, Tariq road, and authorized retailers of international brands located in big malls like Dolmen Mall.

3.2 Methodology

SPSS was used for data analysis. Spearman’s correlation technique was employed in this study because the questionnaire had multi-chotomous, dichotomous and likert scale questions.

4. Data Interpretation and Findings

4.1 Interpretation and Assessment of Correlation Matrix

The Correlation Matrix shows the relationship or association between the chosen dependent and independent variables. The results of Correlation Matrix were:

<table>
<thead>
<tr>
<th>Correlation Matrix</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Spearman's rho</td>
</tr>
<tr>
<td>Clothes shopping</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
</tr>
<tr>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>.</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>110</td>
</tr>
<tr>
<td>Knowing brands</td>
</tr>
<tr>
<td>Correlation Coefficient</td>
</tr>
<tr>
<td>.238*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
</tr>
<tr>
<td>.012</td>
</tr>
<tr>
<td>N</td>
</tr>
<tr>
<td>110</td>
</tr>
</tbody>
</table>

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

Here the value of correlation coefficient, \( r = .238 \) shows that customer who personally involves in shopping possesses greater knowledge of product category and that consumer involvement and brand knowledge has positive correlation.
TABLE: 2
Correlation Matrix

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Clothes hopping</th>
<th>Product attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloths hopping</td>
<td>Correlation Coefficient</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td>110</td>
<td>110</td>
</tr>
</tbody>
</table>

The value of correlation coefficient, r = .113 here shows that the person who was personally involved in clothes shopping considered greater number of attributes. This result indicates that consumer involvement and product attributes has positive but not strong correlation.

TABLE: 3
Correlation Matrix

<table>
<thead>
<tr>
<th>Spearman's rho</th>
<th>Clothes shopping</th>
<th>Buying brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cloths shopping</td>
<td>Correlation Coefficient</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td>110</td>
<td>110</td>
</tr>
</tbody>
</table>

| Buying brands | Correlation Coefficient | 1.54 | 1.000 |
| Sig. (2-tailed) | | .107 | . |
| N | 110 | 110 |

Here, the coefficient correlation = r = 0.154, which indicates that the person who was personally involved in shopping possess greater knowledge of product category and chooses greater number of brands and this shows positive but not strong correlation between the two variables.
TABLE: 4
Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Knowing brands</th>
<th>Product attributes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spearman's rho</strong></td>
<td>1.000</td>
<td>.225 *</td>
</tr>
<tr>
<td><strong>Knowing brands</strong></td>
<td>.</td>
<td>.018</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td><strong>Product attributes</strong></td>
<td>.225 *</td>
<td>1.000</td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td>.018</td>
<td>.</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>110</td>
<td>110</td>
</tr>
</tbody>
</table>

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

The value of correlation coefficient, $r = .225$, which shows that the person who has greater knowledge of number of brands consider greater attributes and evaluates them from different perspective. This result explains positive relationship between the number of brands and the product attributes.

TABLE: 5
Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Knowing brands</th>
<th>Knowing product category</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Spearman's rho</strong></td>
<td>1.000</td>
<td>.169</td>
</tr>
<tr>
<td><strong>Knowing brands</strong></td>
<td>.</td>
<td>.078</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>110</td>
<td>110</td>
</tr>
<tr>
<td><strong>Knowing product category</strong></td>
<td>.169</td>
<td>1.000</td>
</tr>
<tr>
<td><strong>Sig. (2-tailed)</strong></td>
<td>.078</td>
<td>.</td>
</tr>
<tr>
<td><strong>N</strong></td>
<td>110</td>
<td>110</td>
</tr>
</tbody>
</table>

Since the value of correlation coefficient, $r = .169$, it shows that the person who remembered the greater number of brands possesses greater knowledge about the product category and that positive but not strong correlation has been found between the knowledge about the number of brands and the knowledge about the product category.
TABLE: 6

Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Clothes shopping</th>
<th>Perceived differences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation Coefficient</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.087</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>110</td>
</tr>
<tr>
<td>Perceived differences</td>
<td>Correlation Coefficient</td>
<td>.164</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.087</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>110</td>
</tr>
</tbody>
</table>

Since the correlation coefficient, \( r = .164 \), it shows that the person does shopping when chooses brands from the variety of store and national brands, finds differences between them. This indicates that personal involvement in shopping and perceived differences among brands have positive but not strong relationship.

TABLE: 7

Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Knowing product category</th>
<th>Preferring among brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spearman's rho</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Correlation Coefficient</td>
<td>1.000</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>110</td>
</tr>
<tr>
<td>Preferring among brands</td>
<td>Correlation Coefficient</td>
<td>.176</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.066</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>110</td>
</tr>
</tbody>
</table>

The value of correlation coefficient, \( r = .176 \), shows that the person who has the greater knowledge of product category leads him/her to prefer national brands. This result shows that product category and preferring national brands has positive but not strong correlation.

5. Conclusion and Recommendations

Retail stores were essentially warehouses where products of various producers were assembled and scattered. Slight difference exists between them when it comes to product assortment and availability of various products. Store brands now have created a better image in the mind of consumers and majority of them are now purchasing store brands. Many researchers have positive response of the customers towards private label brands. This shows the potential and the improvement in retail sector. It has also been found that retail store products are significantly attracting customers towards spending on retail products and offering 20-30% discounts as compare to national brands.

Individual department and retail stores should expand by creating large stores at convenient places and should offer a large variety of what customers want. Retail stores must also try to create an image in the retail industry by creating sustainable competitive advantage through better positioning.
For the success of store brands retailers should try to invest more and bring more of store brands against national brands. They should also focus on the quality of ingredients, manufacturing processes and final products so as to delight the customers.

6. Future Research Direction

Future research should not only examine consumer perception of store brands and examine its various dimensions like quality, variety and adequate prices but should also try to explore that what excites consumers to visit the retail stores. Researchers should also suggest the retailers to better understand customer psyche and provide all those benefits to customers which give them a better shopping experience. In addition, investigation should be undertaken to understand the extent to which customer is personally involved when he prefers retail brand products.

References


Impact of Stress on Job Performance: An Empirical study of the Employees of Private Sector Universities of Karachi

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Abstract
This paper is aimed at determining the effect of stress on job performance of employees. It is based on empirical research conducted on 133 employees of private sector’s Universities in Karachi that are providing education in the disciplines of Business Administration, Engineering, Medicine, Textile and Fashion. Pertinent data was collected through questionnaires based on close ended questions. Multiple Linear Regression technique was used to test the hypothesis. The results obtained from the data revealed that work load and role conflict, and inadequate monitory reward are the prime reasons of causing stress in employees, and this stress reduces their efficiency. Thus it was recommended that employer should minimize stress by lowering the work load, abate the role conflict, pay adequate salary and provide training and counseling to employees in order to improve their job performance and job satisfaction.

Keywords: Job performance, Stress, Job satisfaction, Work Load, Role Conflict, Monetary Reward.

1. Introduction
Around three billion people globally are employed and face an incessant and challenging problem in the organization called stress which influences employee’s performance and efficiency. Stress is defined as the corporeal and cognitive response to acute circumstances (Selye, 1987). Stress is one of the burning issues that organizations have to deal so that employees can comfortably produce quality work. Stress causes an imbalance in one's life because it leads to depression and thus damages health, attitude and work behavior. Causes of stress are called stressors which can be workplace conflict (Paul, 2002), role conflict, role ambiguity (Addae, et. al., 2008) and workload (Shah et. al., 2011).

1.2 Problem statement
Many researchers are of the view that stress has a negative impact on employees’ performance but at the same time researches have proved that some stressful work conditions are critical to keep employees productive. This study examines the relationship of negative impact of stress on work performance of the personnel serving in the higher education sector.

1.3 Research objective
The purpose of our research is:
•To determine factors that cause stress among employees in the higher education sector.
•To explore whether these factors have positive or negative impact job performance.

1.4 Scope of the study
This study is conducted on private sector’s Universities in Karachi, in order to determine the impact of stress on Professors, Assistant Professors, Associate Professors, and Lecturers.

1.5 Significance of Research
Stress is one of the pervasive problems of an organization. For an institution to prosper, it is prerequisite that its employees work in a stress free ambiance. It leads to decrease in employees efficiency, increase in absenteeism and
30

In Universities, specially, if the faculty works without any stress, they can deliver better to students and also engage themselves actively in research work. Therefore, it is important to study the relationship between stress and job performance.

2.0 Literature review Stress

Selye was the pioneer to research on stress and business management (Le Fevre, et al., 2003). Stress is defined as the corporeal and cognitive response to acute circumstances (Selye, 1976). It occurs due to misalignment of an individual’s capabilities with the organization’s requirements (National Institute of Occupational Health & Safety, 1999). Stress is defined as a state where one encounters a chance related to what he aspires and for which the result is expected to be unsettled and critical. (Robbins, ET, al., 2009). Severe stress can have insalubrious effect on the lives of employees (Dollard &Metzer, 1999) which can lead to reduced effectiveness, less inspiration and increase in non-appearance in office (Palmer, et, al., 2004).

However, researchers believe that stress is of “difficult” nature (Kahn& Boysiere, 1992). The essence of stress has two folds: “Challenge Stressors and Hindrance Stressors”. Challenge stressors help in achieving goals timely and efficiently. The optimal level of stress increases the productivity of organizational members (Certo. 2003). Hindrance stressors prevent one from goal accomplishment (Robbins, et, al., 2009). Stress in glut badly impacts employee performance (Sdrolias et. al., 2005), increase in job satisfaction and turnover (Strahan et. al., 2008).

Stress is also linked with “demands” and “resources”. Demands are the expectations, situations, and circumstances in the organization whereas resources refer to the stuff used in meeting demands. The level of stress minimizes when resources are adequate to meet demand (Jongee& Dorman, 2006).

Some of the factors responsible for creating stress among employees in the organization are:

a) Work Load

Work load refers to the concentration of assignments at work. It is one of the main causes of stress in employees (Robbins, 1996). The attitude of various employees is different towards workload. Some comfortably manage it at the work place while for some it becomes difficult to manage (Shah, et al., 2011).

H1: Workload has significant impact on job performance of employees.

b) Role conflict

When role requirements of an individual are antithetical, it gives rise to role conflict. It is a critical situation because adherence to the requirement of one’s role makes it difficult to adhere to the requirements of another. (Seller & Damas, 2002).

H2: Role Conflict has significant impact on job performance of employees.

c) Inadequate monitory reward

A research in 2006 explored that 45% organizations loose talented human resource because of unjustified remuneration. According to 71% employees one of the prime reasons of job switching is inadequate pay (White, 2006). When employees think that they are not rewarded according to the efforts they are putting in; it creates stress among them and therefore their work performance decreases. Paying more can give a corporation talented and motivated employees but then it becomes one of the highest operating costs to the firm (Robbins, 2009).

H3: Inadequate monetary reward has significant impact on job performance of employees.

Job Performance

Job performance is the total output that employees give to the organization, which it recognizes. It is the sum total of abilities, opportunities and motivation (Shah et al., 2011). Different types of relationship have been found between work stress and job performance. First is the inverse relation between stress and job performance where rise in the level of stress decreases the job performance of employees. Second is a direct relation, where rise in the level of stress increases job efficiency. Third, mild level of stress boosts employee performance to peak in the beginning but then brings employee into distress situation (Dar et. al., 2011).
2.2 Conceptual Framework

In this study, job performance is the dependent variable whereas stress is the independent variable.

3. Research Method

Primary data that has been used in this study was gathered from different private sector universities in Karachi. Responses were obtained from different Professors, Assistant Professors, Associate Professors, and lecturers serving in various disciplines like Engineering, Business Administration, Medicine, Textile and Fashion. This research is quantitative in nature. Survey was conducted using close ended questionnaires. Stratified sampling technique has been utilized in this study. The total respondents were 133.

3.1 Results

Over all model is significant with F value of 12.718 (p < 0.05). R square is coefficient of determination that shows 22.8 % variation in job performance as explained by stress. All beta values are negative with significant value of less than 0.05 that shows negative relationship of workload, role conflict and inadequate monetary reward with job performance.

\[
\text{Job Performance} = 5.256 - .210(\text{Work Load}) - .208(\text{Role Conflict}) - .330(\text{Inadequate Monetary Reward})
\]

4. Conclusion:

The results of this study affirms that work load, role conflict and inadequate monetary rewards are the main causes of stress among employees in Higher Education Sector, which reduces their work performance. But since stress free life is not possible in any organization it cannot be completely eliminated. However the management can take steps to minimize it. Organizations can reduce the level of stress in employees by redesigning jobs so as to lower the work load on employees and cut back role conflict, and pay adequate salary to employees. Besides this organizations should also provide counseling for employees to learn stress management techniques.
### Table 1: Model Summary

![Model Summary](image)

- Model 1: 
  - $R = .478^a$ 
  - $R^2 = .228$ 
  - Std. Error of the Estimate = 1.32845

  *a. Predictors: (Constant), Inadequate Monetary Reward, Role Conflict, Work Load*

### Table 2: ANOVA

![ANOVA](image)

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>3</td>
<td>22.445</td>
<td>12.718</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>129</td>
<td>1.765</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>132</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- a. Dependent Variable: Job Performance
- b. Predictors: (Constant), Inadequate Monetary Reward, Role Conflict, Work Load

### Table 3: Coefficients

![Coefficients](image)

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>5.256</td>
<td>.399</td>
<td>13.524</td>
</tr>
<tr>
<td></td>
<td>Work Load</td>
<td>-.210</td>
<td>.078</td>
<td>-2.688</td>
</tr>
<tr>
<td></td>
<td>Role Conflict</td>
<td>-.208</td>
<td>.082</td>
<td>-2.02</td>
</tr>
<tr>
<td></td>
<td>Inadequate Monetary Reward</td>
<td>-.330</td>
<td>.087</td>
<td>-2.99</td>
</tr>
</tbody>
</table>

- a. Dependent Variable: Job Performance
References


M, Vounatsou; k, terzidis; L, Sdrolias(2005) Significance, defining factors and consequences of mental alienation of enterprises’ personnel from their work environment, in organisation al culture, corporate governance and competitiveness. *FirstInternational Conference on Business, Management and Econ,* (pp. 27-41). Izmir,turkey.


Reflection of Vision Accomplishment through Financial Statements

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Abstract
This research examines the usage of vision, its importance in the organization and tools that reflect vision accomplishment. Vision is a company’s goal for the long term. It is an idealistic and inspirational tool that a company wants to become or achieve in the long run. The term vision is used as a benchmark which determines the direction for strategies, level of hard work required and methods to evaluate performance. It is obvious that companies focus a lot on their vision and try to align all business practices according to the vision which will eventually lead towards accomplishment of vision and a better future.

The annual reports of companies shows what companies set a framework for better short term future decision making. However, most of the companies mention in their annual reports that they achieve vision indirectly and measure them as accomplishment of short term goals. Similarly, financial statements mention in annual reports measure the vision accomplishment in hazy manner - indirectly with the help of short term goal - and not directly since they do not employ any sound corporate performance tool to measure the performance of companies along with their vision achievement.

Keywords: Vision, Vision Accomplishment, Annual Reports, Financial Statements.

1. Introduction
Businesses have always remained a battlefield in which one has to win and one has to lose. Everyone is striving to become no 1 but it’s not really easy because it is not limited to exchange of goods or money but now building relationships with your customers, employees, suppliers, stakeholders and everyone associated with your business. Satisfying everyone’s need has become an important element of company’s success or failure. Drastic transformation have been seen in Pakistan’s marketplace as the gaps in demand and supply is increasing, consumers are getting more savvy and knowledgeable, competition is intensifying, and new technology.

Julian Burke (2009) further describes that vision actually helps leadership as it gives the direction to the team and it really focuses on understanding what it really takes to get the job done. It really inspires and it actually creates. In order to get successful position in market you need Vision statement. To attract investors, you need vision. To market yourself, you need vision. As we enter into a business we need to have a clear picture of what we have to do in a particular time period as it serves to be framework for our future proceedings.
Vision
Julian Burke (2009) state that vision provides an organization a source of inspiration and a proper platform to work. Initially organizations spend plenty of hours to develop a vision as it has critical importance.

Importance of Vision
Julian Burke (2009) discussed the importance of vision and it is created and used for two different ways: inspiration and prediction. Firstly, vision inspires you to reach something that you are wanting. It can even be used to make predictions for changes in the future and interests that you have. A vision connects with your passions and greatest potentials if it is strong and current. Regardless of whatever is happening in the world or challenges that are arising every day, a vision helps you know what and why you are doing the things you are doing.

1.1 Purpose of the Study
The purpose of the paper is to reinvestigate the relationship Exports and Imports in Pakistan. The literature is that the studies on Pakistan’s exports-economic growth relationship have not examined the export-led growth hypothesis exclusively for the post-liberalization period.

1.2 Problem Statement
Vision has great importance and is highly valuable for an organization to come into an existence. Pakistani companies has made proud sentences to provide them direction which we commonly known as vision statements. The main idea behind this study is to know by scanning annual reports of the organizations that how much vision is followed in making strategic decisions and how easily it could be measured. So the problem statement is, “To explore, with the help of scanning of annual reports, the practices of companies mentioning the vision and its impact on organizational performance and the tools which are used to measure this impact”.

1.3 Research Question
Actually the focus of this study is to know how vision is reflected in a company’s financial statements so there are some of the questions to go ahead with my study:

What is the impact of vision in an organizational performance reflected in financial statements?
How can the success of vision accomplished is measured with reference to its financial statement?

1.4 Objective of this research
The objective of this research is:

“To study through explorative research that how companies mention their vision, its impact on organizational performance and which tools they use to measure this impact.”

The purpose of this research is to find out the measurement tools used to analyze company’s performance. This is an idea to know the importance and impact of vision on organizational performance.

1.5 Scope of the research
The scope of this research is to do the analysis of importance of vision for an organization, its representation in annual report, its impact on organization’s performance and its success measured through financial statements.

1.6 Limitations
• It is non-survey based research.
• Research relied on secondary data in the form of articles, annual reports, and books.
• Number of companies is restricted to 50 only.
• Findings are generalized for this research

1.7 Hypotheses
1.7.1 Hypothesis No 1:
• \( H_0 \): Null hypothesis: More than 90% companies mention vision statement in annual reports?
• \( H_A \): Alternative hypothesis: Less than 90% companies mention vision statement in annual reports?
1.7.2 Hypothesis No 2:

• $H_0$: More than 90% companies are successful to accomplish their stated vision?
• $H_A$: Less than 90% companies are successful to accomplish their stated vision?

1.7.3 Hypothesis No 3:

• $H_0$: More than 50% company’s measure success/failure with financial ratios as mentioned in financial statements?
• $H_A$: Less than 50% company’s measure success/failure with financial ratios as mentioned in financial statements?

2. Literature Review

2.1. Vision

The most essential obsession for an organization is its vision. Christopher S. Penn (2008) defines as Vision is about an extraordinary sense to see where you’re going, to observe where to go ahead, in mutually accurate and abstract sense. Wise Geek (2012) discussed the formation of a vision can be an immense benefit to any type of organization. Basically, a vision captures the present position of the business, and provides to point the route of where the organization desires to set off. The vision statement, by contrast, is not regarding what the company presently is, but what the company expects to suit. Importance declaration is purely an appreciation of the natural value of the business and the products it manufacture.

2.2. Need of vision statement

C.L Williams (2007) says that there is no solitary more significant feature to the accomplishment of a mission than an understandable, hard, communal vision. There are a number of reasons of Importance of vision: A vision facilitates each person on the team creates assessment; A vision is a constructive benchmark for venture conclusion, accomplishment, and collapse. To trade your invention or service, you need vision. To magnetize shareholder, you require vision. To promote manually, you need vision.

2.3. Development of vision

In (e how) website it is declared that in order for a business to be booming, there must be a clear vision of where it is direction. Without a vision for the future, a company will mosey about in the wilderness of the marketplace. Every member of the organization should know that where their efforts will lead them. With the understanding of vision, every employee will shape up his efforts and behavior accordingly.

2.4. Role of vision in success or failure of organization

Roeder Consulting said that one of these decisive achievement features is project vision. Basically affirmed, a vision sets a course; it is involved in indication modify to stakeholders. in addition, sustain project vision had momentous collision on flourishing achievement of projects, particularly on its appropriateness for conclusion appropriate to factors such as improved pronouncement and organization capacity move stealthily.

2.5. Relationship between vision and objectives

Irena Huerta (2010) describes objectives as exact instructions as to what and when the organization will attain its vision, mission and values. Sutia Kim (2000) Alter has said that aim is a finish result, and it is often referred to as a “target” in progress text and proposal. Objectives provide as quantitative events within a programmed time surround that propel your communal venture in the direction of complete its mission. Objectives guide towards mission and mission leads towards vision.

2.6. Culture and vision

Malcolm Tatum (2012) classifies Culture as an expression used to portray the cooperative beliefs, values systems, and procedure that offer a corporation with its hold sole savor and approach. Richard Barrett (2006) stated that Getting the “right” vision and mission statements for your organization is vitally important. Developing the vision and mission should be the job of the leadership team. Getting buy-in from the senior executives and employee population is essential before finalizing your statements.
2.7. Relationship among Vision, mission, balanced score card and values

Vision can only be purposeful throughout the organization if targets are achieved. When desired level of state is equals to what you have achieved means that organization has achieved its success and has reached to its conclusion.

Kaplan & Norton (1996) says the fair scorecard keep conventional monetary procedures. But monetary procedures tell the narrative of past measures, an adequate description for industrial age companies for which investments in long-term ability and customer relationships were not significant for accomplishment. These financial measures are insufficient, however, for guide and appraise the journey that in sequence age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation.

- Financial: What financial returns are necessary by shareholder?
- Customer: What do our consumers want?
- Internal Process: What do we require to do to distribute?
- Learning and Growth: How do we continue the production?

3. Methodology

3.1. Data Collection

Secondary data is collected from internet, annual reports, articles and books. Annual reports are collected from company’s websites. Primary data is collected by developing a tool marking technique and filling it through understanding of financial data and description in annual reports.

3.2. Data Collection Tool

Data collection tool which is used in this research is fully based on the data available in annual reports of companies, which are selected randomly from Karachi Stock Exchange.

3.3. Data Collection technique

The technique which is used in this research is observations. The reason for selecting this technique is because of the focus of study is to collect, analyze and interpreting the usage and importance of vision and how vision accomplishment is stated in a given organization’s annual reports.

3.4. Population

The collection of companies operating in Pakistan is population of this research. It is not industry or specific company but it is focusing all companies listing in Karachi Stock Exchange.

3.5. Sampling

It is difficult to include all the companies listing in KSE as the sample of this study. There are multiple business sectors in Pakistan under which hundreds of companies are operating and are registered in Karachi Stock Exchange.

3.6. Sample Size

Out of hundreds of companies, the sample size is restricted to 50 companies.

3.7. Sampling Technique

The sampling technique which is used in this research study is Simple Random Sampling in which a sample is drawn randomly from a list of individuals in a population. There are several local and multinational companies operating in Pakistan and listed in Karachi Stock Exchange (KSE) and among them 50 organizations were selected randomly.

4. Results & Discussion

4.1. Importance of vision statement and practice of mentioning in annual reports

Organization vision is considered to be an important element of its existence; it is a framework to remain determined and focused and a direction to success. So almost all companies operating in Pakistan give importance to their reason of existence (mission) and mention its vision in the initial heading of their annual reports. Most of the companies mention their vision statement in their annual reports to show importance of vision in their organizations. As vision statement serves to be a direction for organization to go ahead but some companies did not mention vision in their annual reports so how it is going to show commitment with reason of existence. Out of 50 companies, only
10% companies did not mention vision in annual reports and the rest 90% companies mention vision in their reports.

4.2. Representation of vision accomplishment in annual reports

According to the analysis, as such no clear representation of vision accomplishment is mentioned in the annual reports that could be directly linked with the vision statement of the organization. But it is important to know that indirectly it is linked to vision because the vision is spread over into decades and yearly targets are to be achieved and annual reports only show yearly achievements. So its clear depiction is hard to find in the annual reports. Financial statements show only yearly achievements. All these yearly achievements will be compiled into decades which will show the accomplishment as it was mentioned into vision statements. So it can be said that yes 90% companies indirectly mention vision accomplishment in their annual reports. However, there is apparently no gauge to measure the vision accomplishment.

4.3. Annual reports show short term goals

It is very obvious that nothing can be achieved in a day. There is no dream that can be fulfilled in a day or two it needs many years to achieve it. Similarly, a vision cannot be achieved in a day or so. It requires decades to achieve its original theme behind existence. Annual reports are made on yearly basis and focuses on short term goals and achievements not on long term goals. They actually depict the results of the targets made in the previous year for the coming year. The analysis of financial statements is short term in nature as the survey determines that 100% companies who participate in survey agree that their annual reports show short term goals. Actually these short term goals are part of long term goals which will help to achieve long term goals in the longer run. However, very few companies depict this continuation precisely in their annual reports.

4.4. Financial statements provide an avenue for future predictions, decision making and strategies

To some extent it can be says that companies do use their past records, achievements and targets in making of new targets and goals. It is hard to make future predictions and opportunities on the basis of past records because changes occur all the time and it is company’s internal people who assess the environment in which the organization is operating. It could be a source to make future decision making and required changes could be made in the strategies that could easily achieve the targets meant for current year. But somehow, past cannot stretch far in future and for effective far reaching forecasting; one has to consider current challenges and opportunities rather than past alone.

4.5. Main Variables

Variables that are identified are Quality enhancement, profit maximization, diversification, expanding businesses, innovation, gaining market share, product development, and employee development. These all variables are interconnected, interrelated and interdependent as achieving one needs other variables to work with it for organizations’ success. Such as; quality enhancement increases market share, profits, and employees development. Similarly if companies go for diversification than they are expanding their business, company’s need to come with new innovations, increased market share and new employees will be hired and developed which will leads to profit maximization in the longer run. In other words, all these short term variables make the long term vision of an organization and without their interconnectivity; the long term success of organization cannot be assured.

4.6. Employee aspect of the organization

Employees are considered to be an organization’s assets which are really important and they determine the organization’s success or failure. A lot of emphasis is given and is mentioned in the annual reports in the form of staff retirement benefits, loans to employee’s, gratuity funds, bonuses, training and development and health and safety programs. It is the employee who turns the dreams into reality and gives an organization a meaningful start and an unforgettable altitude of achievement. But it actually misses the internal satisfaction of employees with respect to culture, environment and employees behavior towards each other.

4.7. Financial ratios as a tool to measure organization’s success or failure

It can be says that financial position of the company is measured by financial ratios of financial statement and financial statement are given in the annual reports of the company. It is a tool to measure organization’s current position after a series of actions and reactions. These ratios have bundles of meaning which covers various and different aspects of organization’s objectives set to achieve part of its vision for a particular year. Annual reports have detailed analysis of current organization’s status in terms of its Balance sheet, Income statement, Cash flow Statement, Statement of changes in equity and on the other hand ratios cover a broad spectrum of company’s financial performance, its leverage, its status of liquidity, its expenses, its profitability, valuation of bonds and shares.
and percentage of returns for shareholders. However, this financial based measurement does not measure the achievements of strategic goals (both short term goals which are aligned with the respective organizational vision).

5. Conclusion

In the end, it is very clear and obvious that vision, mission, objectives are important for any organization’s success and achievements because corporate world is changing very rapidly. The more importance is given to the vision, the higher will be the achievements. Now-a-days companies are evaluating performances on daily basis in order to have quick transformation of objectives into reality. Vision can only be achieved if companies seriously align its performance with its objectives. Strong focus on short term targets, collective and individual performances, quality of work, diversification of products, continuous innovation, increase in sales, quick and reasonable expansion, gain in market share ensures success in the long run which will eventually leads towards vision accomplishment. These short term accomplishments are stated in annual reports but not in the form of financial statements and financial ratios. They show past year’s performance in numbers and have great impact on organization’s reputation both internally and externally in the short run. It actually also determines the level of interest for investors, shareholders and all stakeholders. These annual reports show what company has done and it sets a framework for better short term future decision making. However, some of the companies mention in their annual reports that they achieve vision indirectly and measure them as accomplishment of short term goals. Similarly, financial statements mention in annual reports measure the vision accomplishment in hazy manner - indirectly with the help of short term goal - and not directly.

6. Recommendations

• Companies should show the division of vision and milestones they plan to achieve in decades.
• Tactics or strategies should be clearly mentioned that are set for that particular year.
• Vision accomplishment or target set for particular year needs to be mentioned for proper understanding of the reader to understand.
• Long term focus should also be clearly reflected in the annual reports so that the direction could be easily determined.
• Annual reports miss the internal satisfaction of employees so they need to determine the level of connectivity between organization and its employees.

References


Customer Retention in Fast Food Industry

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Abstract
This research investigates the relationship between dining attributes, customer satisfaction and customer retention in the fast food industry. This research has brought out how to gain customer retention to the services and the factors that influence the customer retention. For this research sample size of 164 consumers from different fast food restaurant has been taken randomly on the basis of convenience sampling. Multiple Regressions were used as the statistical tool. Results obtained from the analysis corroborate that there is a significant impact of service quality on the customer retention.

Keywords: Customer Retention, Service Quality, Fast food industry.

1. Introduction
Eating is a daily action and necessity for all human beings. Depending on individual’s reason for eating at restaurants, individual’s intention or instinct assesses a multifarious set of attributes ahead of choosing a restaurant. The importance of these restaurant attributes is ultimately evaluated in the customer’s mind and leads to purchase decision. Some factors like age, company and even social divisions amplify these attributes as the customer makes dining decision (Johnson & Champaner, 2004). The restaurant industry has undoubtedly not been free from either augmented competition or from increasing customer expectations regarding quality. In the highly competitive food industry, large chain operators have a propensity to gain competitive advantage in the course of cost leadership, through standardization and economies of scale, while smaller independent restaurants on the other hand endeavor to gain benefit through differentiation (Lowenstein, 1995).

Whether human live to eat or eat to live, food always plays a fundamental role in the lives of human being. The significance of foodstuff cannot be overstated from the physiological viewpoint; food gives us sustenance; while on the other hand from psychological point of view food is classified as a basic need. Food can also be characterized as a product used to describe self-actualization because individual can quarrel for food as it is of vital importance at individual and group level. (Lowenstein, 1995).

2. Literature Review
The food industry has become highly aggressive as customers have become more demanding due to sufficient knowledge and information they have about the different trends of restaurant which causes marketers to implement effective marketing strategies to get the competitive advantage and better understand the needs and wants of the customers (Bateson and Hoffman, 1999). Numerous fast food restaurants are now paying attention on studying, assessing and implementing the marketing strategies with the aim of gaining maximum market share of customers and improving customer retention to improve the monetary performance for the organization. Customer satisfaction, contentment, retention, quality and excellence are global matters that influence all organizations (Lasser & Winsor, 2000).

Customer satisfaction is vital to the restaurant management because it is normally assumed to be a noteworthy
The psychology of customer is that if there is no defect in the overall dining service, he considers the quality of food good enough (Bitner, 1992). Quality is all about eliminating internal and external failures. Internal failure means all shortcomings are eliminated before the product leaves from the factory and external failures means the defects customer find after the usage of product which are eliminated after receiving feedback from them (Eileen and Berry, 2007). Earlier researches on quality mainly centered tangible goods, while complicated services were ignored. Products quality was conventionally correlated to the technical stipulation of products, with the most description of quality coming up from the manufacturing goods sector where excellence and quality control has come up from awareness and research (Raajpoot, 2002).

Quantifying service quality is a difficult task because the idea of service quality is intrinsically insubstantial in nature and complicated to define (Kincaid, et.al & Busser, 2009). The concept of service quality comprises the tangible and intangible fundamentals that are most essential to consumers. Service quality has been related to customer satisfaction, contentment and loyalty as well as the business performance, success and profitability (Raajpoot, 2002).

Branding and its orientation have a significant impact on the contemporary act of consumption in restaurants. Undeniably, the previous century can be considered as the century of brands in marketing (Johnson and Champaner, 2004). Edifice brands have become a key focus of restaurant managers. Furthermore, restaurant managers are relating brand management theories and practices to restaurant management, and lots of restaurants are redesigning their business missions to imitate branding orientation rather than going for product orientation. There is also an influence of brand recall on consumer’s intention in choosing a restaurant for dining due to different discount offers through different mediums of advertising that mostly include below the line activities that make restaurant diminish the perceived risk of paying more for food (Lowenstein, 1995).

Researchers have acknowledged customer satisfaction, service quality and the loyalty to be equally important for marketers, because they are responsible for determining dining satisfaction (Kaplan & Norton, 2001). Customer satisfaction and the quality of food also have long been acknowledged as essential functions for success and endurance in competitive marketplace that have been connected to consumer purchase behavior, loyalty, and their willingness to spread positive word of mouth, recommendation, and compliments (Olsen, 2002).

Purchase behavior of customers in restaurants can be pretentious in different ways. Researchers consider ambiance as an attention-building medium that can make restaurant attractive. The center of attention is based on the collective possessions of clues based on design, sound, motion, and color. Customers are delimited by true rock and roll memorabilia (Supphellen, 2000). As a meaning generating medium, the environment gives discriminative motivation to buyers that facilitate them in identifying restaurant’s divergences as a source for selecting that restaurant. For instance, snowy white linen table clothes, the soft lighting, and crystal chandeliers of a chic restaurant communicates the level of service and the kind of food offered to customers that create a fine-dining experience (Palmer & Neill, 2003).

Customers frequently act as detectives as they investigate for information and standardize their opinions in mind regarding the resultant service (Kincaid, Seyhmus, Mao & Busser, 2009). For example, the whole thing about the dining attributes of a restaurant or café starts from the dining table which communicates to the potential customer the practical sign of service excellence (Raajpoot, 2002). Factors such as surface, texture, smell, color, and sound in restaurant that persuades the purchase likelihood is known as the mechanical clues (Eileen & Berry, 2007). Food and drink quality is also an imperative dining attributes and restaurant management should ensure that quality food and drink is provided to the customers (Reece, 1999). This increases the restaurant business revenue as well the word of mouth publicity (Almanza & Jaffe, 1994).

The study of quality, price and product attribute shows that there is a strong association between a product attributes and the quality perceptions of the customers (Lasser & Winsor, 2000). The research also highlighted that customers who pay for high quality foodstuffs also had a low acceptance for deviations from predictable quality. From the fast food restaurant perspective, this entails that customers who want superior dining quality are more sensitive to quality fluctuations and possibly are less price sensitive i.e. for setting higher price, marketing strategies must be implemented in such a way that enhances the quality, image of the restaurant, ambiance and service (Raajpoot, 2002).
One of the factors for customer retention was found to be product’s higher volume rate which refers to the repeat purchase of the particular item and quality preferred (Jochen, Anna & Rachel, 2000). Tangible quality has a bigger circumlocutory effect than the straight effect from a theoretical point of view; affect acts as a fractional mediator and facilitates the association among tangible quality and consumer buyer behavior (Lasser & Winsor, 2000).

One more factor for the customer retention which really brings customers back is that the customer likes to have a positive attitude of employee throughout dining as a support for the disputation that employee approach is strongly linked with customer satisfaction. Ease and the location of the restaurant is also considered as one of the most important factors that influence customers to select that particular restaurant which satisfy their needs and wants regarding quality of the food, restaurant environment and is easily accessible. The convenience of location includes the parking space and seating availability in the restaurant (Reece, 1999). The well-located and ample parking space is beneficial both for the restaurant management and customers who often see the cost of attaining parking near a restaurant as a non-revenue generating expenditure. This specifies the value of well-located parking along with the direct consequence it has on consumer intentions to patronize a restaurant (Lasser & Winsor, 2000). All these factors increase the retention rate and the loyalty of the customers towards that restaurant (Bateson & Hoffman, 1999).

Customer satisfaction and customer retention are elementary factors when business and marketing strategies are put together in an organization (Reece, 1999). Normally used indicators of customer satisfaction comprise repeat customer purchase, brand loyalty and reliability and word of mouth recommendation (Lowenstein, 1995).

Customer always feel admire and important if they get the best service and respect from the overall management of the restaurant specially from the behavior of the front line staff that increases the comfort level of customers and at the same time makes them brand loyal to that particular restaurant (Reece, 1999). In case of large restaurants franchise group, positioning might be important while the performance of anyone of the outlet can impinge on the reputation of the whole network (Kuo & Kao, 1999).

Businesses like restaurants are considered as low credibility service providers and this is one of the reasons that quality of the services are complicated to prove until consumers visit the restaurant. Further, the service quality that customers come across may be dissimilar at different times they visited that particular restaurant, thus upsetting their retention intentions (Kaplan & Norton, 2001). A recent study divulges that customer satisfaction is a better predictor of customer purchase intention as compared to service quality. Increasing trend in retention is always due to service quality which is provided by the management to the customers and at the same time customer should be satisfied. Any of the factor missing may cause the decrease in loyalty of the customer towards that particular restaurant and customers are unwilling to re-visit for dining to the same restaurant (Olsen, 2002).

Each restaurant has its own strategies to get the competitive edge in the market. Supporting a firm's competitive benefit and enduring productivity and profitability possibly better relies on the incorporation of customer satisfaction into the service organization’s strategies and operations that helps the restaurant management to look their positions in the long run completion in industry (Olsen, 2002).

In countries like Germany, there is a system of grade cards that explain the quality differentiation in restaurants. It gives customers an idea about an individual restaurant that whether it has high-quality hygiene, and gives confidence to customers to go to restaurants they want. This may perhaps encourage competition among restaurants, by making customers not incarcerated to any particular restaurants by providing lesser prices, and improved food quality with ideal hygiene and sanitation conditions (Johnson & Champane, 2004). In Chinese and French restaurants, customers view that quality of service has fall short of customer expectations (Palmer & Neill, 2003).

1.2 Conceptual Model

<table>
<thead>
<tr>
<th>Service Quality</th>
<th>Customer Retention</th>
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<tbody>
<tr>
<td>• Tangible</td>
<td></td>
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<tr>
<td>• Reliability</td>
<td></td>
</tr>
<tr>
<td>• Responsiveness</td>
<td></td>
</tr>
<tr>
<td>• Assurance</td>
<td></td>
</tr>
<tr>
<td>• Empathy</td>
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</table>
This study finds out the relationship between dining attributes, customer satisfaction and customer’s re-patronage intentions. This study explains how customers decide to revisit the restaurant and what factors influence customers to return to restaurants again.

**H₀:** Service quality has a positive impact on customer retention.

### 3. Methodology

The constructed instrument was pre-tested, with 15 to 16 sample questionnaires which were filled, to know if there is any problem with the instrument and that questions are simple and easy to understand. Through pre-testing it was found that all respondents were comfortable in responding and that the instrument drew their attention. Sample size of 164 fast restaurants was taken on the basis of their dining attributes, customer satisfaction and customer’s re-patronage intentions that included expectation and performance. The sampling technique employed in this study was convenience sampling method and the total respondents were 164; respondents were those customers who were seated in fast food restaurants operating in Karachi. Multiple linear regressions were used to test the hypotheses and reliability. Cronbach’s Alpha was used to check the consistency of data. For this study, the value of Cronbach’s Alpha was 0.943 which indicates that the data is consistent (Multivariate data analysis, sixth edition Joseph F. Hair).

### 4. Results and Findings

The model summary explains the applied model. The R square value is 29.5% which means 29.5% variation in customer retention is explained by the model.

The ANOVA table significant value is less than 0.05 that is 0.000. It means that the above mentioned model of multiple regression is appropriate to apply on the data set and is better than guessing the mean.

The coefficient table explains the relationship of the assessment of service quality with respect to the customer retention. The service quality was measured through the SERV QUAL model. It can be seen in the table that all factors of SERV QUAL that have significant value of less than 0.05 which means that there is significant effect of assessment of service quality on the customer retention and these variables contribute much to the model, therefore null hypothesis is not rejected. The beta values of each variable show per unit change in retention by per unit change in predictor. Standard error determines whether or not these beta values of the variables significantly differ from zero and to what degree beta values of predictors vary across other sample. Standardized Coefficients determine the relative importance of predictors. The larger absolute standardized coefficient values contribute more to the model. T and p values indicate the significance of the predictors. P-Values less than 0.05 show significance of the variable.

#### 4.1 Accuracy and Assessment of Model

The adjusted R square value gives us a fair idea about generalization of this model to other sample. In this research the gap between R square and adjusted R square is just 2.2% which means the model fit the observe data well.

#### 4.2 No Perfect Multicollinearity

All variables tolerance values greater than 0.5 shows that there is no strong linear relationship among independent variables. The tolerance is basically the percentage of the variance in a given predictor that cannot be explained by the other predictors. Thus, the large tolerances show 12%-18% of the variance in a given predictor. When the tolerances are close to 0, there is high multi-collinearity and the standard error of the regression coefficients gets inflated. Variation inflation factor (VIF) in another way of identifying multi-collinearity which is reciprocal of tolerance (1/tolerance) whose values must be less than 2 to confidently conclude that there are no issues of multi-collinearity in this model.

#### 4.3 Normality

Residual of the model must be random and follow normal distribution. To check this assumption, Probability plots (pp plots) and KOLOMOGOROV-SMIRNOV, SHAPIRO-WILK normality tests were used. Probability plots are generally used to determine whether the distribution of the variable follows normal distribution. KOLOMOGOROV-SMIRNOV and the SHAPIRO-WILK test significantly test whether the null hypothesis of those residuals follow normal distribution.

Both normality test p values greater than 0.05 shows that residual follow normal distribution.

#### 4.4 Homoskedasticity

Homoskedasticity means that variance of the error term is constant across cases and is independent of the variables. In SPSS, since the graphical view of test of Homoskedasticity is not available, therefore, syntax command was used.
in this research in order to check this assumption. A total of 2 tests BREUSCH-PAGAN and KOENKER test of Homoskedasticity were used.

5. Conclusion

In today’s fast progressing competitive market, the base line of a firm’s promotion and marketing strategies, tactics and procedure is to make profits and add to the growth of the company. Customer satisfaction, contentment, quality of the service, excellence and retention are the global matters which influence all organizations. This includes all type of organizations whether large or small, global or local profit or non-profit service providers.

In the restaurant industry, the intangible nature of services sometimes make it difficult for the restaurant managers, workforce and customers to calculate, measure, assess or confirm service productivity and service quality. The various benefits of the elevated quality service are both for the management of restaurants and its customers.

A restaurant service also constitutes a route to performance improvement in which customers are involved. This happens due to the interaction of the consumers with the service surroundings and personnel throughout the utilization experience and therefore understanding consumers’ sentimental response becomes vital in replicating satisfaction in the service locale. This study indicates that the affective processes throughout the consumption phase might play a straight, unmediated role in determining customer retention.

5.1 Recommendations

Customer satisfaction is the key element for the planning marketing activities in view of the fact that satisfaction does sway customer’s intention to re-patronage the restaurant in fast food industry. Therefore, marketers are supposed to look into the issues that would have an effect on customer satisfaction intensity. Besides, as customer prospect are altering over time, it is advised to determine the customer satisfaction and expectation on regular basis and grip complaints timely and effectively.

Moreover, to know the needs of customers and to satisfy them, managers and restaurant administration should study customer’s values and must understand how consumers perceive their restaurant’s products and services, so a study that divulges consumer perception of all brands is necessary. A study of this type should explain how customers appraise main brands that help in the managerial and the academic understanding of customers’ assessment process.

Restaurants should invest in the training and development of their employees as they are the ones who in actual are dealing with the customers. Their presence and approach creates an image in the customers mind. Customer retention is important in the current competitive environment; restaurant manager should need to take care of the factors that directly impact the customer retention rate.

5.2 Future Research Direction

A study of the basics or attributes of customer satisfaction can indicate what actions a restaurant service manager must take to raise the probability that customers will revisit restaurant. Various researches accept that restaurant failures are partially due to management's lack of strategic direction in determining and focusing on customer contentment, satisfaction and retention.

References


Table 1
Model Summary

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<th>R</th>
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<td>.295</td>
<td>.273</td>
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a. Predictors: (Constant), Empathy, Reliability, Tangible, Assurance, Responsiveness
b. Dependent Variable: Retention

Table 2
ANOVA

<table>
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</tbody>
</table>

a. Predictors: (Constant), Empathy, Reliability, Tangible, Assurance, Responsiveness
b. Dependent Variable: Retention

Table 3
Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.890</td>
<td>.330</td>
<td></td>
<td>2.637</td>
</tr>
<tr>
<td>Reliability</td>
<td>.250</td>
<td>.081</td>
<td>.225</td>
<td>3.071</td>
<td>.003</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>-.214</td>
<td>.083</td>
<td>-.198</td>
<td>-2.579</td>
<td>.011</td>
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<tr>
<td>Assurance</td>
<td>.377</td>
<td>.086</td>
<td>.319</td>
<td>4.292</td>
<td>.000</td>
</tr>
<tr>
<td>Empathy</td>
<td>.147</td>
<td>.060</td>
<td>.150</td>
<td>2.141</td>
<td>.034</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Retention
Export Supply and Fraud Risk – The Role of Information Technology

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Abstract
The report is about an analysis for how banks have done transformations for a lot of years and continue to depend on technology more and more for providing fulfillment of transactions to its valuable customers. The main idea of the report is to understand the hi-tech world we are living in, and how banking companies have to monitor round the clock for customer’s safeguard of rights and to avoid misuse of banking instruments.

The methodology of report buildup is based on feedback from banking professionals in senior ranks, open ended questions and meetings. Other than that internet libraries were searched to get the right information for better understanding of topic. The problem statement is explained and the competition between the virus and anti-virus is explored in details. In a nutshell, fraud risk is high in today’s world and banking companies are being careful in doing transactions of customers through electronically powered means. The bank thief in today’s world is very smart and has tools to avoid being caught by police. The banks are trying to safeguard customers’ data but need to be more aggressive for winning this race.

E-banking frauds have increased overall because of a lot of relying on modern technological systems, the more systems being placed the more chances of hacking Customer’s data and transactions and the whole processes are inside systems and cannot be seen, but if you the hacker has the right password they can see everything about customers and perform the systems transactions on their behalf also. Some professionals said that it is not necessary that hackers belongs from outside the organization it may be from inside the organization and may use all the transactions wrongly and leave the company bearing losses

E banking is getting a boom; this study will certainly help the individuals as well as organization to take important decisions relating to their banking businesses. Coming age is an age of wireless, internet and iPhone so the importance of E banking stands higher.

This study will be helpful for the analyst analyzing the feasibility of investing handsome amount of capital in E-banking and POS transaction facility in Pakistan.

Keywords: Fraud Risk, Information Technology, Banking Sector, Pakistan.

1. Introduction
IT and Banking: Technology has created new trades opportunities, new markets, new ways of servicing customers, more effective delivery channels for banking industry. E-banking, SMS/ mobile banking, POS transactions, are a few examples. Further on a bigger scale today we see that fund transfer system to other cities/ countries, swift payments and telex transfer are more easy and fast than ever before. IT also provides banking industry with ways to deal with new challenges and fluctuating economic world requirements. IT is the base stone for the changing economic world that aims towards increasing the reliability, accuracy and speed of financial institution’s operations that helps the banking sector to strengthen.

The IT has helped the financial activities to increase across the world. The IT has also helped in reducing cost of world wide fund transfer just because of development of worldwide networks. IT also helps banks to come up with the requirements of their customers which are more demanding nowadays than ever before. Customer nowadays
wants fast banking, they want services where they are, they wants bank to serve them beyond traditional ways and confines.

IT helps banks to keep their accounting record as well as in their back office operations. IT is also helping in creating self-banking concept in people all over the world. IT also provides new delivery channels like ATM Automated Teller Machine; Cash deposit Machine, Internet banking and Mobile banking. It is not possible for the banks to run their IT department alone. Today many of the banks are now interconnected with their branches within the city but also in far across areas as well. Because of this information systems and their networks are now much more conjoint and vast.

Technology is bringing most of the changes in business today. IT is creating new markets, new business opportunities, helping creating new products, system and information oriented business and management processes. IT provides us different ways of getting information and these ways have been development in recent past years a lot. Worldwide web (www), any type of file transfer protocol, email is few examples.

Interesting fact is that internet is not command by a singly authority, but it is the connected networks all over the world are looked after and run by universities, different organization, companies and local and international authorities. We do our businesses through internet using electronic means and technology in different ways like business to business and business to customer. E-commerce helps the companies in business exchanges among different companies. We use internet as a basic channel while working with internet banking.

Technology helps banks in achieving better efficiency, productivity, strong controls and as a result increasing profits. Customers also getting their dream and demands fulfill in shape of online, internet and mobile banking on anywhere and anytime basis. To meet customer expectations which are increasing day by day banks are now required to grip the IT. Internet banking helps banks to build branchless banking concept in Pakistan. In today’s world where ecommerce has built up strongly internet banking is very important for the banks to stay in the competition. Traditional banking which was previously enjoying a competitive advantage will certainly going to get effected by internet banking. Estimation says that the banks that failed to fulfill the requirement of internet banking will lose big portion of their customer base.

There can be two types of internet banking system, either an existing bank which has branch networks and all can develop its online banking site for its customers or a new banking company with no physical offices/ branches can start virtual banking following concept of branchless banking. This online banking system is categorized in to three categories. (i) At Basic Level banks develop their web pages to circulate information among customer about their products and services, sometime their schedule of charges as well. Customer can also send their queries to a given email address and receive response as well (ii) at second level banks allow customer to view their account balances, transactional history, submit request from or applications online but they are not allowed to make their transactions. (iii) At third level customers are allowed to access their bank accounts for viewing balances, transaction history, transferring funds from one account to another account, purchasing and paying utility bills. Many of the banks usually are providing almost same type of services and standard packages to their customer, their services and facilities almost same at most of the times.

Globally banking has gone beyond the four walls of a branch. Pakistan is far beyond the internet banking services that have been provided in other countries. E-commerce was started a bit late in Pakistan as compare to rest of the world but now with the help of initiatives taken by the banks as well as the central bank, the volume of ecommerce is now starting to rise. The internet banking in Pakistan is not such advance and dynamic to compete with the rest of the world, as there is no proper documentation of financial records. Here in Pakistan we see concept of merchant account is completely lacking. Central bank has nominated a task force to work on Electronic Clearing House (ECH). We also saw local banks going more towards installation of ADCs (Alternative Distribution Channels) not on their premises only but in near around vicinity of their branches. We see number of ATMs and CDMs installed at various branches as well as in shopping malls and areas where traditional branches are not available. In this system majority of the banks are connected to each other via facility of one link or m-net in the country. An account holder of one bank can withdraw money or transfer a sum of money from one bank’s ATM to other bank’s ATM. This system is working well.

1.1 Research Question

Is volume of internet and online banking frauds have increased or decreased since the application of advanced information technology system?
This research includes all the scheduled banks either doing conventional or Islamic banking in Pakistan. Some of the banks have great emphasis to increase internet/online banking or ADC channels, whereas some banks have provided limited access to their customers to online/internet banking or ADC channels.

2. Literature Review

Davis and Hutchison, (1997), write that computer crime is a devastating issue that has brought a collection of new crime as a result we have to consistently fight against this new threat.

Picard, Michel, (2008), states that banks put all their efforts to use more and more effective tools to conduct their business in a more efficient way. In today’s world, we cannot think to work without personal computers. There are always pros and cons with these electronic tools. Number of clients increases, services extended but there remains a chance to lose track of money that has been transferred. If the system is efficient it covers bogus operations and also improves the efficiency of whole business. There is always required greater expertise to manage more advanced and complicated technology. Thus doors to new threats open which impact the whole financial market, not only banks.

Foffman et al., (1996), have stated that information technology provides primary infrastructure for ecommerce. By primary infrastructure it means that set up of system for doing business and all major arrangements to keep the users safe.

Sullivan, (1996); Alper, (1999), write a company can advertise its products and services, can display what they are, can interact with the customers as well as directly get feedback from the customers. Image of an organization can be enhanced with the help of a good web site. Substantial benefits can also be enjoyed by the leadership and the organization. But all this can be compromise of not follow proper security guidelines.

Zona Research, Inc., (2000), has also written that a website can also increase the efficiency by direct sale and reducing cost by having direct communication with other companies. But it can also damage the image of the company if any activity from the intruder affects the customer directly or indirectly.

According to “Monetary authority of Singapore (2008)”, the ongoing developments in internet banking technologies and innovation allows banks to strengthen its relationship with the customer and provides better risk control system to the banks. In this competitive world of business banks are bound to adopt new and innovative ideas, come up with new products, provide a step ahead service to its customers as compare to its rivals and for all this, banks need to work a lot on their information technology, network and telecommunication systems.

Shaikh, Junaid M. (2004), have written that advance IT does not prevent the system from external frauds only but it also helps the organizations to secure the system from internal threats and frauds. This is possible because using better systems/applications give unlimited access to the auditors so that they can check if there is any question mark in the system.

Baker, Charles R. (2000), have examined the problem of fraud on the internet and talked about three important areas of deceptive and fraudulent practices; trading of securities, electronic commerce and large number of growing internet companies, and major causes of increasing internet frauds. By only seeing great business opportunities companies enter in to these businesses without having proper arrangements for customer and data security that resulted in online frauds. The only way these companies can prevent their customers being compromised is adopting new ways of internet security.

IT SECURITY, US-CERT; (2008), stated that online/Internet banking is a continuous challenge to all the banks that are willing to give more exposure to their customers to online/internet banking or want to divert the transaction flow towards alternative distributed channels. Customers can be victim of “Phishing attacks”, “Malware” or “Pharming” while using online banking system if proper arrangements for customer’s security have not been established by the service provider.

America, Bank of; IT; (2008), state that fraudulent transactions through credit cards also increase where merchant does not implement online payment gateway for executing the transaction.

Khan, Saadullah (2007), mentioned that banking companies should install hardened operating systems with better security features to avoid all internal and external threats. Banks should also conduct regular system and data integrity checks. Banks should also work on the ability to fight against various risks come with the ecommerce or transaction activities.
Nelson (2005), stated that banks will have to adopt new technologies and increase the volume of internet banking as compare to personal banking. Because the banks which do not adopt this change will not become successful. Once a bank enters in the world of information technology they will require competitive technology. The bank who does not adopt new more defensive technology they will increase their risk, as the hackers always use new and latest technologies to ensure their success.

Dedman, Richard, Simon Robert-Tissot (2001), stated that use of advance technology and compliance is the way that banks can do safe business without putting their customer’s security at stake.

Digital River, (2000), mentioned in a report that methods usually used for standard network security are not useful against online frauds. These methods include firewall of a company, server providing ecommerce, operating system that a company uses on its network and network database. Using a security program with the ecommerce application is the most successful way to prevent against online frauds. Usually sixty percent of the firms use bank authorization protection, thirty percent outsourced their fraud protection and ten percent of the firms use in-house recognition systems. It has been observed that the fraudsters usually try to attempt frauds on ten to twenty percent of big tickets. Normally the value of these tickets is equal to or more than two hundred dollars.

3. Methodology

3.1 Research Approach

In this research, we apply qualitative research approach. We apply particular research steps like collecting the data, compiling the data and considering the information that have gathered from different sources of data collection. In this research we try to deduce a theme from the perceptions.

3.2 Research Method

In this research we focused on gathering a collection of micro level case studies investigated through personal interviews of the concerned persons in relevant departments. Questions were broad and open ended that enabled us to reach the actual findings.

3.3 Data Collection

The data in this research has been taken from personal interviews. A detailed questionnaire was also presented to each of the interviewer to increase the reliability of the data.

3.4 Interviews

After prior approval from the concerned persons in relevant departments, personal visits were made to take open ended interviews from the officials. Eight questions were design for the interviews that can help in finding out the desired information about the topic or problem. Additional questions were asked if there was any need found.

3.5 Trustworthiness

All interviews conducted from personals who are working on senior ranks in the relevant departments. After obtaining prior approval personal visits to their offices were made. Topic and purpose of this research and importance of their consent was also brought to their knowledge. In addition to these personal interviews these concerned persons were also requested to reply on a questionnaire via email, containing all those questions that were asked in the interview from them.

4. Results & Discussion

As data for this research was collected through personal interviews, it was made sure that these interviews contain all questions that can be helpful in finding out a result for our discussed problem. Eight major questions were listed down and response from each individual was then considered and compared.

A total of 7 interviews have been conducted. Almost all the interviewees possess an executive level position in different financial institutions. Further, all of them have more than 10 years of experience in their respective fields.

4.1 Findings

• Use of advance information technology plays its positive role in preventing online and internet banking frauds in banking.
• It is important that system should be developed on organization’s need basis.
• It is also important that the implementation phase should be exercised or monitored by experienced and
Training should also be considered as an important part of the whole process.

5. Conclusion & Recommendations

5.1 Conclusion

After conducting interviews from personal that are working with different banks and possess vast experience in the relevant field, we found that seven out of seven (100 percent) of the interviewees agree that implementation and proper handling of advance information technology systems and applications help banks to control risk and fraud associated with banking system.

We concluded that proper implementation of advance IT system application and training help in reducing the risk of internal and external frauds in banking system.

5.2 Recommendations

The conclusion of this paper could help the banking industry in Pakistan to adopt the advance IT solutions and change their way of banking from traditional banking systems to advance and international standards of banking. In addition to this the upcoming researchers who want to work in this similar area can further discover the problems identified in this research.

The literature review, data and findings of this paper will help the think tanks of the Pakistani banking industry to take positive initiative towards strengthen the online and internet banking system in Pakistan. It will also help the researchers who want to explore this area further.

References


