

# Journal of Economics, Innovative Management and Entrepreneurship

www.eikipub.com



Volume 2, Issue 2

April-June 24

ISSN 3029-0791



## Table of Content

Foreword .....	2
Post Flood Economic Challenges, Resilience and Rehabilitation Strategies with Thematic Analysis Approach: A Case of Larnaka .....	3
Mukaram Azhar <sup>1*</sup>  , Athar Hussain Soomro <sup>2*</sup>  , Zeeshan Azhar <sup>3</sup>  , Sateesh Kumar <sup>1</sup>  .....	3
Evaluating the Correlation between Specific Macroeconomic Performance and the Price of Crude Oil in Nigeria .....	15
Ali Salisu <sup>1</sup>  , Ibrahim Musa <sup>2*</sup>  , Sule Magaji <sup>2</sup>  .....	15
Exploring Gender Disparities in Executive Leadership Positions in Norway: A Qualitative Analysis .....	26
Nilofer Nazrul <sup>1,*</sup>  .....	26
Does Higher Startup Intention Leads to Higher Growth Performance? An Analysis into Factors Impacting Growth Performance of Indian Startups .....	38
Aliza <sup>1*</sup>  , Asha Ram Tripathi <sup>1</sup> .....	38
Corporate Social Responsibility in Insurance Sector and the Role of Insurance Sector in Economic Development of India .....	52
Sarita Panchal <sup>1*</sup>  , Pyla Narayan Rao <sup>2</sup>  .....	52



## Foreword

Dear Readers of the Journal of Economics, Innovative Management, and Entrepreneurship,

It is with great pleasure that we introduce the latest issue of the Journal of Economics, Innovative Management, and Entrepreneurship. As we continue our journey of exploration at the intersection of economics, management, and entrepreneurship, we are delighted to present a diverse collection of articles that reflect the dynamism and ingenuity of these fields.

In an era defined by rapid globalization, technological advancement, and economic transformation, the role of economics, management, and entrepreneurship in shaping our societies and driving innovation has never been more significant. Our journal offers a platform for scholars, practitioners, and policymakers to engage with the latest research, theories, and best practices in these areas, fostering dialogue and collaboration across disciplines and sectors.

Within these pages, you will find a wealth of insights and analyses on topics ranging from macroeconomic trends and policy implications to organizational strategies and entrepreneurial ventures. Each article contributes to our understanding of the complex dynamics that shape economies, businesses, and markets, offering valuable perspectives and practical implications for decision-makers and stakeholders.

As editors, we extend our sincere appreciation to the authors for their scholarly contributions and to the reviewers for their rigorous evaluation, which have ensured the quality and relevance of the published work.

To our esteemed readers, we invite you to delve into the articles in this issue with curiosity and an open mind. May the ideas and innovations presented here inspire new thinking, spark productive discussions, and ultimately contribute to the advancement of economics, management, and entrepreneurship as forces for positive change in our world.





Prof. Nataliya Bhinder

Editor-in-Chief

Journal of Economics, Innovative Management, and Entrepreneurship

Research Article

# Post Flood Economic Challenges, Resilience and Rehabilitation Strategies with Thematic Analysis Approach: A Case of Larkana

Mukaram Azhar<sup>1\*</sup> , Athar Hussain Soomro<sup>2\*</sup> , Zeeshan Azhar<sup>3</sup> , Sateesh Kumar<sup>1</sup> 

<sup>1</sup> Shaheed Zulfiqar Ali Bhutto Institute of Science and Technology University, Pakistan

<sup>2</sup> Government Arts and Commerce College Larkana, Pakistan

<sup>3</sup> Shaheed Benazir Bhutto University of Veterinary and Animal Sciences, Pakistan

\* Correspondence: Mukaramazhar11@gmail.com

<https://doi.org/eiki/10.59652/jeime.v2i2.201>

**Abstract:** Climate change has exacerbated the frequency and severity of floods, leading to devastating impacts worldwide. Pakistan has seen two catastrophic floods in recent years; at present, the full extent of the consequences of these calamities is still not fully acknowledged. Scarcity of water, rise in temperature, and floods are some cruel consequences that Pakistan has to bear. Floods may lead to huge economic problems not only for people in general but also for the communities. For instance, the condition of flooding in Larkana, which is the province where the agricultural activities are too much, could bring about financial and mental health problems. To tackle this research gap, this study implemented a qualitative research approach and conducted a thematic analysis to explore the economic challenges encountered in the Larkana region as a result of floods. Theme analysis is a method by which the researcher finds the sequential patterns in the data. Thus, the researcher is able to point out the issues that people face in reality. Resilient plans and rehabilitation measures can contribute to the solutions to these challenges, varying from immediate recovery to sustainable development. A multifaceted plan that encompasses immediate rescue operations and strengthening of resilience is a must. Social cohesion, environmental protection measures and governance issues are most relevant for the effective economic recovery after floods. The economic regeneration strategy in flood-prone areas must address complex issues to ensure local resilience and preparedness for the coming years.

**Keywords:** flood; Larkana; economic challenges; thematic analysis

Received: May 5, 2024

Accepted: June 1, 2024

Published: June 14, 2024



**Copyright:** © 2022 by the authors.  
Submitted for open access publication  
under the terms and conditions of the  
Creative Commons Attribution (CC BY)  
license  
(<https://creativecommons.org/licenses/by/4.0/>).

## 1. Introduction

Global warming is one of the most alarming problems which is getting more prevalent every day. In the recent past, the majority of natural disasters have been characterized by extreme weather conditions such as cyclones, tornadoes, tsunamis, and floods. Climate change has been identified as the main driver of the increase in the likelihood and severity of rainfall. This makes flooding more likely and makes them worse (Khan et al., 2021). Pakistan was shown to be one of the countries who have suffered from the consequences of climate change which has caused extreme floods and complicated the situations of the country even more. The year 2022 beheld the country with the most intense rainfalls and floods it ever had in the history written down. This calamity has resulted in migration of about 10 million people and led to a loss of many lives (Muhammad & Noor, 2023). Countries with a low income are faced with a risk of more serious flooding cases and the negative effects that are created by such episodes as lack of financial resources for implementing adaptation and mitigation measures is the main obstacle. The flood problem in Pakistan may be multi-faceted and cover many issues which have different impacts. Floods in the main rivers of Indus river system occur frequently in the country because of unusual weather patterns during monsoon season or simply because of melting snow. It is to be noted that Pakistan is vulnerable to both rainfall induced flooding as well as flooding that results from rivers going over their banks (Tariq and van de Giesen, 2012; Shah et al., 2022).

Floods are called hydro events which take place when excessive water is spilled on the normally dry land. Floods can result from different reasons including heavy rainfall, storm

surges, melting quickly, dam failure or a combination of these among others (Angelakis et al., 2023). Floods are a complex event that are closely linked to the geographical, medical and climate factors. Dust pollution can be classified as environmental and human health issue, and may bring about irreversible damage. The number of victims has increased in a certain direction due to climate change. The country has experienced severe flooding in recent years, among which are 2010 Great Flood and the Monsoon Flood 2022, causing great loss of life and damage in a large scale (Waseem & Rana, 2023). The floods have caused huge damage to healthcare infrastructure, mainly with the destruction of healthcare facilities, and there exists a risk of disease spread (Nasir et al., 2023).

The floods in Pakistan have resulted in significant economic damage (Mir, 2023). The floods caused severe damage to medical infrastructure, and medical facilities, and posed a risk of spreading infectious diseases. The floods in Pakistan caused significant economic losses. The country is highly vulnerable to flood damage due to excessive dependence on agriculture and limited water supply. Pakistan is facing a historic crisis. Floods in 2022 caused widespread damage, in the coastal areas of the country. About 30 percent of Pakistan's land has been flooded as a direct result of climate change, a problem that is affecting the rest of the world (Iqbal et al., 2022). In addition; the floods have damaged the economy, destroyed infrastructure, and damaged sources of income (Waseem & Rana, 2023).

According to Iqbal, the National Disaster Management Report investigates how devastating floods have a significant impact on millions of people. At the same time, the country faced a severe economic crisis due to the destruction of livestock and agricultural land. As a result, there are severe food shortages that make flood victims more vulnerable to humanitarian crises. In addition, floods can have a significant impact on the social economy; they can endanger human lives and lead to a recession (Waseem & Rana, 2023). The study on floods in Pakistan highlights gender dynamics, social connections, livelihoods, food security, risk perception, and vulnerability assessment. More research is needed to understand the socio-economic and institutional barriers that reduce flood risk. Adapting to climate change and reducing flood risk is critical to the development of populations that are vulnerable to flooding.

Pakistan has been affected by a lot of natural disasters. Floods have led to the loss of human lives and property. Heavy rains have been flooding nearly all regions in the country. Floods have been caused by heavy rains that have caused loss of lives, property, and the economy as a whole due to the flood (Raza et al., 2023). For a solution to the devastating impact of floods, it is crucial to take regulatory action on climate change, enhance disaster recovery, build up new reservoirs, and offer up to date agencies. The other study was also tackled issues related to social and economic impacts in diverse areas. Larkana is one of the main districts in Sindh province of Pakistan and is affected by the floods of heavier magnitude. Flooding is a common phenomenon that is caused by either the rivers over flooding or emergency flooding in this area. Infrastructure weaknesses, destruction of forests, and water resource management short-comings have made flooding to be worse (Setiawan et al., 2022). The scope includes examining and scrutinizing the economic problems of Larkana region because of the recurring floods.

### *1.1. The Significance of Resolving Economic Challenges after Flooding*

The economic challenges after a flood are huge, especially for those with low income and happen to be the most vulnerable in this matter. The challenges that this kind of inflation brings about include the reduction of savings, hence it leads to financial insecurity for households, and this impacts mental health and emotional well-being (Maczak & Hegger, 2021). Pakistan has a long history of many natural disaster impacts and tanks are recurring challenges. Over the decades, the country has suffered from a wide range of hazardous pollution, contamination, and serious injuries (Nasir et al., 2023). Pakistan's recent coastal areas have been described as the worst crisis in the country's history (Bhamani, 2022). Prevention and rescue after earthquakes is a major problem in developed and developing countries. High-intensity fires can cause large-scale earthquakes damage the road surface and affect power overall. He stressed the importance of building Pakistan's stability and maritime resilience in the future to minimize damage and promote sustainable stability as a priority. The agricultural sector, an essential component of the economy and an important source of employment endured considerable challenges as a result of crop losses and decreased yields (Sohail et al., 2023).

The flood in Larkana, a province of Pakistan renowned for its agricultural importance, is likely to have significant and long-lasting economic ramifications. Flooding has a significant

impact on the economic situation of the population in the Larkana district. Agriculture plays a crucial role in providing food in the region, and when crops are destroyed due to flooding, it can lead to economic hardship for farmers. Disruptions in transportation and trade negatively affect firms, resulting in financial losses (Mani et al., 2018). Disaster recovery is a major issue for governments and communities in developing countries. Timely rehabilitation is needed, as quitting can increase the cost of social life and increase economic and social difficulties (Dinh et al., 2021).

Moreover, the process of land restoration after floods is a multi-pronged effort. Integration and land relocation strategies can help speed up reconstruction. Disaster recovery is a multi-pronged effort that includes the restoration of physical infrastructure, mental health rehabilitation, and economic recovery (Bortolin & Olagnero, 2024). Effective strategic planning and coordination are required to mitigate the impact of future floods due to climate change (Mannakkara & Wilkinson, 2015). They explored the possibility of building a robust infrastructure, including flood-resilient construction and an improved water management system. Active community involvement is essential for building sustainability. Non-governmental organizations (NGOs) play an important role in subsequent flood recovery and resilience efforts (Hossain, 2021). However, we should enumerate that the scope of services includes granting loans, housing, sanitation, income-generation activities, assistance to the agricultural sector, involvement in infrastructure projects, and government participation. Communication between the local national and international institutions plays an important role in addressing the complicated situation with floods in the region of Larkana and similar areas of risk.

### *1.2. Problem Statement*

Pakistan is very susceptible to the impacts of climate change and encounters challenges in accurately identifying suitable recipients and assuring the efficiency of disaster relief initiatives (Ahmad & Ma, 2020). The Larkana region is experiencing severe economic hardships as a result of the floods. This issue emerges due to a multitude of intricate factors. These encompass harm to agricultural infrastructure, fatalities, and disruption to small industries. Furthermore, the process of land restoration following floods requires the collaboration of multiple sectors. Soil integration and adaptation strategies can help restore the soil. Disaster recovery is an interdisciplinary effort that includes physical infrastructure recovery, mental health recovery, and economic recovery (Bortolin & Olagnero, 2024).

After floods, priority should be given to restoration and development of rehabilitation capacity of the affected areas. This includes repairing infrastructure and developing plans to reduce the region's risk from future floods. Thus, the study examines the economic challenges caused by flooding in the Larkana region and aims to develop a sustainable recovery strategy. The study will help develop evidence-based sustainable recovery policies and disaster preparedness and empower flood-affected communities. It will also enhance academic knowledge. Will meet the Sustainable Development Goals and have an educational impact on regional cooperation and effective disaster response.

### *1.3. Limitation and Delimitation*

There is a lack of research on the economic effects of floods in Sindh, specifically regarding the strategies for restoring and reconstructing the Larkana region. The lack of research on the issue can be ascribed to various general and special limitations. The paper centers on the present economic difficulties encountered by Larkana, Pakistan, and we begin by discussing the matter. Assess these challenges using a thorough methodology and investigate how advanced strategies can efficiently tackle them. This can be achieved by using thematic analysis and established approaches. Hence, the aim of this study is to provide vital insights to policymakers and decision-makers, enabling them to address the issue through the implementation of sustainable economic policies that foster preparedness for the future.

## **2. Literature Review**

Having floods as the most destructive type of natural disaster and the recent floods in Pakistan which are causing the most terrible damage, is the best example of it. The provision and maintenance of constant flood management and control regulations is therefore a critical step; in this case, this has the potential to reduce the chances of economic depression which pose a threat to man's existence and also maintain ecological balance. Flood catastrophes have large-scale and advanced complexity damage on a worldwide scale (Manzoor et al., 2022). The floods in Pakistan have resulted in great economic losses of several types including the

destruction of infrastructures on a large scale, a major dislocation of population and damage to infrastructure. The disasters themselves lead to aggravated poverty and socio-economic inequalities, endless depletion of the limited resources, provision of aid hindrance, and slow recovery process (Ashraf et al., 2023). The most inundations happened in the wet season of 2022, which was marked with very heavy rains over the nation, as well as with occasional heavy downpours. The two provinces of Sindh and Baluchistan were the most affected by this, the month of August was the most toxic level, which was the period having the highest toxic level. To that end, we will use the maximum precipitation that occurred during the sixty days duration and five days period in Indus basin and the two provinces that contain summer monsoon season (Muzammil et al., 2023).

The flooding in the agricultural areas of Sindh province of Pakistan, which is a result of water retention for a long period of time, has been a significant contributor to the adverse economic effects of the floods there. The floods filled the land for agricultural purpose, homes and other infrastructure which resulted in the crops destruction and erosion of the people source of livelihood. The huge flood has led to a massive loss of properties, to crops, soil contamination, interruption of agricultural operations, and decreased production, resulting in lower incomes, persistent soil erosion, food insecurity, and poverty (Atif et al., 2021). According to Raza, climate change is causing a significant increase in fertility. This is causing a lot of damage and impact to thousands of its residents. The increase in global warming increases the likelihood of severe climate impacts and leads to the destruction of homes, agricultural products, and infrastructure.

Pakistan has been inundated by unusually heavy rains in the areas of Baluchistan and Sindh. An unprecedented cyclone of the Monsoon season has caused the worst rains ever recorded in Pakistan. Villages have been destroyed. More than 3.4 million children require assistance and are at risk of waterborne diseases, drowning, and malnutrition. Floods have significant ramifications on human health, which can arise either from direct contact with floodwaters or indirectly via the devastation of infrastructure, ecosystems, food security, and water supply (Nadeem et al., 2022).

Ashraf (2023) revealed that the community possessed an in-depth knowledge of floods and migration plans, with participants who were well-informed about factors such as climate change, deforestation, and insufficient land management. Major impacts include the depletion of cultivable soil, the displacement of human communities, and the devastation of wildlife ecosystems. The scarcity of cultivable land has long-lasting implications for both the security of food supply and the means of survival, while the dispersion of human populations disrupts routine and interpersonal relationships. Animal structure destruction exacerbates financial hardships. Pakistan's stance is clear and direct. It is crucial to establish a financial reserve to provide compensation for losses and damages, with an emphasis on assisting underdeveloped nations which are most severely impacted by climate change, as they make attempts to recover and rebuild (Edwards, 2022).

According to the Asian Development Bank, Pakistan's water security disaster risk management performance in Asia is considered unsatisfactory due to substantial obstacles in trust and engagement among South Asian nations. It is crucial to improve the accessibility of healthcare, clean water, and sanitation in the affected areas, strengthen disaster preparedness and response, allocate additional resources for research and development, raise public awareness, and promote the adoption of sustainable development methods (Khan Mohmand & Loureiro, 2022). It is affirmed that Effective administration of disaster management is crucial for the swift provision of aid, restoration, and recovery after climate calamities. Clear policies, legislation, and institutional structures encourage efforts that mitigate risks, adapt to climate change, and foster resilience. These techniques guarantee that different stakeholders can react in a timely and prompt manner (Waseem & Rana, 2023).

It is identified that Effective disaster management is crucial for delivering aid, restoring normality, and reconstructing subsequent climate catastrophes. In Pakistan, parties involved in the reaction can engage in five specific actions: aiding in the gathering of data, fostering collaboration, supporting the merger of institutions, advocating for the distribution of funds, and enhancing long-term procedures for social protection. Addressing these limits is crucial to prepare for impending climatic catastrophes (Khan Mohmand & Loureiro, 2022). In 2022, the Indus River saw a small flood peak, which was made worse by an unexpected monsoon rain, leading to more rainfall. The water volume in the Larkana floodplain and Manchar Lake underwent a substantial augmentation, leading to the rupture of a dam and the subsequent happening of an outburst flood. In 2022, there will be major floods due to floods in major rivers. In August 2022, Baluchistan in Pakistan exceeded the normal level by 590% and in the

state of Sindh this month by an average of 726% (Qamer et al., 2023).

There is a need for an integrated approach to the flood rehabilitation process in Pakistan, such as integrated planning, control reforms, and targeted disbursement of assistance. Key aspects include robust data collection methods, collaboration between government authorities, NGOs, and community agencies, institutional integration, efficient allocation of resources, and strengthening of social protection systems. Effective and sustainable recovery outcomes require data-driven decision-making, inter-sectoral collaboration, institutional integration, and resource-based use. Effective collaboration between national, local, and regional authorities is essential for the successful implementation of the recovery plan. Enhancing social protection systems safeguards vulnerable populations and aids in recovery endeavors, while community-driven disaster risk management initiatives foster local resilience (Khan Mohmand & Loureiro, 2022). Pakistan's resilience to flood disasters is crucial for sustainable development. Key elements include integrated water management, infrastructure investment, improved governance, and forecasting capabilities. Water management optimizes resource use, infrastructure investments minimize flood risks, governance improves coordination, and predictability enhances response efforts. Education and awareness-raising strengthen community preparedness (Mendoza & Khero, 2016). Assessing the magnitude of destruction after a catastrophe is crucial for efficiently addressing the hazards linked to climate change. The COP agreements take into account the need to assess and manage losses and damages despite the remaining challenges. To address these challenges, it is necessary to ensure the long-lasting involvement of political authorities, strengthen technical cooperation, and involve multiple actors. Moreover, it is very important to take precautionary measures to reduce the risks. Disasters prevent vital services and lifestyles. At the same time, low yields affect food security and the ability to cope with economic challenges. Immediate relief interventions, medium-term ameliorative treatments, and long-term resistance-building strategies are required to address these losses. We can promote holistic improvement by prioritizing disaster risk reduction, climate adaptation, and sustainable development (Qamar et al., 2023).

### *2.1. Gaps Identified*

There is a lack of comprehensive research on economic challenges and resilience in flood-affected areas such as Larkana. Current research focuses on specific strategies for recovery. More research is needed to investigate the effectiveness, scope, and long-term feasibility of rehabilitation interventions. This includes infrastructure reconstruction, livelihood support, and community-based resilience measures. Often, research ignores the local context and focuses on a larger national or regional context. To ensure effective interventions, it is important to take into account community feedback and involve them in the decision-making process. A more detailed analysis is needed; Current research often documents the direct consequences of disasters without considering their long-term effects. There is a lack of interdisciplinary point of view representation, and further research can enhance decision-making and policy-making that will lead to better resilience and well-being for flood-affected communities.

## **3. Materials and Methods**

This study utilizes a qualitative research design to look at Larkana's economic challenges and resilience strategies in the wake of flooding. Thematic analysis is utilized to catch participants' encounters and provide an in-depth comprehension of the economic impacts. The methodology allows an intensive assessment of research questions, producing significant discoveries for post-disaster resilience and rehabilitation strategies.

### *3.1. Research Design*

The research methods we implemented in this project were the qualitative research method and thematic analysis respectively, where we looked into the economic problems of the flood-affected region in Larkana. A study of this nature requires a comprehensive analysis of the strengths and the industry's impact on society. Thus, it becomes easier to pinpoint the complicated and wide-ranging issues. Qualitative research can be considered the key method in economic research which implies exploring the options and problems encountered by people working in the field. Such outcomes can be used to demonstrate the effectiveness of the proposed methods, validate assumptions, develop tactics, help in decision-making based on facts, and solve economic issues (Radović-Marković, 2023). Thematic analysis is a method for systematic research used in qualitative research that investigates some regularity in the



data and this is also very helpful in outlining the problematic occurrences of real life (Olagunju et al., 2020). This process more specifically comprises the data acquisition, the coding process, the description of themes, and the explanation of these themes. This is the trend that is widely adopted in different fields, such as social sciences, anthropology, psychology, and economics. Gathering data from various sources will be the main objective of this task. It may include behavioral aspects, attitudes, and social standards (Alkier Gildberg & Wilson, 2023).

### 3.2. Interview Process

The review led to interviews in participants' working environments to acquire inside and out bits of knowledge about the economic difficulties brought about by floods. Semi-structured interview, directed by a central inquiry, "What economic issues have the floods caused in your district?" The interviews were led with prompts, taking into consideration intensive conversations and profound investigation of members' experiences. The semi-structured approach guaranteed precise information catch, capturing the intricacy of the economic difficulties faced by flood-impacted networks.

### 3.3. Participants

The objective of the study is to comprehensively analyze the perspectives of a diverse group of individuals from the affected areas regarding the immediate consequences of the floods in Larkana, Sindh. This study has utilized objective sampling methods to select volunteers from a wide range of demographic categories. Participants were selected from different groups based on the age, education and sex who have been directly or indirectly impacted by floods. These individuals encompass farmers, urban inhabitants, policymakers, and community leaders. These have ensured the inclusion of a wide range of different points of view about their concerns and issues.

### 3.4. Data Collection

A fully structured interview is an important way to gather information, Community leaders, government officials, NGOs, and the business community can share their experiences and perspectives. Interviews were held almost 50-60 minutes per participants in order to ensure the reliability and accurate understanding of the problem. Fields observations were also used for making the collaboration between data given by participants and official records of governments and NGOs. Specially developed guidelines for semi-structured interviews are used to promote unlimited discussion and gather useful qualitative information.

### 3.5. Data Analysis

The major analytical approach will be thematic analysis, following the six-phase process established by Braun and Clarke (2006). This process entails acquiring a thorough understanding of the data, creating preliminary codes, identifying patterns, evaluating them, establishing clear definitions, assigning appropriate labels, and finally, documenting the findings in a report. According to Majumdar (2022), thematic analysis, through its iterative process, guarantees a comprehensive investigation of the qualitative data.

## 4. Results

### 4.1. Government's Role in Resilience and Rehabilitation

The Government's role in post-flood recovery is crucial, with participants acknowledging its efforts in rescue coordination, infrastructure rebuilding, and community restoration. However, concerns have been raised about the effectiveness and inclusiveness of relief distribution mechanisms. One participant informed "*The government authority did an exemplary job in planning rescue tasks. The prompt reaction was efficient at the district.*" Participants noted differences between government efforts and actual relief services, bureaucratic challenges, delays in aid distribution, and insufficient resources for vulnerable groups. Another participant notified "*The Government guaranteed a great deal regarding reconstructing the framework and giving help, however, on the ground, the situation was very unique. Many individuals in distant regions were disregarded, and the resources designated were lacking.*" They also agreed on the need to improve relief mechanisms to ensure timely and equitable assistance for all affected persons, ensuring no local communities escape flooding. It includes Fixing up the facilities, helping to maintain a way of life and getting the economy back on track, rehabilitating people and communities, increasing the abilities, and making the institutional structure stronger.

### 4.2. Overall Strategy for Rebuilding

Amidst the flood, the government has introduced measures for economic mitigation,



which include financial assistance, endorsement of grants, and schemes that promote new technology. Initiatives are carried out to enable the people to fight the floods, providing financial relief also and helping them regain their economic power. One participant stressed the role of financial help *“The financial help specified by the government has been a rescuer for the majority of us. It has supported us with economically improving and initiated restoring our lives and businesses.”* Another participant *“The grants provided by officials have helped us for resilience and rebuilding our social and economic life.”*

As per the analyzed theme, livelihoods play a crucial role in building economic stability and resilience, which is the process of the community overcoming economic downturns. The government’s strategy of taking actions to combat the economic consequences of the rainy season includes the support for areas that are suffering from the impact and the stimulation of the adaptability of the affected regions. The members also made a point about how the process of tweaking and adjusting support over time would be vital for the triumph of marginalized community’s anti-discrimination campaigns and their continuous and comprehensive healing.

#### 4.3. Measures to Address Economic Challenges

The government’s recovery plan demonstrates a methodical approach that emphasizes swift restructuring, gradual reconstruction, and long-lasting adaptability. This statement promotes the need for empowering all personnel engaged, promoting teamwork, and incorporating sustainability ideals into strategic endeavors. Participant shared his views *“The government’s precise restoration plan, combining quick rebuilding with steady restoration, has actually inclined to prompt provisions and arranged for long-haul recovery, in this manner balancing out effected districts.”* The government’s principal objective is to guarantee community involvement in every area of planning, decision-making, and implementation. This strategy promotes assurance and transparency and stresses activities that are tailored to fulfill the distinct needs of the target audience. The government’s flood restoration policy is carefully designed, taking into account all stakeholders, with a focus on long-term sustainability and active community involvement. The goal is to tackle current issues and build a strong foundation for continued survival and economic success.

#### 4.4. The Role of Political Parties in the Process of Reconstruction is Significant

The Pakistan People’s Party and Grand Democratic Alliances have indeed been the two main political forces that have fostered the economic strategies for the country which will be able to recuperate from the aftermath of the floods. The research of political parties was revealed to be highly influential in the political sphere and also had control over the choice and implementation of the recovery economic revitalization programs. Both categories are considered the critical agents involved in the process of economic recovery plans participated by political parties. As participant asserted *“The Pakistan People Party and Grand Democratic Alliances have been contributory in making the financial recovery systems in the region. Their influence promises that the restoration plans are comprehensive and well chosen.”* Differences in political opinions are there, but public-private partnerships and Global Development Action personalization are all set and willing to be one to address the community that has been affected by floods. The bilateral climate dialogue is the means of forming the party leader’s mutual understanding that unity and co-responsibility are vital for the political parties. They will be teaming up together to combine their efforts for the sake of society’s welfare. On top of this, he also emphasized the need for cooperation between different political parties to realize that when policies are put forward, they should be adopted and implemented correctly.

Political parties could be better prepared to be more popular, put pressure on policymakers, and join forces to tackle flood-related socio-economic problems through the cooperation of organizations. One participant *“It’s reassuring to see political parties making peace and cooperating through public-private partnerships. This coordinated effort is imperative for addressing the socio-financial issues brought about by the floods.”* Nowadays the role of wealth distribution has been displayed by the parties in economic recovery. There is also the role of providing enough funding for the projects, infrastructure investment, and development programs that are required to strengthen the recovery activities post-disaster. Parties can ensure the provision of funds for both short-term and long-term recovery needs of areas, by budgeting and structuring policy measures for economic rebuilding. One participant assured *“Provision of funds to the affectee is ensured with the help of political parties, who also brought policies and budget-related allocations of funds for the recovery of communities in the region.”* The most fundamental partners are the Pakistan People’s Party and the Grand democratic alliances which stand for providing



solutions through policies and actions that are all embodied in the economic rehabilitation after the flood. However, in the end, the most significant thing of the voters should be to be aware of the honesty, openness, and loyalty to politics to make sure that everyone's needs are met and the recovery process is fair for everybody.

#### 4.5. Political Parties' Role in Economic Stability

The Pakistani People's Party and Grand Democratic alliances along with other political parties could be said to be the most competent association in the enhancement of the economic conditions of the nation which are the most significantly affected by the floods. It is the main driver of policy-making, investment promotion, monitoring of the activities of colonialists, and the creation of a setup that encourages unity and avoids all forms of discrimination. It is this way that seems to be the best one for those communities who have been hit by floods and want to improve their quality of life and build a community that puts peace, solidarity, and trust among its members. Political parties are candidates in elections with policies on economic recovery, development of critical infrastructure of the flood-prone community, and response to those who suffered in flood areas. It is through these methods that the legislative changes, changing of criteria and concrete plan are done. Along with that, it gives shelter to the property and redistributes resources in the agricultural field after the flood, and at the same time opens up the way for the investments and partnerships that are made with both the public and private sectors. Same way participant expressed *"During the election, political parties featured their tactics to financial restoration and framework development for flood-inclined regions. Their governmental changes and extensive plans are essential for safeguarding property and guaranteeing resources adoption."*

The repetitive recasting of activities is what keeps the economic health of societies intact; from here, the security and stability of the threatened areas are promoted. Political parties as the key influencers in the transition of the economic state to the resumption of normal operations after the recovery period. The first point is that they highlight the importance of integrity and accountability as the main factors and that these should involve political stakeholders so that everyone is on the same page indefinitely and has unanimously agreed on a deal.

#### 4.6. Government's Assistance and Impact

The Deputy Commissioner is a crucial figure in giving great assistance to the local community when floods occur through granting financial assistance, job training, and infrastructure help. This included the handling of relief efforts and logistics as well as the allocation of resources and implementation of relief programs. Interview participants *"The Deputy Commissioner's activities in allowing monetary help and sorting out work preparation have been important. Training and development drives provide quick assistance as well as deliver people with the abilities anticipated to transform their lives."* Our priority is to offer relief to the people affected by floods and to already vulnerable populations and provide them with assistance. Government aid extends to more than the mere currency for vocational training initiatives and also ensures that individuals are provided with the required skills and experience for them to rebuild their lives. The deputy Commissioner will increase the resilience of flood-entered local communities by funding infrastructure projects that will involve the repair of roads, bridges, and public facilities. These projects have served as an instrumental tool in the restoration of necessary services in the region, and also created jobs, boosted economic growth, and contributed to the general progress and recovery of the region. Nevertheless, providing continuous support, monitoring, and evaluation is no less important to ensure that strategies that help to cope with increasing disaster needs are effective, durable, and support the whole process of recovery after a flood.

#### 4.7. Main Economic Concerns of Community Members

The study highlights the importance of including the local community in decision-making processes, implementing sustainable agriculture techniques, and fostering the creation of local project organizations to improve economic resilience in flood-prone areas. He stressed the importance of including local people in the development of treatments that directly affect their way of life and well-being. Participant noticed *"To know the difficulties from local habitants is crucial for understanding the overall disaster jurisdiction. They know best whatever they need, and their feedback guarantees that facilitations are appropriate and persuasive."* This includes determining priorities and implementing the interventions. Sustainable farming involves a range of practices, such as organic farming, water conservation, ecological agricultural systems, soil health enhancement, biodiversity conservation, and the capacity to adapt to



climate instability. These solutions improve agricultural productivity, reduce dependence on external resources, and alleviate the impact of flooding on food security and lifestyles. Another participant *“Achievable cultivating procedures are central for our local area. They support with supplementary developing efficiency and make us less dependent upon outer funds, which are momentous in the midst of the flood.”*

Enabling project coordination at the community level is equally crucial for promoting economic flexibility and increasing income opportunities. Training, financing, and establishing connections with the market can offer assistance to small local industries and community companies, leading to the generation of income, development of employment opportunities, and fostering economic expansion. Fostering a sense of ownership and control among local communities is essential for improving their ability to adjust economically in the long run. Concurrently, initiatives led by local communities can construct flexible economies, improve revenue generation methods, and foster sustainable development.

#### 4.8. Community Contribution to Long-Term Economic Resilience

The report is of great importance because it demonstrates the fact that all people should be involved in the decision-making process, the implementation of sustainable agriculture, and the development of local initiatives that will provide the solution to long-term economic transformation in impoverished flood areas. Participant response *“It’s energetic that everyone locally engages in direction and decision making. When we unite, we can reach the accurate decisions that lead to sincere improvements in our lifestyle.”* In this case, social communities should work in a collaborative way to influence lifestyle selections and activities that lead to change in a community. The community, on its own, should be responsible for taking action in the implementation of such a targeted action. The implementation of sustainable agricultural practices (like organic farming, water conservation, etc.) would result in better soil quality; more specifically, these would increase biotic and abiotic diversity and the land’s ability to withstand climate change. The central role of the process is to select the most important projects, taking into account the idea of project implementation with the cooperation of the institutions responsible.

The government will be an essential, if not the most important, driver for the set-up of such ventures and the production of revenues. In the same way, ownership like this among the school neighborhood residents along with independence is also a factor. Another participant *“When local area entities feel ownership and obligation, they are more devoted to the drives. These initiatives of economic measures that are both supportable and adoptable.”* Through community-driven action, the economies, methods of production, and sustainability could be strategized and possibly become versatile economies.

#### 4.9. Role of NGOs in Sustainable Economic Development

This fact pinpoints that NGOs are the key players in promoting sustainable economic development in the areas affected by flooding by creating a continuous cycle of the process. NGOs play substantial role in uplifting individuals and communities by giving them training opportunities, employment and education. These initiatives aim at providing people with the skills, knowledge, and support needed not only to overcome economic barriers but also to take advantage of growth opportunities. As participant *“NGOs have been active in local restoration. Their preparation programs and informative and awareness determinations have specified us the abilities and information we need to adapt and flourish financially. Without their help, a major number of us would in any case be struggling.”* Along this, it also suggests the importance of life-long learning; one can obtain new skills, expand on the ones which are already there and improve personal development. NGOs improve market opportunities and business assistance for the financially underprivileged and also make financial markets more accessible for such people. Consequently, they undertake to promote the emergence of business and equip the business people with the necessary tools for the startup and self-reliance in economic matters. First and foremost, it brings to the fore the role played by community-based projects that are inclusive, collaborative, knowledge sharing, tech driven, and future-oriented in the process of realizing the SDGs.

NGOs are empowering themselves by involving the social partners like the government agencies and the private sector in that regard. This may thus allow them to come up with these new ways and design the best development solutions. NGOs are often the frontline workers, who are more concerned with the people affected by floods, and help them to develop the economies which are more flexible, to raise financial resources and to live in a healthy environment. *“The employment opportunities given by NGOs have been a help for the vast majority locally.”* While it is true that interventions should be supported by a continuous



involvement of the actors, cooperation, and adequate resources, the fundamental issue remains that, in the long run, their effectiveness and sustainability should be ensured.

## 5. Discussion

Government support promotes business and sustainable livelihoods for entrepreneurs and communities. It provides resources, incentives, and policies, empowers entrepreneurs, creates jobs, stimulates economic growth, and promotes community development (Vaidya & Kumar, 2019). The recovery plan keeps coming back to the ideas of working together with stakeholders, long-term growth, and getting the community involved with the support of government initiatives, project managers have demonstrated innovation and risk-rebuilding operations. The positive effect of putting in place conducive environment, where the processes will be implemented, will include the creation of new economic growth and work channels. It has been proven flexible and robust, as communities have overcome the adversities only to rise in the end via the organizational activities. The government is crucial in creating enabling conditions that ensure the smooth functioning of the private sector which ultimately will bring about the improvement of living standards and will strengthen the local economy (Kazi, et al. 2017). The community members' integration is parallel to the principles of the Sendai Framework for Disaster Risk Reduction that recognizes the significance of the investiture of community members and their knowledge in the recovery plan development (Radel et al., 2023).

Financial aid was one of the pillars of people's daily life, where it helped people in heavy activities and encouraged infrastructural restorations. The involvement of the local community in disaster risk reduction is not only a burden relief for the government shoulders, but also a complete disaster risk reduction process. It is essential in the ability to deal with unforeseen situations and always be ready. This approach provides for the engagement of the active population, sustainable lifestyles as well as risk management which are the very ways we are going to fight the spread of the disease. The ultimate goal is to empower the communities to the level where they can tackle disasters on their own, and recover from disasters in a short time (Bali, 2022). The political parties, in particular, are indispensable to the state government, as they act as the mediators between the public and the government. They plan and design programs and policies, they use resources carefully, and they do their best to eliminate the social problems (Baume, 2018). Two political parties, the PPP and GDA, are given this task of not just putting forward the policies that are able to revive the economy, but also ensuring that these policies are implemented. Community engagement is a crucial element of rehabilitation as it involves the interplay of professional services with individual and organizational input. It is the means of getting to know about leadership, strategic planning, resource mobilization, financial assistance, inclusive rehabilitation efforts, self-reliance and generally better life for people with disabilities (Alessandro, 2023).

## 6. Conclusions and Recommendations

Economic challenges that are included after the flood can be lessened through resilience and rehabilitation plans that involve community in the decision-making process, and address their primary causes. This phase is the most delicate one which follows the flood disaster. It should be done with care and by using the strategies of resilience and rehabilitation to face the economic difficulties that the people affected by the flood are facing. These strategies should not only be about the immediate healing but more so about the strategies that are sustainable and could build resilience. The key to successfully managing economic problems after the flooding will be an active approach that is determined to achieve the short-term recovery process and long-term resilience building. A number of post-disaster economic rehabilitation strategy reports and studies, for example the ones from 2020 (Morrish & Jones 2020; Rouhanizadeh et al., 2020), point out that this is the case. The analysis of strategies identifies two things: thus, two sides of the coin: rebuilding disaster impacted areas and building communities' resilience against future disasters. An undertaking of frameworks to comprehensively understand and analyze the community's plurality of livelihood pursuits and vulnerabilities is an important step of this process. Sustaining the disaster-resulting vulnerability factors such as resource access, marginalization, market access, power imbalances, lack of information and sustainable utilization of resources will be among the key issues to be addressed in the post-flood rehabilitation efforts that will be key in the long-term contribution.



However, communities should be part of the decision-making process and be able to determine for themselves the way forward. Community-driven development allows programs to be built for communities according to their requirements and desires which makes the beneficiaries feel like they own the programs and the leadership is in their hands. The fact that this is holistic makes the communities involved in the entire process. The “recovery” should be the multidimensional approach, which will be the achievement of economic activities and the analysis and helping to solve problems that have occurred. The period of time that follows a flood is an excellent opportunity to have a territory renovated so as to reduce the vulnerability to future floods. The evaluation of case studies and the community’s knowledge and culture indicate that the process of community resilience development is complex and dependent on the role of diverse stakeholders and factors. A gamut of the variables is in fact considered when the community members decide the future of their town. These groups are composed of their individual views and experiences, local indigenous knowledge, historical context of the area, and roles of informal-traditional and quasi-formal institutions. Ultimately, these components are the most effective bases for the quick rebuilding and becoming transformed into a flourishing local economy and livelihood. Moreover, the social, physical, and institutional factors of resilience and rehabilitation are also important. Therefore, an all-round approach is adopted. Of course, the most appropriate flood management system will include the combined efforts of socio-economists, engineers, ecologists and not only have the economic impact but also the environmental influence. Non-probable flood protection schemes are high-cost and lead to changes in the environment that the community of today cannot afford. The outcomes of this research should lead us to the consideration of other flood management strategies like green infrastructure (Auerswald et al., 2019). Research has proved, that the degree of economic recovery is functionally related to social solidarity, ecological sustainability, and efficient governance. Therefore, the strategy of economic revival in flood-risk areas should be designed and implemented in such way that it will consider all the complex issues that have been mentioned above so that the communities will be highly resilient and prepared for the future.

## References

- Ahmad, M. I., & Ma, H. (2020, April). An investigation of the targeting and allocation of post-flood disaster aid for rehabilitation in Punjab, Pakistan. *International Journal of Disaster Risk Reduction*, 44, 101402. <https://doi.org/10.1016/j.ijdr.2019.101402>
- Alessandro, G. (2023). Community, health and rehabilitation. *Journal of Community Medicine and Health Solutions*, 4(1), 001–003. <https://doi.org/10.29328/journal.jcmhs.1001025>
- Alkier Gildberg, F., & Wilson, R. (2023). Scientific models for qualitative research: a textual thematic analysis coding system – part 2. *Nurse Researcher*, 31(3), 36–42. <https://doi.org/10.7748/nr.2023.e1893>
- Angelakis, A. N., Capodaglio, A. G., Valipour, M., Krasilnikoff, J., Ahmed, A. T., Mandi, L., Tzanakakis, V. A., Baba, A., Kumar, R., Zheng, X., Min, Z., Han, M., Turay, B., Bilgiç, E., & Dercas, N. (2023). Evolution of Floods: From Ancient Times to the Present Times (ca 7600 BC to the Present) and the Future. *Land*, 12(6), 1211. <https://doi.org/10.3390/land12061211>
- Ashraf, I., Ahmad, S. R., Ashraf, U., & Khan, M. (2023). Community perspectives to improve flood management and socio-economic impacts of floods at Central Indus River, Pakistan. *International Journal of Disaster Risk Reduction*, 92, 103718. <https://doi.org/10.1016/j.ijdr.2023.103718>
- Atif, S., Umar, M., & Ullah, F. (2021). Investigating the flood damages in Lower Indus Basin since 2000: Spatiotemporal analyses of the major flood events. *Natural Hazards*, 108(2), 2357–2383. <https://doi.org/10.1007/s11069-021-04783-w>
- Auerswald, K., Moyle, P., Seibert, S. P., & Geist, J. (2019). HESS Opinions: Socio-economic and ecological trade-offs of flood management – benefits of a transdisciplinary approach. *Hydrology and Earth System Sciences*, 23(2), 1035–1044. <https://doi.org/10.5194/hess-23-1035-2019>
- Bali, R. (2022). Importance of Community Awareness and Preparedness in Disaster Risk Reduction. *Research Review: International Journal of Multidisciplinary*, 7(10), 40–57. <https://doi.org/10.31305/rrijm.2022.v07.i10.005>
- Baume, S. (2018). Rehabilitating political parties: an examination of the writings of Hans Kelsen. *Intellectual History Review*, 28(3), 425–449. <https://doi.org/10.1080/17496977.2017.1366728>
- Bhamani, S. (2022). Record flooding in Pakistan poses major health risks. *BMJ*, o2148. <https://doi.org/10.1136/bmj.o2148>
- Bortolin, M., & Olagnero, J. M. (2024). Rehabilitation and Reconstruction. *Ciottone’s Disaster Medicine*, 410–414. <https://doi.org/10.1016/b978-0-323-80932-0.00063-x>
- Dinh, N. C., Ubukata, F., Tan, N. Q., & Ha, V. H. (2021). How do social connections accelerate post-flood recovery? Insights from a survey of rural households in central Vietnam. *International Journal of Disaster Risk Reduction*, 61, 102342. <https://doi.org/10.1016/j.ijdr.2021.102342>
- Edwards, E. (2022). Pakistan’s flood recovery - a shared responsibility. *Water Science Policy*. <https://doi.org/10.53014/tdna7931>
- Hossain, B. (2021). Role of NGOs in Post-Flood Rehabilitation in Chars. *Springer Geography*, 241–251. [https://doi.org/10.1007/978-3-030-73592-0\\_14](https://doi.org/10.1007/978-3-030-73592-0_14)
- Iqbal, M., Rabbani, A., Haq, F., & Bhamani, S. (2022). The floods of 2022: Economic and health crisis hits Pakistan. *Annals of Medicine & Surgery*, 84. <https://doi.org/10.1016/j.amsu.2022.104800>



- Kazi, A. G., Yusoff, R. B. M., Ismail, F. B., Munastiwi, E., & Arisar, M. M. K. (2017). Entrepreneurship and Livelihood Restoration at Sindh Pakistan: Mediating Role of Firm Performance. *Advanced Science Letters*, 23(9), 8138–8143. <https://doi.org/10.1166/asl.2017.9849>
- Khan Mohmand, S., & Loureiro, M. (2022). Key Considerations: Supporting Better Governance of Flood Relief Efforts in Pakistan. *Social Science in Humanitarian Action Platform*. <https://doi.org/10.19088/sshap.2022.036>
- Khan, I., Lei, H., Shah, A. A., Khan, I., & Muhammad, I. (2021). Climate change impact assessment, flood management, and mitigation strategies in Pakistan for sustainable future. *Environmental Science and Pollution Research*, 28(23), 29720–29731. <https://doi.org/10.1007/s11356-021-12801-4>
- Majumdar, A. (2022). Thematic Analysis in Qualitative Research. In *Research Anthology on Innovative Research Methodologies and Utilization Across Multiple Disciplines* (pp. 604–622). <https://doi.org/10.4018/978-1-6684-3881-7.ch031>
- Mani, M., Bandyopadhyay, S., Chonabayashi, S., Markandya, A., & Mosier, T. (2018). Overview. In *The World Bank eBooks* (pp. 1–11). [https://doi.org/10.1596/978-1-4648-1155-5\\_ov](https://doi.org/10.1596/978-1-4648-1155-5_ov)
- Mannakkara, S., & Wilkinson, S. J. (2015). Supporting post-disaster social recovery to build back better. *International Journal of Disaster Resilience in the Built Environment*, 6(2), 126–139. <https://doi.org/10.1108/ijdrbe-06-2013-0019>
- Manzoor, Z., Ehsan, M., Khan, M. B., Manzoor, A., Akhter, M. M., Sohail, M. T., Hussain, A., Shafi, A., Abu-Alam, T., & Abioui, M. (2022). Floods and flood management and its socio-economic impact on Pakistan: A review of the empirical literature. *Frontiers in Environmental Science*, 10. <https://doi.org/10.3389/fenvs.2022.1021862>
- Matczak, P., & Hegger, D. (2021). Improving flood resilience through governance strategies: Gauging the state of the art. *WIREs Water*, 8(4). <https://doi.org/10.1002/wat2.1532>
- Mendoza, G., & Khero, Z. (2016). Building Pakistan's Resilience to Flood Disasters in the Indus River Basin. *Water Resources Development and Management*, 81–110. [https://doi.org/10.1007/978-981-10-1914-2\\_5](https://doi.org/10.1007/978-981-10-1914-2_5)
- Mir, S. B. K. (2023). Pakistan's Water Security Issue & Impacts of Floods. *Asia Social Science Academy*, 10(1), 55–63. <https://doi.org/10.51600/jass.2023.10.1.55>
- Morrish, S. C., & Jones, R. (2020). Post-disaster business recovery: An entrepreneurial marketing perspective. *Journal of Business Research*, 113, 83–92. <https://doi.org/10.1016/j.jbusres.2019.03.041>
- Muhammad, A., & Noor, S. (2023, July 15). Climate Change, COVID-19, and Flood disasters in Pakistan. *Journal of the Pakistan Medical Association*, 73(8), 1754–1754. <https://doi.org/10.47391/jpma.9231>
- Muzammil, H., Zaman, M., Shahid, M. A., Safdar, M., Majeed, M. D., & Sabir, R. M. (2023). The Impacts of Climate Change on Monsoon Flood Situations in Pakistan. *ECWS-7 2023*. <https://doi.org/10.3390/ecws-7-14255>
- Nadeem, A., Sahito, A. M., & Shahid, S. (2022). Flood Crisis in Pakistan: a mass destruction to economy and fragile health care systems. *Medicine, Conflict and Survival*, 39(1), 81–85. <https://doi.org/10.1080/13623699.2022.2157587>
- Nasir, M. M., Khan, A. B., & Farhan, S. H. (2023). Monsoon floods: A challenge to Pakistan's already fragile healthcare infrastructure. *Journal of the Pakistan Medical Association*, 73(8), 1765–1766. <https://doi.org/10.47391/jpma.7982>
- Olagunju, T., Oyebode, O., & Orji, R. (2020). Exploring Key Issues Affecting African Mobile eCommerce Applications Using Sentiment and Thematic Analysis. *IEEE Access*, 8, 114475–114486. <https://doi.org/10.1109/access.2020.3000093>
- Qamer, F. M., Abbas, S., Ahmad, B., Hussain, A., Salman, A., Muhammad, S., Nawaz, M., Shrestha, S., Iqbal, B., & Thapa, S. (2023). A framework for multi-sensor satellite data to evaluate crop production losses: the case study of 2022 Pakistan floods. *Scientific Reports*, 13(1). <https://doi.org/10.1038/s41598-023-30347-y>
- Radel, K., Sukumaran, A., & Daniels, C. (2023). Incorporating First Nations knowledges into disaster management plans: an analysis. *Presentation at the Australian and New Zealand Disaster and Emergency Management Conference 2022*. <https://doi.org/10.47389/38.2.36>
- Radović-Marković, M. (2023). Qualitative methods in economic sciences. In *How to Conduct Qualitative Research in Social Science* (pp. 164–181). <https://doi.org/10.4337/9781800376199.00016>
- Raza, M., Fatima, A., Habiba, U., & Shah, H. H. (2023). Public health implications of severe floods in Pakistan: assessing the devastating impact on health and the economy. *Frontiers in Environmental Science*, 11. <https://doi.org/10.3389/fenvs.2023.1091998>
- Rouhanizadeh, B., Kermanshachi, S., & Nipa, T. J. (2020, November). Exploratory analysis of barriers to effective post-disaster recovery. *International Journal of Disaster Risk Reduction*, 50, 101735. <https://doi.org/10.1016/j.ijdr.2020.101735>
- Setiawan, D. R., Hidayat, Y. R., Tamba, R. S., Suparman, S., & Zulkifli, Z. (2022). Peningkatan Pengetahuan dan Kemampuan Penanggulangan Bencana Banjir melalui Sosialisasi di Guru Dan Siswa di Kota Bekasi. *Jurnal Komunitas*, 5(1), 118–122. <https://doi.org/10.31334/jks.v5i1.2447>
- Shah, A. A., Ajiang, C., Gong, Z., Khan, N. A., Ali, M., Ahmad, M., Abbas, A., & Shahid, A. (2022). Reconnoitering school children vulnerability and its determinants: Evidence from flood disaster-hit rural communities of Pakistan. *International Journal of Disaster Risk Reduction*, 70, 102735. <https://doi.org/10.1016/j.ijdr.2021.102735>
- Sohail, N., Sarfaraz, Y., & Rafique, A. (2023). Pakistan floods: An insight into agriculture and food supply. *Trakya University Journal of Natural Sciences*, 24(1), 1–2. <https://doi.org/10.23902/trkjnat.1211393>
- Tariq, M. A. U. R., & van de Giesen, N. (2012). Floods and flood management in Pakistan. *Physics and Chemistry of the Earth, Parts a/B/C*, 47–48, 11–20. <https://doi.org/10.1016/j.pce.2011.08.014>
- Vaidya, O. S., & Kumar, S. (2019). Multi-criteria Performance Evaluation Framework for Rehabilitation Service Operations. *Global Business Review*, 22(6), 1490–1506. <https://doi.org/10.1177/0972150919826727>
- Waseem, H. B., & Rana, I. A. (2023). Floods in Pakistan: A state-of-the-art review. *Natural Hazards Research*, 3(3), 359–373. <https://doi.org/10.1016/j.nhres.2023.06.005>

Research Article

# Evaluating the Correlation between Specific Macroeconomic Performance and the Price of Crude Oil in Nigeria

Ali Salisu<sup>1</sup>, Ibrahim Musa<sup>2\*</sup>, Sule Magaji<sup>2</sup>

<sup>1</sup> Bayero University, Nigeria

<sup>2</sup> University of Abuja, Nigeria

\* Correspondence: [ibrahim.musa@uniabuja.edu.ng](mailto:ibrahim.musa@uniabuja.edu.ng)

<https://doi.org/eiki/10.59652/jeime.v2i2.230>

**Abstract:** The study examines the relationship between oil price shocks and some selected Nigeria's Macroeconomic variables by utilizing quarterly data for the period of 1980-2022 using a time frame of 46 years. The selected macroeconomic variables are Real Growth Domestic Product, Consumer Price Index and Real Exchange Rate. VECM was used as a technique for analysis, the results obtained from the estimation of the VECM model showed that there are long-run interdependences of oil price shocks that have a significant impact on Real Growth Domestic Product, Consumer Price Index and Real Exchange Rate in Nigeria. The study concluded, that the major source of revenue and foreign earnings to the economy is mainly from the sales of crude oil, as the economy is entirely dependent on the level of global oil prices, as such most of the macroeconomic indicators of the economy are directly or indirectly being affected by the oil price fluctuation in the economy, the study therefore Recommended that, since Nigeria doesn't have control of oil prices, it is required that government diversify the economy to reduce the adverse effect of shocks emanating from the fluctuation of global oil prices, the country should diversify its export from oil exports to non-oil export Diversification of the economy is necessary to reduce the consequences of external shocks. The diversification of the oil revenue base would be a means of minimizing reliance on crude oil and petroleum products.

**Keywords:** oil price; macroeconomics variables; VECM; crude oil; shocks

## 1. Introduction

The last twenty years have seen dramatic fluctuations in oil prices in the oil markets. Such essential energy sources' price swings are largely dependent on changes in supply over time, more so than those of any other commodity (shortage or excess). Macroeconomists have considered shifts in oil prices to be both a major source of volatility and a paradigm of global shocks that are likely to have simultaneous effects on economies since the 1970s. The increase in oil prices between the early 1970s and the early 1980s is closely linked to disruptions in the Middle Eastern countries' oil supply. The price of crude oil was 3.00 billion barrels per dollar on average closing price till the middle of the 1970s. Following the 1979 Iranian crisis, there was a significant disruption in oil supply in 1999, which led to a new wave of price increases for oil that peaked in the second quarter of 2008. The adjusted price per barrel was \$99.07. First and foremost, the dramatic rise in oil consumption was brought on by the rising usage of contemporary transportation options in emerging nations, such as cars. Second, the demand for oil is rising due to the rapid industrialization that has taken place in emerging and developing nations. Thirdly, the key economic sector in emerging nations is agriculture, which includes farming and irrigation. This industry has grown increasingly industrialized and depends heavily on oil as a source of energy (Salisu & Mamman, 2022).

### 1.1. Significance of the Study

Crude oil exports have long been a major source of foreign exchange earnings and government income for the Nigerian economy, since they make up over 95% of export earnings and over 85% of government revenue. However, in 2008, its GDP contribution was only 17.85% (Aliyu, 2009). According to oil data, Nigeria is the country with the second-largest oil reserves on the African continent, with an estimated 36.2 billion barrels of reserves.

Received: June 23, 2024

Accepted: June 27, 2024

Published: June 28, 2024



**Copyright:** © 2022 by the authors.  
Submitted for open access publication  
under the terms and conditions of the  
Creative Commons Attribution (CC BY)  
license  
(<https://creativecommons.org/licenses/by/4.0/>).





Nigeria's effective oil production capacity is estimated by the Energy Information Administration (2009) to be approximately 2.7 million barrels per day. Significant reductions in oil production levels led to a severe impact on exports and a sharp decline in global oil prices in late 2008, which left the nation with enormous financial deficits. In addition, since the collapse of regional refineries in the late 1980s, the nation has been heavily dependent on imports of refined petroleum products, which has exposed it to fluctuations in oil prices. Presently, about 85% of refined goods consumed domestically are imported.

### *1.2. Problem Statement*

The volatility of the oil price and its impact on Nigerians' economic well-being are among the country's most pressing issues at the moment (Musa, Magaji, Eke, & Abdulmalik, 2022). Nigeria cannot independently convert its crude oil into petroleum products, thus it imports a large amount of refined petroleum products, giving it no control over its crude oil product. For example, the failure of the nation's four oil refineries in Port Harcourt, Warri, Delta, and Kaduna is the primary cause of the fuel shortfall. The nation continues mostly depends on the importation of refined fuel, despite the government's assertions that it has spent \$6 billion on repairs (Elmi & Jahadi 2011). Because of the extreme elasticity of the oil price's impact on macroeconomic indicators, the economy reacts to even the most remote conjecture. Accordingly, prolonged oil shocks may have negative macroeconomic effects, such as fluctuations in GDP, which could make policymaking more difficult (Abdullahi et al., 2024). Therefore, it would seem that Nigeria's macroeconomic stability and sustainable development are seriously threatened by the volatility of oil prices. Nigeria's high reliance on oil as its primary source of income, along with the neglect of agriculture and other sectors in a comprehensive and sincere diversification policy, are all contributing factors to the country's inability to achieve sustainable development, a certain level of full employment, poverty reduction, solving the unfavorable trade balance, inflation problem, and high debt ratio Hussain & Salisu (2019). Decades of corruption in the oil industry, poverty, unemployment, processing and distribution costs, social conflicts in oil-producing regions leading to pipeline vandalism, oil theft, abduction of foreign oil workers, and disruptions in the supply and demand of petroleum products all contribute to the problem (Magaji & Musa, 2015).

### *1.3. Objective of the Study*

The reason for this study is Nigeria's heavy reliance on crude oil export earnings, which account for around 95% of overall export earnings and, on average, 85% of government revenue in annual budgets. Given the present, significant fluctuations in oil prices on the global oil market, this has serious ramifications for the Nigerian economy. This study's primary goal is to experimentally investigate how changes in oil prices affect a few key macroeconomic variables in Nigeria. By using quarterly data, this study's requirement to close the gaps left by earlier studies becomes relevant.

## **2. Literature review**

### *2.1. Oil Price Shocks*

Oil price shocks are primarily characterized as price variations brought about by shifts in the supply or demand of the global oil market (Hamilton, 1983; Wakeford, 2006). The Organization of Petroleum Exporting Countries' (OPEC) production quotas, political unrest in the Middle East, which is an oil-rich region, and the actions of terrorist groups in Nigeria's Niger Delta have historically been blamed for supply-side interruptions that have caused these shifts. As a result, depending on the situation, the shocks could be positive (a rise) or negative (a fall).

The first oil price shock occurred in October 1973 as the consequence of the attack of Syria and Egypt on Israel, which affected industrialized economies as oil-importing countries and they swelled into stagflation (Elmi & Jahadi 2011). This exogenous shock ended and those countries had to start a long-term plan to confront future oil shocks. Iran's revolution in 1979 and then the Iraq-Iran war caused the oil price to increase. The third shock was a negative one and occurred in 1985-1986 due to the collapse of the oil market and the remarkable reduction in world oil prices. In 1990, following the Persian Gulf War and Iraq's attack on Kuwait, the world oil market faced another shock.

### *2.2. Macroeconomic Performance*

Macroeconomic performance pertains to evaluating a country's progress in achieving the primary goals of government policy (Musa, Magaji & Salisu, 2022). The primary objective

of these policies typically revolves around enhancing the quality of life for their population. It centres on the overall economic changes, including factors like unemployment, INTR, GDP, inflation, and other related aspects (Magaji et al., 2019). This analysis encompasses all macroeconomic and microeconomic parameters that influence economic performance. In Rafindadi's (2012) definition, macroeconomic performance refers to the capacity of a country's macroeconomic policymakers to deliver services that facilitate the achievement of specific living standards. In other words, it is the capacity of a nation's macroeconomic policy makers to deliver services to its citizens, such as a substantial real GDP per capita, minimal inflation, low unemployment, and a favourable trade surplus (Wudi et al., 2021). The terms development and growth were used synonymously. Khramov and Lee (2013) found that in the 1950s and 1960s, several emerging countries achieved their economic growth goals. However, the population's living conditions did not improve, leading to persistent poverty, illiteracy, and declining health in these nations. For example, in 2010, Nigeria's GDP was recalculated, resulting in Nigeria becoming the largest economy in Africa. However, this achievement persisted despite inflation, poverty, unemployment, inadequate infrastructure, and substandard health facilities (Shaba et al., 2018).

### 2.3. Theoretical Review

The macroeconomic effects of shocks to oil prices have been the subject of substantial theoretical research. The majority of these studies contended that changes in oil prices have been a significant cause of business cycle fluctuations since the mid-1970s, but they were unable to agree on the existence of an odd transmission channel that explains the mechanisms through which changes in oil prices affect the macroeconomy (Akinleye & Ekpo, 2013). Hunt et al. (2002) state that there are numerous ways in which rising oil prices might affect the economy. The first mechanism shows how income is transferred from countries that import oil to those that export it, which lowers demand globally in the countries that import oil. Due to an anticipated low inclination to consume, the fall in demand in the oil-exporting countries surpasses the growth in the oil-importing countries. Second, an increase in production input costs will have an impact on output given the level of capital stock and the assumption that salaries are relatively inflexible in the medium term (Salisu & Haladu, 2023). Furthermore, as crude oil is a necessary component of production, rising oil prices raise the cost of production. The third channel is the result of producers' and laborers' resistance to a drop in their actual earnings and profit margins. Prices and labor costs are pushed higher as a result. The definition of core inflation provides the fourth channel. When energy prices rise, the consumer price index rises as well, prompting the central bank to issue directives. According to economic theory, there are several ways in which fluctuations in oil prices might impact economic activity:

### 2.4. Transmission mechanisms (channels)

The literature has put forth a number of transmission routes via which changes in oil prices impact the performance of macroeconomic variables. In particular, six transmission channels – the supply-side effect, the demand-side effect (wealth transfer effect), the inflation effect, the real balance effect, the sector adjustment effect, and the unexpected effect – have been identified (Brown & Yucel, 2002; Jones, 1991; Tang et al., 2010). Impact from the supply side: Since crude oil is essential to both trade and production, rising oil prices push up the cost of both, forcing companies to cut back on output. The effects of growing oil prices on the supply side are as follows. Crude oil is categorized as a supply-side channel input since it is a basic component of production. Increases in production costs stemming from changes in domestic labor and capital inputs and decreased capacity utilization are direct effects of rising oil prices on output. Put another way, fluctuations in the price of oil affect production's marginal costs, which causes output to decline.

*The Wealth Transfer Effect:* Variations in the price of oil have an impact on investment and consumption through the demand-side mechanism.

While investment is directly harmed by an increase in oil prices because it indirectly impacts the price of a firm's inputs, raising their expenses, consumption is impacted by its positive relationship with disposable income. Another mechanism that captures the flow of revenue from oil-importing countries to oil-exporting countries after an increase in oil prices is the wealth transfer effect. Increases in oil prices provide oil-exporting nations with windfall profits. The transfer of income lowers consumer demand in oil-importing nations while simultaneously raising it in oil-exporting nations, albeit more proportionately due to the latter's presumed higher marginal propensity to consume. From the standpoint of a nation

that imports oil, a shock to the price of oil is felt on the demand side of the economy, leading to a decline in the desire for products and services (or consumer spending). Four complimentary mechanisms—the discretionary income effect, the uncertainty effect, the precautionary savings effect, and the operating cost effects—are how oil price shocks impact consumer spending. (Kilian, 2010).

### 2.5. Empirical Review

The empirical literature on the macroeconomic impacts of oil supply shocks evolved as the new state of the oil market revealed itself gradually after 1973. One of the initial beliefs following the 1973-74 price shock was that the new, higher price of oil might be a permanent feature of a changed natural resource regime. Accordingly, one recurrent theme was the aggregate economy's response to a sudden, permanent price shock. How would an economy adjust to the new circumstances?

Wilfred (2024) examined the Effect of selected macroeconomic variables on External Reserves Management in Nigeria (1981-2022) with external reserves as a dependent variable and international crude oil price movement, exchange rate volatility, inflation, monetary policy rate, public expenditure, economic growth, external debt service payment, and trade Openness as independent variables. With dataset from the Central Bank of Nigeria Statistical Bulletin and Autoregressive Distributive Lag (ARDL) model as the key estimation technique, the study found that crude price movement, economic growth, and public expenditure growth, all had positive and significant impacts on external reserves management. Exchange rate volatility, monetary policy rate and trade openness were found to have adverse and significant effects on external reserves. It is therefore recommended that effective and efficient fiscal and monetary policy measures be adopted to enhance the management of external reserves.

The influence of oil price shocks on a few macroeconomic indicators in Nigeria between 1990 and 2021 is examined by Bamaïyi (2024). Ex-post facto technique and econometric analysis are used in the study, which focuses on variables including real GDP (gross domestic product), balance of payments, unemployment, oil price, and currency rate. Assuming these variables to be endogenous, the study investigates the correlations between them using the annual Vector Autoregressive (VAR) model. For the analysis, time series data is gathered from the statistical bulletin published by the Central Bank of Nigeria. The unit root test result shows that all the variables are integrated of order one (I (1)), requiring more research to be done on the linkages between them. Over a ten-year period, the impulse response function showed how macroeconomic variables dynamically responded to shocks in the price of oil. The Granger causality test emphasizes the causal relationship between the variables, highlighting the impact of shocks to the oil price on real GDP, the balance of payments, and unemployment. According to the results, shocks to the price of oil have a major impact on a number of macroeconomic indicators, including currency rates, unemployment rates, and balance of payments. The research suggests implementing policy strategies, like diversification, promoting domestic production, and fostering an atmosphere that is conducive to foreign direct investment, to safeguard the economy from shocks to the global oil price. Furthermore, it is recommended that the government develop and strategically execute fiscal and monetary policies in order to stabilize the economy in the face of changes in the price of oil and therefore foster sustained economic growth.

Sami and Taiwo (2023) looked at the impact of production and crude oil prices on the Nigerian Gross Domestic Product. This study's methodology, which included a thorough evaluation of pertinent literature on the effects of crude oil output and prices on the Nigerian economy, was based on the conceptual review. This conceptual analysis looks at how the production and price of crude oil affect Nigeria's GDP performance from an economic, social, and environmental standpoint. Among the economic aspects that can be seen are the effects on trade balances, fiscal balances, and foreign currency earnings. In terms of social implications, millions of Nigerians are employed directly or indirectly by the oil business. Thus, changes in the quantity and price of crude oil can have an impact on living standards and employment prospects. The detrimental effects of crude oil production, transportation, and exploration on the environment are taken into consideration along with an assessment of the environmental aspect. According to this paradigm, in order for investors and policymakers to maintain sustainable growth in Nigeria, they must have a thorough understanding of how crude oil production and pricing affect the country's GDP performance.

Guntur & Shripad (2020) using quarterly data from March 31, 1999, to December 31,

2019, examine the relationship between crude oil prices and macroeconomic variables in the BRICS countries. To investigate the long-term relationship between crude oil and macroeconomic variables, an Autoregressive Distributed lag model was developed. The study discovered that the variables have a sustained association. We've also found that every nation responds to changes in oil prices in a unique way. However, it's noteworthy to note that China and India respond to fluctuations in the price of crude oil in rather similar ways. Furthermore, we've discovered that, with the exception of Russia, all of the countries under investigation are impacted by changes in the price of oil.

Ahmad et al. (2020) explains the connection between the volatility of crude oil prices and important macroeconomic variables, such as GDP, IR, interest rates, and currency rates. The study used the vector autoregression (VAR) setup with the impulse response function and the prediction error variance decomposition technique as macroeconomic policy modeling tools. The time-series data (2000–2020) were collected from South Asian countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka). When shocks to the price of crude oil occurred, the impulse response function's result helped to explain a significant amount of the variation observed in macroeconomic indicators. The socioeconomic status of the area is greatly impacted by even little changes in oil prices, which can have a substantial effect on macroeconomic indices. The outcome of variance decomposition shows that the region's countries respond to fluctuations in the price of crude oil in different ways, which is a reflection of their respective macroeconomic bases, autonomous policies, sectoral structures, and national characteristics. According to the findings, governmental policies should be changed to lessen reliance on oil and to promote the use of renewable and green energy sources for improved environmental outcomes and sustainable development.

Miamo & Achuo (2021) revisit the resource curse hypothesis by examining the nexus between crude oil prices and economic growth for a panel of 32 Sub-Saharan African countries from 1980 to 2017. Employing the panel vector autoregression (VAR) estimation technique, we found evidence of a significant positive effect of crude oil price on economic growth both in the short run and long run. However, after splitting the panel into net oil exporters and importers, the results for net oil importers remain consistent with those obtained for the whole panel, unlike those for net oil exporters revealing a positive and negative effect of crude oil price on economic growth in the short-run and long-run periods, respectively. This confirms the resource curse hypothesis for oil-exporting countries under consideration. Moreover, we found evidence of bidirectional causality between crude oil prices and real GDP. Consequently, to boost economic growth in Sub-Saharan Africa, various governments should encourage economic diversification, and increase investments in human capital in view of enhancing the development of the oil sector by ensuring an efficient management of oil revenues, as well as intensifying the fight against corruption.

Omolade, Ngalawa and Kutu (2019) investigate the influence of crude oil price shocks on the macroeconomic performance of Africa's oil-producing countries. Eight major net oil producers, namely, Algeria, Nigeria, Egypt, Angola, Gabon, Equatorial Guinea and Congo Republic are included in the study. Sudan is excluded due to data constraints. The study covers the period between 1980 and 2016, which represents the periods with the most boom and bust movements in crude oil prices. The Hamilton Index (1996) which uses the net oil price increase is applied. The study compares the price of oil in each quarter with the maximum value observed during the preceding four quarters. This is used to derive sharp increases and declines in oil prices to capture oil price shocks. A Panel Structural Vector Auto-Regression model is adopted for analysis. The results show that the reaction of output to sharp increases and declines in oil prices differ. It is also observed that structural inflation accompanies sharp declines in oil prices more than monetary inflation since both outputs and investment decline significantly.

Plakandaras (2017) study the time-varying effect of macroeconomic shocks in the determination of house prices in the U.S. and the U.K. housing market, employ time-varying Vector Auto-regression models using Bayesian methods covering the periods of 1830-2016 and 1845-2016 respectively. From the examination of the impulse responses of house prices on macroeconomic shocks, the study found that technology shocks dominate in the U.S. real estate market, while their effect is unimportant in the U.K. In contrast, monetary policy drives most of the evolution of the U.K. house prices, while transitory house supply shocks are unimportant in either country.

Therefore, this study aims to look at the relationship between certain macroeconomic performances and with price of crude oil in Nigeria and the objective of the study is to

evaluate the correlation between specific macroeconomic performance and the price of crude oil in Nigeria.

### 3. Methods and Materials

#### 3.1. Types and Sources of Data

Conventionally, for a time series study, secondary data is normally employed to establish the necessary link or otherwise among the variables of interest, the data sourced from the National Bureau of Statistics (NBS) publications, Central Bank of Nigeria (CBN) Annual Report and Statistical Bulletin, World Bank and International Financial Statistics (IFS) of the IMF.

#### 3.2. Techniques of Data Analysis

The study used the Unit Root Test Vector error correction model and cointegration, Unit root test or rather checking the order of integration among the variables of interest gained prominence in time series studies since Augmented Dickey-Fuller (ADF) test (1979, 1981) was developed and later it extended and the test assumed that errors terms are statistically independent and have a constant variance, other methods of testing for the existence of unit root problem was developed by Phillips-Perron (PP) test (1988), which takes into account for serial correlation and Heteroscedasticity. Another test for unit root was developed by Kwiatkowski-Phillips-Schmidt-Shin (KPSS) in 1992, the test assumed the null hypothesis ( $H_0$ ) to be stationary, unlike ADF and PP which assumed the null hypothesis as non-stationary.

Augmented Dickey fuller equation model (ADF) is here specified as:

$$\Delta y_t = \alpha_0 + \alpha_1 + \delta y_{t-1} + \sum_{i=1}^k \beta_1 \Delta y_{t-1} + \varepsilon_t \quad (1)$$

Where  $\alpha_0$  and  $\alpha_1$  are a constant and deterministic trends,  $\Delta$  is a differencing operator,  $\varepsilon_t$  is a serially uncorrelated error process and it requires that  $\delta < 1$ , if  $\delta = 1$  then there is a unit root in the variable

#### 3.3. Co-integration test

Because of the inadequacy of the differencing method, testing of the model co-integration is critical for the VECM. The Johanson test of co-integration was employed to test for co-integration in the model. This test permits more than one co-integrating relationship, so, it is more generally applicable.

There are two types of Johanson tests, either with trace or with eigenvalue, and the inferences might be a little bit different. The null hypothesis for the trace test is that the number of co-integrating vectors is  $r = r^* < k$ , vs. the alternative that  $r = k$ . Testing proceeds sequentially for  $r^* = 1, 2$ , etc. and the first non-rejection of the null is taken as an estimate of  $r$ . The null hypothesis for the *maximum eigenvalue* test is as for the trace test but the alternative is  $r = r^* + 1$  and, again, testing proceeds sequentially for  $r^* = 1, 2$ , etc., with the first non-rejection used as an estimate for  $r$ .

#### 3.4. Vector Error Correction Model

To express the relationship between the variables with an ECM model, which will now have the advantage of including both short-run and long-run information. The error correction model (ECM) shows how much of the disequilibrium is being corrected over a period, it is called the adjustment effect. ECM model measures the correction from disequilibrium of the previous period, which has a very good economic implication, Furthermore, it resolves the problem of spurious regression because it eliminates the trend in the variable involved.

Error correction model is specified as

$$\Delta y_t = \alpha_0 + \beta_1 \Delta X_1 - \pi \hat{U}_{t-1} + \varepsilon_t \quad (2)$$

Where  $\beta_1$  is the impact multiplier (short run effect) this measures the immediate effect on change in  $X_1$  will have on a change in  $y_t$  on the other hand  $\pi$  is the feedback effect or adjustment effect, and how much of the disequilibrium being corrected.

#### 3.5. Model Specification

The models are stated as:



$$Y_t = (ROP, RGDP, CPI, REXH)$$

$$ROP = f(ROEXH, CPI, RGDP) \tag{3}$$

Where ROP is the real oil price

ROEXH is the real exchange rate

CPI is consumer price index

RGDP is real gross domestic product

For econometric model

$$ROP_t = \alpha_0 + \alpha_1 ROEXH_{t-1} + \alpha_2 CPI_{t-1} + \alpha_3 RGDP_{t-1} + u_{t-1} \tag{4}$$

Where  $\alpha_0$  is the intercept

t is present time

t-1 is lag or previous time impact

$\alpha_1 - \alpha_3$  is coefficient or parameters

$U_{t-1}$  is error term at the present time

#### 4. Results and Discussion

For the study to achieve its objective which is the evaluation of the correlation between specific macroeconomic performance and the price of crude oil in Nigeria, data was sourced from Central Bank of Nigeria (CBN) Statistical Bulletin, 2023, and was analyzed using E-views. Version 10. The results are shown using the unit root test in table 1 below.

Table 1. Unit root tests

Variables	Level				1 <sup>st</sup> difference			
	ADF (Prob. Value)	PP (Prob. Value)	KPSS	Status	ADF (Prob. Value)	PP (Prob. Value)	KPSS	Status
RGDP	2.333 (0.1)	2.40063 (0.142)	0.1211	Not Stationary	13.2101 (0.000)	13.2101 (0.000)	0.064321	Stationary
OP	2.0822 (0.25)	2.2973 (0.175)	0.7181	Not Stationary	12.8040 (0.000)	-12.77825 (0.000)	0.067314	Stationary
EXR	2.5623 (0.10)	2.7002 (0.075)	0.6573	Not Stationary	13.038 (0.000)	13.0352 (0.000)	0.069559	Stationary
CPI	2.1317 (0.23)	2.5572 (0.103)	0.418	Not Stationary	13.557 (0.00)	13.5509 (0.000)	0.062344	Stationary

Source: computed by the author using E-views. Version 10 (2023).

From the results obtained in Table 1, it seemed necessary to test the stationarity of the variables at their first difference since the variables were not stationary at levels. The result of these difference series is presented in the three-unit root tests in table 1 above. The result suggests that after differencing the series, the null hypothesis of non-stationarity in each of the series can be rejected at a 5% level of significance. Thus, the series are now integrated into order 1, that is they are I(1).

##### 4.1. Order of Lag Selection Criteria

The choice of the lag length is a crucial part of empirical research based on the Vector autoregressive (VAR) model since all inferences in this model hinge on the correct model specification. The procedure requires that the choice of deterministic variables and maximum lag length (k) be such as to prevent serial correlation in the disturbance processes both within each equation of the VAR and also across equations. Table 2 presents the appropriate lag length for the Unrestricted Vector Auto Regression Estimates.

Table 2. Order of lag selection criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
-----	------	----	-----	-----	----	----



0	-473.3425	NA	0.001612	4.921057	4.988435	4.948340
1	394.0956	1690.163*	2.48e-07*	-3.856655*	-3.519763*	-3.720238*
2	401.2520	13.64885	2.72e-07	-3.765484	-3.159078	-3.519933

\* indicates lag order selected by the criterion, **LR**: sequential modified LR test statistic (each test at 5% level), **FPE**: Final prediction error, **AIC**: Akaike information criterion, **SC**: Schwarz information criterion, **HQ**: Hannan-Quinn information criterion, Source: computed by the researcher using E-views. Version 10.0

Based on the order of selection criteria given in Table 2, one lag has been selected for the estimation of the VAR model. The selected lags are based on AIC and HQ test statistics and also the fact that the lags have been able to satisfy the OLS assumptions of no serial correlation, and constant error variance (homoskedasticity).

#### 4.2. Johansen Co-integration

The long-run relationship among variables is a crucial part of empirical research to estimate the VECM model. The Johansen cointegration test is conducted to test the long-run relationship between the variables and see if the variables are cointegrated and when the variable will be at equilibrium. Table 3 shows the summary of the Johansen Cointegration test.

**Table 3.** Johansen Cointegration Table

Trace test			
No. Cointegration Equation	Statistic	5 % critical value	Prob
None *	51.51512	47.85613	0.0218
At most 1	48.03282	47.85613	0.0481
At most 2	10.96000	15.49471	0.2140
At most 3	2.008474	3.841466	0.1564
Maximum Eigenvalue			
No. Cointegration Equation	Statistic	5 % critical value	Prob
None *	25.38387	27.58434	0.0932
At most 1	15.17125	21.13162	0.2771
At most 2	8.951529	14.26460	0.2902
At most 3	2.008474	3.841466	0.1564

Source: computed by the researcher using E-views version 10 (2023)

Table 3 shows the unrestricted Johansen Co- -integration Rank Test. The test hypothesized No Co integration equations. From the probability, values are less than 0.05, which means that rejecting the Null Hypothesis of No Cointegration among the variables. The trace statistic is more than the 0.05 critical values at none. The result from the two tests therefore means there is at one Co-integration relationship among variables and we cannot accept the null hypothesis that there is no co-integrating equation at 0.05 levels. Thus, this outcome confirms the presence of a long-run relationship among the variables of our model. As such, we estimate the Normalized co-integrated coefficients and VECM models.

#### 4.3. VECM Long Run Analysis

Having established the fact that there is a long relationship between the variables using the Johansen Co-integration test. The next step is to estimate the VECM long-run relationship between the co-integrating variables. Table 4.5 below presents the VECM long-run estimates of variables.

#### 4.4. Vector error correction model (VECM) Analysis

After analyzing the long-run relationship between the variables, the study further estimates the short-run relationship between the variables illustrated in Table 4 with a delta sign showing the changes with the lag operators that effect the dependent variable.

**Table 4.** Results of Vector Error Correction Model (VECM)

Variables	Coefficients	Standard error	Dependent Variable = D(LOGRGDP)
			t-statistics
D(LOGOP(-1))	-0.023380	0.01129	-2.07047
D(LOGCPI(-1))	-0.152099	0.12301	-1.23645
Constant	-0.015211	0.02238	-0.67970
ECT <sub>t-1</sub>	-0.337843	0.06653	-5.07805

Note: \*\*\* Statistical significance at the 1 per cent levels, \*\*Statistical significance at the 5 per cent levels, \* Statistical



significance at the 10 per cent levels.

Source: computed by the author using E-views. Version 10 (2023)

The result shows that lag values of real growth in the previous year can be described as statistically influential factors that positively affect current real GDP in the short run. A 1% increase in the value of the real GDP insignificantly changes the current real GDP by approximately 0.29%.

The past value of the exchange rate is positive and statistically insignificant at 5% affects real growth in the short run. A 1% increase in the value of the EXR insignificantly changes the current real GDP by approximately 0.103%.

The past value of the consumer price index is negative and statistically insignificant at 5% affects real GDP in the short run. A 1% increase in the value of the CPI insignificantly decreases current real GDP by approximately 0.15%. The value of the ECM is negative and statistically significant. The estimate of the lagged ECM is -0.337843. This indicates that short-run deviations towards the long run would be corrected by 33.8% in the real GDP function. This implies it would take almost two years and nine months to reach the stable log-run equilibrium path in the level of the real GDP model in the case of Nigeria. Empirically, this implies that for any disequilibrium in the system, the system will automatically adjust itself back to the equilibrium position after two years and nine months.

#### 4.5. Residual Diagnostics

Residual diagnostic check tests have been conducted for the lag selected to ensure that the selected lags are free of serial correlation and heteroskedasticity and that the residuals of the selected lags are normally distributed. Based on the residual serial correlation test result using the LM test, given in Table 5, the null hypothesis of no serial correlation for all the lags at a 5% level given the LM statistics and the probability values of greater than 0.05 could not be rejected.

**Table 5.** Residual diagnostics

Lags	VAR Residual Serial Correlation LM Test		VAR Residual Heteroskedasticity Test			VAR Residual Normality Test			
	Lm-Stat	Prob	Chi-square	Df	Prob	Component	Jarque-Bera	Df	Prob
1	16.42998	0.4234	76.29339	100	0.9627	Joint	130054.4	8	0.0000

Source: computed by the researcher using E-views. Version 10.0 (2023).

Similarly, the test for heteroskedasticity indicates that the residuals are homoscedastic given the chi-square of 76.29339 with the probability value of 0.9627 which makes it impossible to reject the null hypothesis of homoscedasticity. Jarque-Bera test for the normality of the residual indicates that there is a departure from normality. This is evident from the Jarque-Bera statistics for the joint test and the probability value of 0.000 which is less than the critical value of 0.05 at the 5% level of significance.

## 5. Conclusions

The result obtained from the estimation of the VECM model has shown that there is a long-run interdependence of oil price shocks and this has a significant impact on Real Growth Domestic Product, Consumer Price Index, and Real Exchange Rate in Nigeria. The major source of revenue and foreign earnings to the economy are mainly from the sales of crude oil, the economy is entirely dependent on the level of global oil prices, and as such most of the macroeconomic indicators of the economy are directly or indirectly being affected by the oil price fluctuation in the economy. From the outcomes acquired in Table 1, it appeared to be important to test the stationarity of the factors at their most memorable contrast since the factors were not fixed at levels. The consequence of these distinction series is introduced in the three-unit root tests in Table 1 above. The outcome proposes that subsequent to differencing the series, the invalid speculation of non-stationarity in every one of the series can be dismissed at a 5% degree of importance. Hence, the series are presently incorporated into request 1, that is they are I (1).

Since Nigeria does not have the power to control oil prices in the world market, it is required that the government diversify the economy to reduce the adverse effect of shocks emanating from the fluctuation of global oil prices. The country should diversify its exports from oil exports to non-oil exports. Diversification of the economy is necessary to reduce the consequences of external shocks. Again, diversify the oil revenue base as a means of



minimizing reliance on crude oil and petroleum products. E.g. embarking on sustainable policies that could help to improve agriculture and industries, will further shield the economy from the impact of oil price shocks on the economy, and thus prevent the negative effect of the shocks from attaining a statistical significance level.

## References


- Abdullahi, I. A., Magaji, S., & Musa, I. (2024). Navigating Technological Shift: The Role of Digital Strategy in Modern Banking. *International Journal of Novel Research in Marketing Management and Economics*, 11(2), 13-28.
- Agri, M. E., Inusa, D. M., & Kennedy, N. D. (2015). Oil price volatility on Macroeconomic variables and sustainable development in Nigeria. *International Journal of Economics and Financial Research*, 2, 33-40.
- Ahmad, I., Iqbal, S., Khan, S., Han, H., Vega-Muñoz, A., & Ariza-Montes, A. (2022). Macroeconomic effects of crude oil shocks: Evidence from South Asian countries. *Frontiers in psychology*, 13, 967643. <https://doi.org/10.3389/fpsyg.2022.967643>
- Akinleye, O. S., & Ekpo, S. (2013). Oil Price Shocks and Macroeconomic Performance in Nigeria. Unpublished master's thesis
- Aliyu, S. U. R. (2009). Impact of Oil Price Shock and Exchange Rate Volatility on Economic Growth in Nigeria: An Empirical Investigation. *Research Journal of International Studies*, 11, 4-15.
- Bamaiyi, G. (2024). Effect of Oil Price Shocks on Selected Macroeconomic Variables in Nigeria (1990-2021). *International Journal of Development and Economic Sustainability*, 12(1), 12-26.
- Blanchard, O., & Gali, J. (2007). The Macroeconomic Effects of Oil price Shocks: Why are the 2000s so different from the 1970s? NBER Chapters. In *International Dimensions of Monetary Policy*, National Bureau of Economic Research (pp. 373-421). <https://www.nber.org/papers/w13368>
- Brown, S. P. A., & Yücel, M. K. (1999). Oil prices and US Aggregate Economic Activity: A Question of Neutrality. In *Economic and Financial Review*, Federal Reserve Bank of Dallas, Second Quarter (pp. 16-23).
- Elmi, Z. M., & Jahadi, M. (2011). Oil price Shocks and Economic Growth: Evidence from OPEC and OECD. *Australian Journal of Basic and Applied Sciences*, 5(6), 627-635.
- Guntur, A. R., & Shripad, R. M., (2020), Relationship between Crude Oil prices and Macro-economic Variables: Evidence from BRICS Countries. *International Journal of Energy Economics and Policy*, 10(5), 264-271.
- Hamilton, J. (1996). This is What Happened to the Oil price-Macroeconomy Relationship. *Journal of Monetary Economics*, 38, 215-220.
- Hamilton, J. D. (1983). Oil and the Macroeconomy since World War II. *Journal of Political Economy*, 91, 228-248.
- Hoffman, D. L., & Rasche, R. H. (1996). Assessing Forecast Performance in a Coin-integrated System. *Journal of Applied Econometrics*, 11, 495-517.
- Hunt, B., Isard, P., & Laxton, D. (2002). The Macroeconomic Effects of Higher Oil Prices. *National Institute Economic Review*, 179, 87-103. doi:10.1177/002795010217900111
- Hussain, M., & Salisu, A. (2019). An Impact Assessment of Financial Sector Development on Economic Growth in Nigeria, 1986-2018. *Jalingo Journal of Social and Management Sciences*, 1(3), 97-110
- Jones, C. T. (1991). OPEC Behavior under Falling Prices: Implications for Cartel Stability. *Energy Journal*, 11(3), 117-129.
- Khramov, V., & Lee R. (2013). The Economic Performance Index (EPI): An intuitive indicator for assessing a country's economic performance dynamics from a historical perspective. IMF working paper. WP/13/214. <https://www.imf.org/external/pubs/ft/wp/2013/wp13214.pdf>
- Kilian, L. (2010), Oil Price Volatility: Origin & Effects: Background Paper Prepared for the WTO's World Trade Report 2010. University of Michigan and CEPR.
- Killian, L., & Hicks, B. (2009). Did unexpected strong economic growth cause the oil price shock of 2003-2008?. Mimeo, Department of Economics University of Michigan.
- Magaji, S., & Musa, I. (2015). Effect of Household Income on Child Labour in Nigeria. *Lapai International Journal of Management and Social Science*, 8(1), 32 - 56.
- Magaji, S., Ayo, A.A., & Musa, I. (2019). Relative Impact of Monetary Policy Instruments on Economic Growth in Nigeria. *Lapai Journal of Economics*, 3(2), 93-118.
- Miamo, C. W., & Achuo E. D. (2021). Can the resource curse be avoided? An empirical examination of the nexus between crude oil price and economic growth. *SN Business & Economics*, 2, 5. DOI: 10.1007/s43546-021-00179-x
- Mory, J. (1993). Oil Prices and Economic Activity: Is the Relationship Symmetric? *Energy Journal*, 14, 151-161.
- Musa, I., Magaji, S., & Salisu, A. (2022). The Monetary Policy Shocks and Economic Growth: Evidence from SVAR Modelling. *International Journal of Indonesian Business Review*, 1(1), 1-11.
- Musa, I., Magaji, S., Eke, C. I., & Abdulmalik, O. Y. (2022). Poverty and its Intractability: Causes and Consequences. *Inclusive Society and Sustainability Studies*, 2(2), 48-58.
- Nnnanna, O. J., & Masha, I. (2003). "Oil price Fluctuation, macroeconomic behaviour and Policy Response in Nigeria: A VAR Specification. *West African Journal of Monetary and Economic Integration*, 3, (1), 85-113.
- Omisakin, O., Adeniyi, O., & Omojolaibi, A. (2009). A Vector Error Correction Modeling of Energy Price Volatility of an Oil Dependent Economy: The Case of Nigeria. *Pakistan Journal of Social Sciences*, 6(4), 207-213.
- Omolade, A., Ngalawa, H., & Kutu, A. (2019). Crude oil price shocks and macroeconomic performance in Africa's oil-producing countries. *Cogent Economics & Finance*, 7, 1607431. DOI: 10.1080/23322039.2019.1607431
- Plakandaras, A. (2017). Time-Varying Role of Macroeconomic Shocks on House Prices in the US and UK: Evidence from Over 150 Years of Data. University Of Pretoria Department of Economics Working Paper Series.
- Rafindadi, A. S. (2012). Macroeconomic Policy, Output and Unemployment Dynamics in Nigeria: Is There Evidence of Jobless Growth? In 53rd Annual Conference of the Nigerian Economics Society. DOI: 10.2139/ssrn.2135752
- Riggi, M., & Venditti, F. (2015). The time-varying effect of oil price shocks on euro-area exports. Working paper.



- Salisu, A., & Haladu, A. I. (2023), An Assessment between the Relationship Between Stock Market Development and Monetary Policy on Economic Growth In Some Selected African Countries. *Journal of Sustainable Development*, 6(4), 114-125.
- Salisu, A., & Mamman, T. (2022). Empirical Investigation between Import, Export, Globalization and Nigerian Economic Growth, 1986-2020: An Applications Granger Causality. *African Journal*, 2(1), 29.
- Sami, S. & Taiwo, M. (2023). Effect of Crude Oil Prices and Production on the Performance of Nigerian Gross Domestic Product: A Conceptual Framework. *Journal of Human Resource and Sustainability Studies*, 11, 698-711. DOI: 10.4236/jhrss.2023.113038.
- Shaba, N. Y., Obansa, S. A. J., Magaji, S., & Yelwa, M. (2018). Analysis of the Relationship between Income Inequality and Poverty, Prevalence in Selected North Central States of Nigeria: 1991-2013. *Applied Economics and Finance*, 5(3), 22-23.
- Tang, J., Chen, Y., Chen, X., Yao, Y., Ying, H., Xiong, J., & Bai, J. (2010). Production of cytidine 5'-diphosphorylcholine with high utilization of ATP by whole cells of *Saccharomyces cerevisiae*. *Bioresource technology*, 101(22), 8807–8813. <https://doi.org/10.1016/j.biortech.2010.06.006>
- Wakeford, J. (2006). The impact of oil price Shocks on the South African Macroeconomy: History and Prospects. In *Accelerated and Shared Growth in South Africa: Determinants, constraints and opportunities*.
- Wilfred, I. U. (2024), Effect of Selected Macroeconomic Variables on External Reserves Management in Nigeria (1981-2022). *Educational Administration: Theory and Practice*, 30(5), 13787-13799. DOI: 10.53555/kuey.v30i5.6039.
- Wudil, A. A., Muhammad, R., & Salisu, A. (2021). Impact of Some Monetary Policy Variables on Economic Growth: Empirical Evidence From Selected West African Countries. *Innovation in Economy & Policy Research*, 2 (2), 1-14.

Literature Review

# Exploring Gender Disparities in Executive Leadership Positions in Norway: A Qualitative Analysis

Nelufer Nazrul<sup>1,\*</sup> 

<sup>1</sup> University of Bergen, Norway

\* Correspondence: nenaz6602@uib.no

<https://doi.org/eiki/10.59652/jeime.v2i2.234>

**Abstract:** Norway has gained global reputation for its gender equality efforts, yet a considerable gender disparity persists at the highest organizational ranks. This qualitative study explores the underlying reasons for the underrepresentation of women in executive leadership positions in Norway. Grounded in social role theory and the glass ceiling concept, the research involved a comprehensive literature review of academic journals, government reports, and industry publications. Thematic analysis revealed societal and cultural norms, organizational factors, and individual-level elements as key contributors to this inequality. Traditional gender roles, implicit biases, lack of mentorship and networks, gender culture, structural bias, as well as personal factors like confidence, self-esteem, and risk aversion emerged as significant barriers. The study critically evaluates existing measures aimed at bridging the gender gap, which have had limited long-term impact. Based on the findings, an integrated set of recommendations is proposed for policymakers, organizations, and individuals to increase women's representation in top executive roles. These include challenging traditions, fostering organizational inclusivity, providing individual support, strengthening accountability, and promoting collaborative efforts.

**Keywords:** social role theory; glass ceiling; gender equality; gender stereotypes; structural bias; policy recommendation; societal norms; gender diversity; gender justice

## 1. Introduction

Though there is real progress with respect to gender equality among countries highly endorsed for their gender sensitivity, the persistent underrepresentation of women in executive leadership positions across various sectors and industries remains a challenging issue. Norway is known for its forward-thinking policies and values, which are no different from the rest of the world. On the one hand, this country takes the second position in the world's gender equality hierarchy (World Economic Forum, 2022). However, a profound gap remains in female presence in the upper echelons of corporate leadership (World Economic Forum, 2022). This paradox calls for an in-depth exploration of the complex factors due to which this gender gap in executive positions persists in the business sphere of Norway.

### 1.1. Societal and Cultural Influences

Ethical systems and cultural structures are among the norms that not only form a person's personality but also give ideas and expectations of how gender boundaries and leadership should be. As suggested by social role theory, individuals, while being socialized, tend to internalize societal ideas, which in turn may affect their behavior and career options (Eagly, 1987). Such socio-cultural norms frequently reinforce stereotypes that leadership is for people who have masculine traits. This creates gender bias and makes it difficult for women to access executive roles in organizations and institutions (Heilman, 2001). The same can be achieved even more so by traditional masculine existing cultures and values in organizations, thus creating an inhospitable environment for women (Acker, 1990).

#### 1.1.1. Organizational Barriers

Cultural and structural factors could also contribute to the scarcity of women executive leaders, having broader consequences. Even though gender-based wage gaps, absence of

Received: June 21, 2024

Accepted: June 30, 2024

Published: June 30, 2024



**Copyright:** © 2022 by the authors.

Submitted for open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license

(<https://creativecommons.org/licenses/by/4.0/>).

family policies, and step-pace promotion can challenge women and their professional growth in companies (Catalyst, n.d.), inadequate mentorship and career development programs adapted to women's unique problems can increase the obstacles they face in rising to executive positions (Ibarra et al., 2010).

### 1.1.2. Individual-Level Factors

Although societal and organizational aspects have enormous influence on high-level positions for women, individual aspects are also key elements that contribute to their experiences and goals. Factors like power, influence, and risk-taking can play a determining role in women's interest to pursue leadership roles, which are normally considered male territory (Ely et al., 2014). Women tend to accept common gender stereotypes and self-limiting beliefs regarding their capabilities as leaders (Correll, 2001). Besides, the career and family time balance difficulty, together with societal expectations, could make women more risk-averse, thereby discouraging them from office leadership roles that demand high sacrifices (McGinn & Castro, 2021).

## 2. Literature Review

Women's underrepresentation in executive leadership roles is intricately intertwined with several multifaceted factors which have caught the attention of researchers across disciplines. The purpose of the literature review is to summarize the existing body of knowledge, describe the gaps, and explain the necessity of the present study.

### 2.1. *Significance and Rationale*

The underrepresentation of women in executive leadership positions not only perpetuates gender inequality but also deprives organizations and society of the diverse perspectives and talents that women bring to leadership roles. Previous research has shown that gender diversity provides organizations with better performance and higher efficiency in decision-making and innovations (Hunt et al., 2015). By not maximizing the capability of women managers, organizations and societies are deprived of the advantages of diverse management.

Additionally, addressing this issue contributes to Norway's image as a pioneer in gender justice and equal opportunities. As an innovative and progressive nation, it is crucial to acknowledge and analyze the core problems creating the prevailing gender disparity in executive leadership positions in Norway's business setting.

This research aims to integrate social, organizational, and individual-level factors resulting in the lack of women in senior management positions in Norway's corporate situation. Using qualitative research methodology, we will provide an in-depth review of secondary data sources to reveal the network of factors and their interrelations. The research will develop evidence-based suggestions and interventions directed towards strengthened gender balance and inclusivity in management and entrepreneurial roles throughout Norway.

### 2.2. *Societal and Cultural Influences*

Various studies have demonstrated that societal and cultural norms could limit women's career advancement. Eagly and Karau (2002) emphasized the role of gender stereotypes in forming gender-specific dispositions where women demonstrate more communal characteristics and men more agentic traits. These stereotypical roles can thwart women's advancement into executive and leadership roles traditionally held by men (Rudman & Glick, 2001).

Another aspect assessed is the ongoing presence of conventional gender roles and stereotypes about women's primary responsibilities at home (Benschop & Doorewaard, 1998). These social norms limit women from devoting the same time and energy as men to professional development, impacting their career growth (Eagly & Carli, 2007).

### 2.3. *Organizational Barriers*

Literature has extensively examined organizational factors explaining the female executive leadership deficit. A major impediment is the absence of mentorship and professional networks required for career development and better leadership (Ibarra, 1993; Ely et al., 2011).

Additionally, the gender culture embedded in organizational processes and practices has been studied. Organizational leadership, decision-making, and styles are strongly affected by masculine mores and values (Acker, 1990). This gender culture might create an unwelcoming ambiance for women in skilled roles. Structural discrimination in organizations is another

factor cited in the glass ceiling effect, including gender pay gaps, lack of family-friendly policies, and opaque marketing processes.

#### 2.4. *Individual-level Factors*

Along with societal and organizational levels, individual aspects have been theorized as fundamental barriers to women's career progression. Determinants including confidence, self-esteem, and risk aversion have been identified among other impediments (Ibarra et al., 2011).

It should be highlighted that these factors are not fixed features but rather results of combined societal and organizational-level pressures. By addressing root causes and providing customized assistance, companies could help women reach their potential and create a more equal and equitable environment for advancement.

#### 2.5. *Gaps and Limitations*

While the existing literature provides valuable insights into the factors contributing to the underrepresentation of women in executive leadership positions, several gaps and limitations can be identified:

- Limited focus on the Norwegian context: though some studies have been looking at gender disparity in leadership within Norway, there is a necessity to have a more holistic and in-depth contextual understanding of the relevant cultural, organizational, and individual elements that influence the business environment in Norway.
- Lack of integrated approaches: while many studies investigate the role of particular factors or levels of analysis, it is crucial that these are accompanied by research that takes a systemic and holistic perspective, recognizing the interplay among the societal, organizational, and individual-level indicators.
- Limited evaluation of existing measures: while studies have focused on running gender equality campaigns and initiatives, there is necessity of a critical analysis of the efficacy of the measures presently enforced against this background in Norway.
- The current analysis aims to provide a complete qualitative analysis of a number of multilevel determinants of the gender gap in the representation of women in executive roles in Norway. Through incorporating societal, organizational, and individual-level perspectives, evaluating the interaction among those factors, and critically dissecting the existing measures, this research effort will provide an in-depth understanding of this endemic problem and recommend plausible solutions for the stakeholders at various levels.

### 3. Theoretical Framework

This study draws upon two complementary theoretical perspectives to shed light on the complex issue of the underrepresentation of women in executive leadership positions: each with its own particular theoretical views, such as social role theory and glass ceiling phenomenon. Social, economical, models and so on are the lenses that provide an all-round theoretical framework for understanding this gender gap which is so persistent.

#### 3.1. *Social Role Theory*

Stereotyped social roles theory claims that society and gender roles have a key impact on self-becoming, intentions and aspirations, and perceived capabilities on the individual's path. Children experience society's norms and stereotypes from their early years which tells them what is acceptable and what is not which defines men's behavior and also the identities, as women. In socialization, culturally defined roles for males and females are stressed, giving shape to the continuation of stereotypical masculine and feminine persona. (Eagly & Karau, 2002).

Social role theory suggests that the effects of socialization and gender roles on the personality of a person range from his/her behavioral patterns to aspirations to beliefs of what they can do well. From the minute they are born to adolescence, individuals are surrounded with societal norms and stereotypes, which categorize the gender roles and socio-cultural expectations to assemble them. Role division along the lines of genders is perpetuated by the processes of socialization. It is through these processes that people learn and start performing gender-specific traits (Rudman & Glick, 2001)

As social role theory indicates, women are seen to be engaged in predominantly

communal attributes, including caring, sympathy, and cooperation, whereas men are mostly applauded for competitive, assertive, and ambitious behavior. Those stereotypical roles for two sexes might be the reason why women have hard times when trying to get promoted in the executive leadership positions, which are usually male-dominated areas.

Women who are direct and show that no-nonsense leadership style, which is traditionally masculine, might be shunned for their challenge of the stereotypical roles and violating of the community's expectations. Some people see them as too offensive, abusive, or deficient of the characteristic traits which are commonly thought to be more feminine. By contrast, a woman who brings a more communal and shared style of leadership may also be perceived negatively as deficient in either competence or strength to lead effectively.

### 3.2. *The Glass Ceiling Phenomenon*

The ceiling glass metaphor indicates an invisible yet ruthless wall that keeps deserving people who are specially women back from occupying or getting challenged to taking up higher positions within organizations (Morrison et al., 1987). The causes usually receive so many different dimensions, like structural, cultural and individual factors, and combines with deeply-enrooted gender stereotypes that not let the women go beyond the path (Hymowitz & Schellhardt, 1986; Oakley, 2000).

Structural barriers are identified as the set of the employees' duties procedures and rules that help to maintain the status of women as secondary to men and also aggravate the women's career advance. These may comprise pay audits as well as reveal the paucity of the family-based policies that could support the work-life balance and may also suppose the suspiciously concealed promotion processes in which the transparency and objectivity could not be confirmed. Such structural barriers make the play field less even, raise the issue of women's being "in a jungle of cats to navigate the corporate world and subsequently hold executive leadership positions (Ely et al., 2011; Ibarra, 1993).

Employers is another one of the cultural aspects that work as a stumbling block on the glass ceiling. It is actually a lot of companies in this world that manifest the so-called "masculine organizational norms" that are deeply rooted in their principles, policies, and management. This "gender culture" may seem something that can create an atmosphere that is not at all welcoming for women in the leadership positions since they may well face resistance, marginalization or else efforts to pulp their own features so as to transform into masculine features.

Additionally, individual preferences like how much a woman is assertive, risks she takes, and problems maintaining work-life balance can obstruct her way to the top. Women can develop a gender stereotype and self-limiting behavior, as a result women exhibit an inadequate confidence in their abilities to position themselves in "the top" management roles that for a long time were mostly male-dominated. Additionally, dichotomous issues of work and family responsibilities together with social constraints can add to the risk-avoidance efforts thus maybe scare women away from leadership encounters which may require giving up something or other.

The combination of social role theory and the ceiling of glass theory shapes the researchers hopes to present an all-encompassing view about the complicated parameters that underlie the lack of women in executive leadership roles. This is a theoretical framework that effectively captures the sophisticated bandwidth through which socio-cultural factors act at individual, organizational, and societal levels by adopting a multi-dimensional approach to address this instance.

## 4. Research Objective

The primary objectives of this study are:

### 1. *Identifying Key Factors*

To uncover the most significant socio-cultural, organizational, and individual-level factors contributing to the underrepresentation of women in executive leadership positions within Norway's business sector.

### 2. *Evaluating Factor Interrelationships*

To evaluate the interplay and relative impact of these factors on women's advancement into top corporate governance and leadership roles.

### 3. *Assessing Current Efforts*

To critically assess the effectiveness of existing efforts, policies, and measures aimed at bridging the gender gap in executive leadership positions in Norway.

#### 4. Proposing Evidence-Based Recommendations

To provide evidence-based recommendations that can guide policymakers, organizations, and individuals in improving the representation of women in executive roles across Norway. The research objectives outlined above reflect a comprehensive approach to understanding the multidimensional nature of the gender disparity in executive leadership positions in Norway. By identifying the key factors at play, evaluating their interrelationships, assessing current initiatives, and proposing evidence-based recommendations, this study aims to contribute to the ongoing discourse and efforts towards achieving greater gender equality in leadership roles within Norway's business landscape.

The identification of socio-cultural, organizational, and individual-level factors acknowledges the complex interplay of societal norms, workplace dynamics, and personal experiences that shape women's career trajectories. Evaluating the relative impact and interconnectedness of these factors is crucial for developing targeted and effective interventions.

Furthermore, the critical assessment of existing measures and policies will shed light on their strengths, limitations, and areas for improvement, informing future strategies and initiatives. Ultimately, the proposed evidence-based recommendations will provide actionable in-sights for stakeholders at various levels, fostering a collaborative and holistic approach to addressing this persistent gender disparity.

By aligning with Norway's reputation as a global leader in gender equality, this study aims to contribute to the ongoing efforts towards creating an inclusive and equitable environment for women to thrive in executive leadership roles, unlocking the full potential of diverse perspectives and talents within Norway's business landscape.

## 5. Materials and Methods

The investigation was conducted with a qualitative research methodology aiming at enhancing the awareness of the root causes responsible for the low number of women in executive leadership positions in Norway. The approach used was the concept of extensive review and thematic analysis of the secondary data sources from publication of academic journals, government reports and industry publications.

### 5.1. Data Collection

The data collection process commenced with a comprehensive literature search across multiple databases, such as Web of Science, Scopus, and Google Scholar. The search strategy utilized a combination of relevant keywords, including "gender equality," "women in leadership," "executive positions," "Norway," "glass ceiling," and "gender disparities." This initial search yielded a substantial number of potential sources, which were further screened for relevance and quality.

To ensure a comprehensive understanding of the issue, the literature review encompassed a diverse range of sources, including:

- Scholarly journal publications particularly from popularly cited sources in gender studies, organizational behavior, and leadership.
- Among other sources will be featuring Norwegian government reports and policy documents from the Norwegian Institute of Public Health (NIPH) and the Ministry of Children and Family.
- Survey of the industry sources, journals, and journals from specialized organizations, think tanks, and leadership development.
- The sources were thoroughly screened, important data was extracted, passed through coding and sorted into thematic categories using NVivo software for qualitative analysis.

### 5.2. Thematic Analysis

The thematic analysis followed the six-phase approach proposed by Braun and Clarke (2006), which involved: The thematic analysis followed the six-phase approach proposed by Braun and Clarke (2006), which involved:

1. By re-reading and making notes are the way of familiarize data.
2. Code's generation to curve the high risks of coding error by a step-by-step logic identifying and labelling segments of data.
3. Creation of themes by pooling codes and creating potential, either dominating or relevant themes.
4. Considering the main topics and editing them accordingly so they have a clear story and to avoid redundancy.



5. Themes capturing the ideas and principles once dealt with in abstract will be defined and named.

6. Alongside that, I will devote sufficient time on the report development by doing the merge of the analytical narratives and data extracts that will outline the conclusions.

The thematic analysis process was progressive and iterative enabling us to refine and rearrange themes as additional understandings were made out of the data. Such method of analysis allowed for discovery and tracing of repeated patterns, similarities and distinctions between the multiple sources and, therefore, a complex picture of the multi-dimensional factors, causing the under- representation of women in executive leadership positions in Norway, emerged.

### *5.3. Integrity and Research Accuracy*

To ensure the trustworthiness and rigor of the study, several strategies were employed: To ensure the trustworthiness and rigor of the study, several strategies were employed:

#### 5.3.1. Triangulation

A variety of information sources, such as peer-reviewed literature, government data, and industry publications, were used in a coupled manner so as to serve the purpose of verification and validation, and result in a more reliable and relevant investigation.

#### 5.3.2. Peer debriefing

We carried out frequent communication with fellow specialists on the matters of women studies and organization behavior to receive new points of view, evaluate the data, and modify the interpretation from time to time.

#### 5.3.3. Audit Trail

An audit trailed of all the researching processes was kept, which recorded the details of data collection procedures, encoding keys as well as analytical memo that ensures transparency and able to be examined by external related parties to the research process.

#### 5.3.4. Reflexivity

Critical self-reflection is therefore continuous for a researcher in a way that enables him/her to get rid of influences of cognitive myths, preconceptions, and personal beliefs that may cause distortion in data interpretation. By adhering to these strategies, the study hoped to establish trustworthiness, credibility, and transferability of the findings and contribute to a deeper

Understanding of the complex factors shaping the underrepresentation of women in executive leadership positions in Norway. The qualitative approach for this thesis was an abridged literature review combined with a rigid thematic analysis. This allowed for a rich and nuanced understanding and description of contextualized factors, both on a societal, corporate and individual level that may affect the explanation of the enduring gender gap in top managerial positions in Norway. The current study thereby provides ground for evidence-based interventions and suggestions for increased gender equality and diversity in executive leadership positions in the business sector in Norway.

## **6. Results**

The thought-provoking qualitative analysis of available literature exposed me to the sophisticated characteristics of social, organizational, and individual dynamics which are a strong force for women to be underrepresented in male dominated executive leadership positions in Norway.

### *6.1. Societal and Cultural Norms*

The literature underscores to how much cultural and social norms affects women career progress pertaining to this. Norway is considered as a land where gender inequality does not exist at least to a certain extent; women as well as their roles in society are still somewhat affected by stereotypes which shape women either in workplace or society. Research by the Norwegian School of Economics revealed that Norwegian women faced more problems with harmonizing occupational and familial duties, which rendered their possibilities of professional development lower, when compared to men (Norwegian School of Economics, n.d.). The social norm that lays the unequal burden of household and caretaking works again women has been highlighted to constitute a tremendous gap for the women to pursue job growth in the same manner as men due to the report of (Eagly & Carli, 2007; Benschop &



Doorewaard, 1998).

Moreover, the socialization process is so deep that it has become clear that the traditional expectations as well as implicit biases on leadership traits and management roles are still there. As the research conveys that the stereotypical “masculine” traits espoused in leadership such as assertiveness and competitiveness, may be gender biased against and even unconsciously discriminated by women who are more communal and collaborative (Eagly & Karau, 2002; Schein, 2001).

### 6.2. *Organizational Factors*

Besides social forces, the element of the organization has also been a factor that makes women underrepresented in executive leadership positions. The literature highlights that one of the major barriers that is faced in this area is that there is a lack of mentorships and professional networks which are key for one’s advancement in their profession and developing their leadership skills (Ibarra, 1993; Ely et al., 2011). Informal networks have always tended to be dominated by males, and women therefore face limits to the ability to access them. This ultimately serves to restrict more women from such networks and to spread gender bias.

On the other hand, the evidence puts forward the existence of a “gender culture” within organizations, where masculine norms and values deeply penetrate into organizational practices, decision-making processes and leadership styles. Through this gender culture, a climate of incredibility is produced where it is rather challenging for women to be in executive positions and manage. Structural obstacles in organizations like unequal pay for women and lack of services favorable to children, and unclear promotion processes, are the other important features that present women with a glass ceiling (Catalyst, n.d). These stereotypes can disfavor women advancing in their careers and become as well as deepen the belief that such leading positions in the company are the territory of men.

### 6.3. *Individual-Level Factors*

Besides social and organisational factors, there are also personal contributors to the situation and, as it has been seen, women have desire for positions of chief executive officers. Among the constructs believed to hinder the women’s career progress are self-confidence, self-esteem, and the level of acceptable risk (Ely et al., 2011; Ibarra 1993).

Outsourcing can be perceived due to internalization of societal gender stereotypes and other career clueless beliefs that make women lack confidence as they can assume executive positions that are often occupied by male persons. Furthermore, the overall conflict of interest in terms of family care responsibilities and social cultural norms, pull and push factors may have an implication of raising risk averse personalities among female. Hence the competition between family obligations and social and organizational expectations hampers women to take up leadership positions where they might be required to make a lot of sacrifices or incur a higher level of risks.

The continuation of this qualitative research is manifested in the survey results and hence shows weighted evidence of the causes for the current depletion of women in the European nation’s executive compartment. These factors include social and cultural norms, roles, and assumptions that may hinder actual change, available resources and structures within the organisation, and self-beliefs and attitudes of individuals involved in implementation, which is why efforts aimed at translating evidence into practice should address all of these factors simultaneously.

## 7. Discussion

The findings from this study provide a comprehensive understanding of the multifaceted factors contributing to the underrepresentation of women in executive leadership positions in Norway. This discussion interprets and explains these findings in relation to the research objectives, theoretical framework, and existing literature. Additionally, it addresses the implications and significance of the findings and discusses the limitations of the study.

### 7.1. *Interpretation of Findings*

The primary objective of this study was to identify the key socio-cultural, organizational, and individual-level factors that contribute to the underrepresentation of women in executive leadership positions in Norway. The findings revealed that societal and cultural norms, organizational barriers, and individual-level factors are intricately intertwined, creating a complex web of challenges for women aspiring to executive roles.

### 7.1.1. Societal and Cultural Norms

The study found that traditional gender roles and societal expectations regarding women's responsibilities significantly impact their career advancement. Despite Norway's reputation for gender equality, these norms persist and shape women's experiences in the workplace. The literature supports this finding, highlighting that societal norms place a disproportionate burden of domestic and caregiving responsibilities on women, limiting their ability to dedicate the same time and energy as men towards professional growth (Eagly & Carli, 2007; Benschop & Doorewaard, 1998).

Furthermore, deeply ingrained gender stereotypes and implicit biases influence perceptions of leadership qualities and suitability for executive roles. Stereotypically masculine traits, such as assertiveness and competitiveness, are often associated with effective leadership, creating an unconscious bias against women who may exhibit more communal or collaborative leadership styles (Eagly & Karau, 2002; Schein, 2001). These findings align with social role theory, which posits that gender socialization and stereotyping engrave themselves in identity and career building (Eagly, 1987).

### 7.1.2. Organizational Barriers

The organizational aspect also behaves as a major analyzer that causes the gap to be even wider for women to climb this executive ladder. For many, the challenge of not being able to locate the equivalent of mentors and public networks was too big. Women frequently confront barriers in joining such inconspicuous networks as well they are primarily commonplace among males and contain biased stereotypes in most cases which do not give them opportunities to build helpful relationships and receive implicative information (Ibarra, 1993; Ely et al., 2011).

It is not only the existence of a "gender-centric culture" within organizations that establishes patriarchal norms and values within organizational practices, ideals, and way of management, but also promotes the perpetual entrenchment of these masculine expectations (Acker, 1990). High structural prejudices against females are manifested in salary disparities (Catalyst, n.d), which lacks family-friendly policies as well as vague promotion procedures, creating the glass ceiling effect. These results are in sync with the same concept of the glass ceiling phenomenon, which refers to how invisible barriers typically prevent capable human beings, mostly women, from advancing up to higher levels within the corporate environment (Morrison et al., 1987).

### 7.1.3. Personal level factors

The role of individuals in career progression, in terms of confidence, self-esteem, and risk perception, was mapped out as well as barriers for women. Women have been found to ingest gender stereotypes that limit their careers and self-assurance by believing in themselves that they can be executive role models and perform above expectations (Ely et al., 2011; Ibarra, 1993). Besides, a whole lot of women struggle to manage their workforce and households litigation as society's expectation phases appears to make risk averse, which is likely to de-motivate them from getting into leadership roles.

## 7.2. *Implications and Significance of Findings*

The study's results have some very meaningful consequences, which will influence the policies makers, companies and men, whose desire is to enhance the misrepresentation of the women in the executive position in Norway.

### 7.2.1. Policy Implications

Policy makers may give a consideration to strategies that enhance equitable work environments, while at the same time, focus on the enhancement of policies that advance women empowerment at the workplace. Enacting those provisions is through, for example, applying existing gender equality legislation, pass of mandatory reporting provisions and performance rewards to those organizations which will be able to show their efforts and commitment to closing gender gap. Moreover, the policies which promotes work-life balance including parental leaves and flexi-work opportunities work as a socialising force in countering the undue load of domestic responsibilities on women.

### 7.2.2. Organizational Implications

Organizations should strive to set in place a single environment that is inclusive and equitable. This can be accomplished through leadership training programs that address such patterns of prejudgment as unconscious biases and raise competence in a wide range of

leadership styles. It is not something to be overlooked creating sales process redesign through transparency and fairness. Moreover, companies can make available tailored support to women, for example via mentorship and professional circles, and so to help her develop the competences to be eligible to the top positions.

#### 7.4.3. Individual Implications

At individual level placing women in leadership positions is essential they should be taught how to build confidence and self-esteem through mentorship and leadership development programs. Enslaving considerations other than the woman, such as the avoidance of risk and balancing between the work and home life, is still of paramount importance. The main purpose of the project is to empower women and concurrently equip them with the necessary instruments and support, thus women can become more successful in their careers.

#### 7.3. *Limitations of the Study*

The obtained explorative study supports a substantial finding that alongside globalization, the increasing change of technology act as a major barrier to women aspiring for executive position.

The multidimensional effect in which substance abuse encompasses not only the toxicity to individuals' physical health but also their emotional state, interpersonal relations, and overall well-being.

The research had the main focus put on the second-hand data and analysis sources, like academic journals, government reports, and industry-oriented materials. However, these sources duly reported the overall advocacy of women in top positions, though one-on-one interviews or surveys of women in executive management could have advanced the study even further and added more insight.

In some instances the context-specific findings include. The present study gave exclusively Norwegian nationality's results that may not be convenient for specific countries or regions. Diverse aspects of culture, society, and organization differ from each other, which might bring about women's under-representation as decision-makers in executive roles in different contexts. The future research needs to be carried out through the application of the comparative studies aimed at the investigation simultaneously the similarities and differences within the different settings.

This research is based on a secondary data which could introduce biased information indeed as the sources selected and the meanings are done from only what the researcher perceives. Steps were taken to guarantee that a coherent and nonbiased review of the literature was accomplished, however, issues like biases in the sources' content are likely to remain and hence influence the findings.

#### 7.4. *Future Research Directions*

To build on the findings of this study, future research should consider the following directions: to build on the findings of this study, future research should consider the following directions. Let's analyze them in details:

*Primary data collection.* Undertaking interviews or polls aimed at women leaders in the executive positions may serve to awaken their experiences and barriers enriching the analytical scope of the causes of their underrepresentation.

*Comparative studies.* Examining the marginalization of women in senior leadership roles in diverse countries and regions can highlight commonalities and divergences, which will in turn expand the viewpoint to the topic.

*Longitudinal studies.* Longitudinal studies have the power to measure changes, adjustments as well as determine the efficacy of programs that define women's representation in leadership roles.

*Intersectional Analysis.* It is recommended to conduct future studies on an intersect approach, which demonstrates how background indicators like race, ethnicity as well as socioeconomic status join gender to have a bigger influence on women's career advancement.

Thereby adequately emphasizing the significant challenges to be overcome; by addressing these research directions, scholars can make a significant contribution to the development of a more complete and sophisticated comprehension of the multifaceted factors determining the minimal representation of women in executive leadership roles. This, in turn, enables the creation of evidence-based policies interventions promoting the gender equality in the work-place. In the end, this research emphasizes the multifaceted character of the factors impairing the attendance of female leaders in the top offices of Norway's executive

sphere. Developing awareness of society and culture as a business barrier, a strategy of overcoming the opponents, and a multilevel system through the comprehensive and integrated way will help us create a more supportive space for women to move up to the executive levels.

## 8. Conclusions

This qualitative study, have been informed by a detailed narrative of multilayered aspects that have a negative effect on the number of women in top position in company in Norway. While probably the world's model country in terms of the status of women, the research conclusively shows that the influence is two- fold deserving of more thorough analysis.

The analysis brought to the light the existence of the age-varying social and cultural norms that aren't favorable to women's career progress. Traditional gender roles and stereotypes of women's duty in workplace which are still the reality of today are the core reasons for both their actions and attitude in the company. The always at home and care giving duties that put women are hands when they are only left with them also limits their time to devote the same energy as men towards their growth at work (Eagly and Carli 2007; Benschop & Doorewaard 1998). Moreover, gender stereotypes and subtle biases held unconsciously in people's heads determine competence and leadership qualities. For instance, the more accommodative and communal leadership styles typically found in women are biased against (Eagly & Karau 2002; Schein 2001)

With regard to mentorship and professional partnership, it turned out to be the critical issue of organizational level for the women on their way to achieving the top executive position. It is these unofficial networks that are often patriarchal and may serve to keep women from forming friendships and gaining insights that are vital for their professional growth (Ibarra 1993; Ely et al. 2011). As for gender culture which are masculine-biased norms, values, and practices established in various organizations might create uncomfortable environment for women in leadership positions (Acker 1990). Structural bias which includes pay gaps based on gender, lack of family-friendly policy and ambiguous promotion processes also exacerbate the glass ceiling phenomenon. Psychologists found that women who spoke confidently and forcefully were perceived as difficult and unprofessional.

At an individual level, lack of confidence, self-esteem, and fraud-risk-aversion were recognized as necessary resistances for women's career promotion. Men and women could unconsciously practice the social gender stereotypes and career limiting believes which therefore negatively affect the confidence of the women in their capabilities to take up the executive roles that were initially reserved for men by birth (Ely et al., 2011; Ibarra 1993). In addition to early socialization, expectations, and the struggles of balancing work and family responsibilities, a heightened sense of risk aversion may be fostered that stems from big sacrifices or trade-offs regarding leadership may paradoxically prevent women from pursuing top leadership positions.

The outcomes of this research are going to have a serious consequence for policymakers, organizations and the individuals that are involved in /trying to fight the imbalanced male and female representation in the upper management tiers of the Norwegian corporate leadership. The policymakers have to review the available gender equality legislation or introduce further legislation, which requires obligatory reporting, and organizations are sponsored according to the progress they have already made in closing the gender gap. Besides, those policies that permit work-life balance like parental leaves and flexible work schedules can ease the weight off the shoulder of women who take the bulk of household duties.

The first step that should be taken in such a program is to develop training approaches for leaders who address biases without regard to skin color or gender while promoting diverse styles of leadership. Developing and implementing revised selection and progression methods to make them transparent and safe is another important step. Moreover, to this end, it is necessary that business entities provide career development tools for females (e. g. mentorship, and networking) to enable them navigate successfully their way to executive positions.

At the individual level, women should be encouraged to build confidence and self-esteem through leadership development programs and mentorship initiatives. Addressing personal factors that may discourage women from pursuing executive leadership roles, such as risk aversion and work-life balance challenges, is also essential. By empowering women and providing them with the necessary tools and support, they can overcome the barriers to



career advancement.

Addressing the underrepresentation of women in executive leadership positions in Norway requires a holistic and integrated approach that acknowledges the interplay between societal, organizational, and individual-level factors. By challenging traditional gender roles, fostering organizational inclusivity, providing individual-level support, strengthening accountability measures, and promoting collaborative efforts among stakeholders, Norway can further solidify its reputation as a global leader in gender equality and unlock the full potential of diverse perspectives and talents in executive leadership positions.

While this study provides valuable insights, it is important to acknowledge its limitations. The reliance on secondary data sources may introduce potential biases, and the findings are specific to the Norwegian context, limiting their generalizability to other countries or regions. Future research should consider primary data collection through interviews or surveys with women in executive leadership positions, as well as comparative studies across different cultural and organizational contexts.

Ultimately, this study serves as a call to action for stakeholders at all levels to address the complex and deeply rooted factors contributing to the underrepresentation of women in executive leadership positions in Norway. By implementing evidence-based interventions and fostering a collaborative and inclusive environment, Norway can continue to lead the way in promoting gender equality and harnessing the full potential of its diverse workforce.

## References

- Acker, J. (1990). Hierarchies, jobs, bodies: A theory of gendered organizations. *Gender & Society, 4*(2), 139-158.
- Benschop, Y., & Doorewaard, H. (1998). Covered by equality: The gender subtext of organizations. *Organization Studies, 19*(5), 787-805. <https://doi.org/10.1177/017084069801900504>
- Bertrand, M. (2011). New perspectives on gender. In O. Ashenfelter & D. Card (Eds.), *Handbook of labor economics* (Vol. 4, pp. 1543-1590). Elsevier.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology, 3*(2), 77-101.
- Catalyst. (n.d.). Pyramids: Women in S&P 500 companies. <https://www.catalyst.org/research/women-in-sp-500-companies/>
- Correll, S. J. (2001). Gender and the career choice process: The role of biased self-assessments. *American Journal of Sociology, 106*(6), 1691-1730.
- Crosen, R., & Gneezy, U. (2009). Gender differences in preferences. *Journal of Economic Literature, 47*(2), 448-474.
- Eagly, A. H. (1987). *Sex differences in social behavior: A social role interpretation*. Erlbaum.
- Eagly, A. H., & Carli, L. L. (2007). Women and the labyrinth of leadership. *Harvard Business Review, 85*(9), 62-71.
- Eagly, A. H., & Karau, S. J. (2002). Role congruity theory of prejudice toward female leaders. *Psychological Review, 109*(3), 573-598.
- Ely, R. J., Ibarra, H., & Kolb, D. M. (2011). Taking gender into account: Theory and design for women's leadership development programs. *Academy of Management Learning & Education, 10*(3), 474-493.
- Ely, R. J., Stone, P., & Ammerman, C. (2014). Rethink what you 'know' about high-achieving women. *Harvard Business Review*. <https://hbr.org/2014/12/rethink-what-you-know-about-high-achieving-women>
- Heilman, M. E. (2001). Description and prescription: How gender stereotypes prevent women's ascent up the organizational ladder. *Journal of Social Issues, 57*(4), 657-674.
- Hunt, V., Layton, D., & Prince, S. (2015). Why diversity matters. <https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/why-diversity-matters>
- Hymowitz, C., & Schellhardt, T. D. (1986). The glass ceiling: Why women can't seem to break the invisible barrier that blocks them from the top jobs. *The Wall Street Journal, 57*, 1-4.
- Ibarra, H. (1993). Personal networks of women and minorities in management: A conceptual framework. *Academy of Management Review, 18*(1), 56-87.
- Ibarra, H., Carter, N. M., & Silva, C. (2010). Why men still get more promotions than women. *Harvard Business Review*. <https://hbr.org/2010/09/why-men-still-get-more-promotions-than-women>
- Lyness, K. S., & Thompson, D. E. (2000). Climbing the corporate ladder: Do female and male executives follow the same route? *Journal of Applied Psychology, 85*(1), 86-101.
- McGinn, K. L., & Castro, M. R. (2021). Why did so many wives leave the labor force? *Harvard Business Review*. <https://hbr.org/2021/09/why-did-so-many-wives-leave-the-labor-force>
- Morrison, A. M., White, R. P., & Van Velsor, E. (1987). *Breaking the glass ceiling: Can women reach the top of America's largest corporations?* Addison-Wesley.
- Norwegian Institute of Public Health. (n.d.). Gender equality in Norway: Trends and challenges. <https://www.fhi.no/en/publ/2022/gender-equality-in-norway/>
- Norwegian School of Economics. (n.d.). Work-life balance and career advancement: Experiences of women in Norway. <https://www.nhh.no/en/research-centres/gender-equality-in-business/>
- Oakley, J. G. (2000). Gender-based barriers to senior management positions: Understanding the scarcity of female CEOs. *Journal of Business Ethics, 27*(4), 321-334.
- Rudman, L. A., & Glick, P. (2001). Prescriptive gender stereotypes and backlash toward agentic women. *Journal of Social Issues, 57*(4), 743-762. <https://doi.org/10.1111/0022-4537.00239>
- Schein, V. E. (2001). A global look at psychological barriers to women's progress in management. *Journal of Social Issues, 57*(4), 675-688. <https://doi.org/10.1111/0022-4537.00235>



- Seierstad, C., & Opsahl, T. (2011). For the few not the many? The effects of affirmative action on presence, prominence, and social capital of women directors in Norway. *Scandinavian Journal of Management*, 27(1), 44-54.
- Storvik, A., & Schøne, P. (2008). In search of the glass ceiling: Gender and recruitment to management in Norway's state bureaucracy. *The British Journal of Sociology*, 59(3), 729-755.
- Teigen, M. (2012). Gender quotas on corporate boards: On the diffusion of a distinct national policy reform. *Comparative Social Research*, 29, 115-146.
- World Economic Forum. (2022). Global gender gap report 2022. <https://www.weforum.org/reports/global-gender-gap-report-2022>

Research Article

# Does Higher Startup Intention Leads to Higher Growth Performance? An Analysis into Factors Impacting Growth Performance of Indian Startups

Aliza<sup>1\*</sup> , Asha Ram Tripathi<sup>1</sup>

<sup>1</sup> Faculty of Commerce, Banaras Hindu University, India

\* Correspondence: [aliza@bhu.ac.in](mailto:aliza@bhu.ac.in)

<https://doi.org/eiki/10.59652/jeime.v2i2.231>

**Abstract:** Startup growth performance captures the process of going from a concept to scaling up operations, dealing with obstacles, and accomplishing major indicators of success. Resilience, adaptability, and strategic vision are necessary for the dynamic journey that is achieving startup growth performance. Entrepreneur's startup intentions act as a beacon, influencing their strategic choices for business establishment. It establishes the standard for how the startup overcomes obstacles, evolves to the expectations of the market, and adapts its offerings which makes startup intentions a key factor for the growth performances of startups. The current study examines the impact of startup intentions, expected returns and intention for equity usage on the growth performances of Indian startups using Partial least squares structural equation modelling (PLS-SEM). PLS-SEM can be used for handling complex models with numbers of variables and indicators, making predictions, and conducting exploratory research. In addition, PLS-SEM does not require assumptions related to normal distribution of data. The structural model assessment shows that startup intention (STARTUP\_INT) and intention to use equity (INT\_EQT) has positive significant association with growth performances (GWTN\_PER). Moreover, intention to use equity was found to be significant mediator in startup intention and growth performance relationship. However, there was negative and significant correlation between expected return (EXP\_RTN) and growth performance of startups. The findings have crucial implications for entrepreneurs and policy makers, which can enhance Indian startup ecosystem.

**Keywords:** startup intention; entrepreneurial-intention; expected returns; equity; startup growth; startup performance; PLS-SEM

Received: June 16, 2024

Accepted: June 24, 2024

Published: June 28, 2024



**Copyright:** © 2022 by the authors.  
Submitted for open access publication  
under the terms and conditions of the  
Creative Commons Attribution (CC BY)  
license  
(<https://creativecommons.org/licenses/by/4.0/>).

## 1. Introduction

Startups are vital for the growth of economies as they are generative source for employment and production in an economy. (Nigbor-Drożdż, 2022) highlighted that their contribution to the economic revolution is substantial. Startups are a creative type of company that are searching for a scalable business plan. However, successful establishment and growth of startups business are influenced by various factors like entrepreneurial and startup intentions, availability of finance, government supports and restrictions, state of economic development, global financial scenario, risk and returns, etc. The current study deals with the analysis regarding role of Startup Intentions, Expected Returns and intention for equity usage on the Startups' performances in India.

With the growing world population, unemployment has become a major cause of concern for youth. It is widely accepted that efforts to address this issue are being made by launching new businesses and opportunities. Entrepreneurial and startup intent is essential because it propels innovation, growth in the economy, and advancement in life. People who aspire to be entrepreneurs are driven to spot opportunities, take measured risks, and add value. (Staniewski & Awruk, 2016) stated that the high unemployment rate and high failure rate of newly founded companies (which may deter potential entrepreneurs), it is crucial to keep looking for additional factors that can alter the relationship between business intention and business behaviour and realised that affirming one's strong will, ability to solve problems,

and persistence in this regard can positively influence and lift the entrepreneurial spirit, which may then increase the likelihood that a potential entrepreneur will choose to work for themselves. (Martins et al., 2023) examined the factors like impact of peer, familial, institutional, and self-efficacy support that influence young entrepreneurs' intentions to launch their own businesses. It is anticipated that these elements would inspire new graduates to launch their own businesses. The study's findings demonstrated the beneficial effects of self-efficacy, peer support, institutional support, and family support on entrepreneurial intention. Furthermore, entrepreneurial intention is strongly influenced by risk-taking, entrepreneurial inventiveness, and understanding of entrepreneurial abilities.

By lowering reliance on established industries and settled business, startup intentions help in establishment of new business which enhances the resilience of economies. However, arranging the requisite finances for business establishment is the biggest challenge for an entrepreneur. (Ries, 2011) highlighted that even with their brilliant business concept and inventiveness, they needed a variety of resources to break into the market. Thus, the acquisition of financial resources becomes essential for launching an entrepreneurial endeavour. (Heller & Veihl, 2024) claimed that a startup's ability to secure money is a crucial factor in determining its success, and that structural changes to the financing environment may have a significant impact on the development paths of emerging businesses. The authors observed that a significant portion of firms who receive seed funding are successful in obtaining additional funding in the initial years after the transaction.

An essential factor in determining the decisions and behaviour of entrepreneurs is the correlation between expected return on investment and startup intention. Expected return in broad terms can include both possible monetary gains and non-monetary benefits like autonomy and impact, which has a significant impact on people's willingness to take on the risks involved in launching a new business. (Achim, 2010) investigated that does a business with growth potential also have a strong return on investment? And confirms that the answer can be affirmative in certain condition only as it is only possible that under efficient working circumstances can the value added be realized. To put it another way, someone can engage in profitable endeavours without documenting growth, which lowers their worth. However, it is evident that any firm that has experienced consistent development over time needs to be both lucrative and efficient (i.e., have a high return on investment). All of these are possible only when the states of efficacy and efficiency are maximized, or optimized.

There is a complex and interdependent relationship between startup success, expected return, use of equity, and intention. Entrepreneurs are motivated to start their companies with the purpose of making a positive impact on society, gaining personal fulfilment, or making money. This entrepreneurial orientation helps to develop startup intention. Since expected return is a measure of the venture's predicted profitability and performance, it is important in forming these ambitions. Whether via venture capital, angel financing, or personal savings, entrepreneurs frequently use equity sources to finance their firms and reduce their initial financial risks. Since using equity-debt mix for startup financing, promotes dedication and common objectives, by balancing incentives between investors and founders, in addition to providing the required capital. Efficient use of equity can impact startup performance by facilitating market expansion, resource acquisition, and strategic growth. The connection between them is multifaceted though, since a misaligned equity distribution or irrational expectations for returns can affect business dynamics, decision-making, and ultimately the startup's capacity to succeed over the long run. Therefore, in order to maximize performance and long-term viability in highly competitive markets, a balanced approach to startup intention, expected return, and equity use is crucial.

## 2. Theoretical Framework and Hypotheses

Venture and startup development represent the dynamic process of transforming creative concepts into successful ventures. Every accomplishment, from launching goods and refining prototypes to obtaining first funding from venture capital firms or angel investors, is a monument to tenacity and adaptability. (Mergemeier et al., 2018) looked at the impact of various obstacles that nascent entrepreneurs face at different stages of the venture development process as well as on their intention to start a new venture, and concluded that obstacles to venture creation include funding issues. Also, external limitations were found to be fatal to a new entrepreneur's ability to pursue their goal of starting a new company. Earlier, (Arafat & Saleem, 2017) found that main determinants of new company start-up in India are gender, perceived opportunity, self-efficacy (belief in one's own ability, knowledge, and skills),



and risk perception. Moreover, every perceptual factor – aside from demographics – has a big impact on the desire to start a business. According to the research, people who see favourable prospects, don't fear failing, and believe they have the necessary knowledge and skills are more likely to start their own business. (Birley & Westhead, 1994) investigate how British owner-managers explained their decision regarding company formation and found that they seem to be motivated by start-up triggers that are comparable to those of their international counterparts.

Venture and startup development is the perfect example of the combination of ingenuity, tenacity, and strategic vision needed to turn concepts into profitable businesses. The goals of creating a startup reflects a dedication to embracing chances, accepting difficulties, and taking calculated chances in order to create a significant impact. There are literatures that ponders the factors leading to such startup intentions. A gender-wise analysis was conducted by (Armuña et al., 2020) regarding entrepreneurial intention. Their analysis revealed that all of the participants have a common interest in starting their own business and that there is no significant difference in entrepreneurship intention between the male and female profiles in this STEM (science, technology, engineering, and mathematics) case study. Also, it was found that the competencies pertaining to the dedication to work on the business, the decision-making process, and the organization are among the aspects that are strongly associated with a higher intention to pursue entrepreneurship. (Yoo, 2014) mentioned that the intention to start a firm is considered to be the origin and the beginning point of economic progress. In the study, the author shown that the start-up intention was positively correlated with both the start-up self-efficacy and the intrinsic motivation, which indicated that in order to boost start-up intention, start-up self-efficacy and intrinsic motivation play significant roles.

Entrepreneurs need to have entrepreneurial and startup intentions before they conceptualisation and commercialisation of business entities. In previous literatures, the theory of planned behaviour is used to predict the factors affecting individuals in establishing start-ups in India, which highlights that potential individuals should have an attitude towards a new venture, which is influenced by social norms and supported by the access to opportunities and resources. In their empirical testing (Qureshi & Mahdi, 2014) show that individual entrepreneurship orientation has no discernible direct influence on students' intentions to launch their own businesses. It will only matter if they are instructed on the principles of effectuation. Effectuation aims to present the best practical approach for reshaping these mindsets so that they may be used to businesses. A related study was conducted by (Eijdenberg et al., 2017) to examines how small business owners' decision-making affects the expansion of their enterprises in an unpredictable environment, with a focus on effectuation and causality orientation and the results demonstrate that effectuation and causation orientations do not affect subsequent small business growth as small business owners that view the environment as uncertain are more effectuation oriented than causation oriented.

(Gani et al., 2022) examines the relationship between Asian persons' entrepreneurial goals and perceptual factors based on the cognitive theory as the cognitive theory of entrepreneurship helps to develop both individual and collective vision. It was found that all perceptual characteristics are predictably significantly correlated with entrepreneurial intention and there was a strong positive correlation between opportunity perception, self-efficacy, media attention, and role model. By examining the ways in which entrepreneurial and accomplishment needs would impact start-up intention, with a particular emphasis on the mediating functions of start-up motivation (Yoo, 2015) summarizes that by improving key psychological traits associated with entrepreneurs, such as achievement needs, entrepreneurship, and start-up motivation, entrepreneurs can enhance their startup intention. Later, (Jin, 2017) investigated the relationship between start-up intention and entrepreneurial performance based on positive psychological capital of young entrepreneurs and the findings indicate that start-up intention was positively impacted by the sub-factors of positive psychological capital, including hope, resilience, and self-efficacy. However, another sub-factor, optimism, did not have a significant effect on start-up intention. Also, it was discovered that start-up intention and the positive psychological capital of young entrepreneurs were strongly correlated.

Based on the primary survey of 3,400 respondents of the Adult Population Survey (APS) of Global Entrepreneurship Monitor (GEM) carried out in 2016 (Ali & Jabeen, 2022) assessed the intention of the adult population in India toward a startup project and concluded that people with start-up intention differ from those without such intentions on all demographic dimensions. Earlier, (Mamun et al., 2017) stated that prior to actually starting a company firm,

intention is essential as the foundation for pursuing self-employment and starting new endeavours by offering empirical data on the variables impacting university students' intentions to establish their own businesses and their launch preparations.

The driving force behind people starting and growing new businesses is their startup intention. Creating something new and valuable is the fundamental driving force behind entrepreneurial ambition, whether it be a new service, product, or even a paradigm shift in the market. Startup intentions frequently represent a larger desire to make a beneficial impact on society, be it through social impact, job creation, or technological advancement. An unwavering search for innovation and opportunity drives people to enter the risky yet lucrative world of startups.

Startups require equity money to develop and survive because it builds the basis for their transition from launch to operational scale. Equity financing exchanges funds for a share of the company's ownership, as opposed to debt financing, which entails borrowing money that must be paid back with interest. For startups, equity financing is like a lifeline – It provides the essential financial resources that spur development and innovation. By bringing investors' and entrepreneurs' interests into line, this arrangement promotes a cooperative relationship aimed at long-term success. (Mikic et al., 2015) claimed that one of the biggest obstacles to entrepreneurs' ideas being implemented is locating and choosing funding sources. (Meekin, 2011) stated that initially, funding of some kind is typically needed to launch a business and this investment can be made with funds borrowed from financial institutions, friends, and family, or by the investor themselves. (Berger & Udell, 1998) examines several aspects of financing for small businesses, the investors and intermediaries that supply it, and the loan and private equity markets in which they operate through the lens of the growth cycle paradigm.

The most popular form of equity raising for young startups includes angel investment, venture capital financing, equity crowd funding, government grants etc. (Hwang et al., 2023) examined the linkage between equity crowdfunding and performance of startups and revealed that equity crowdfunding provides substantial benefits that impact the survival and success of these companies. A similar conclusion was drawn by (Chemmanur et al., 2011) regarding Venture capital funding, by demonstrating that, overall, VC-backed companies are more efficient than non-VC-backed companies at all times. Moreover, this efficiency advantage of venture capital (VC)-backed enterprises results from screening as well as monitoring: VC-backed firms are more efficient than non-VC-backed firms both before and after getting financing; additionally, these firms' efficiency grows more after VC financing.

In the startup ecosystem, venture capital (VC) funding is essential because it provides resources and vital assistance that spur innovation and growth. Venture capitalists mostly offer equity financing to startups as a means of investing in high-potential projects and taking part in their growth process while sharing in the rewards and risks of becoming an entrepreneur. (Croce et al., 2013) aimed to determine how much of the “screening” or “value added” that VC investors contribute to European venture capital (VC)-backed high-tech companies, which leads to their superior success by analysing the productivity growth of portfolio firms before and after the first venture capital round. The authors demonstrated that, prior to the first round of VC funding, productivity growth between VC-backed and non-backed enterprises is not statistically different; yet, significant variations are observed in the initial years following the investment event. It was also discovered that the portfolio firm is “imprinted” by the value-adding services that venture capital investors offer. (Jeong et al., 2020) This study looked into how a startup's success and sustained growth are affected by its first round of venture capital funding. According to the data, a startup's success increases with the timing of the VC companies' initial funding offer. This suggests that early-stage VC investment results in sustainable growth.

Equity funding is essential not only for budding startups, but also for well performing startups like unicorns. (Lee & Nam, 2020) aimed to explore the possibility that unicorn firms that reach an exceptionally high value could delay their exit in order to secure additional funding and reap additional rewards and found that unicorn startups typically increase in valuation with longer funding periods. However, the institutional features of startups, we also looked at the moderating impacts of governmental policy and institutional distance from international investors. Additionally, when making funding decisions, managers and investors must take into account the institutional aspects of businesses. The choice of capital structure (equity vs. Debt) is fascinating conundrum for both practitioners and researchers. (Aman & Altass, 2023) looks at how capital structure—that is, equity decisions and financial leverage – affects airline performance and the findings indicate a statistically significant negative



correlation between debt to asset (DTA) and the dependent variable return on asset (ROA). Regarding startups that are going public, (Eldar et al., 2020) finds that common ownership by venture capital investors enhances startup success. The first reason for this could be because companies doing initial public offerings (IPOs) do not always select more robust governance structures. The authors emphasize how crucial liability risk is to streamlining the process of obtaining private funding.

Equity capital is critical to the development of startups since it offers not only the necessary financial resources but also the networks, credibility, and strategic advice. Entrepreneurs can overcome obstacles, take advantage of expansion chances, and fulfil their dream of creating profitable and long-lasting companies by utilizing these benefits.

The effect that expected returns have on startup performance highlights the relationship that exists between investor expectations, capital availability, exit prospects, innovation, performance measurements, and strategic alignment. Startups that successfully handle and surpass these expectations will be in a good position to expand steadily and give investors significant returns. When making finance decisions, a company should ensure that every increase in debt and preferred equity increases the firm's value by keeping its optimal capital structure in mind. (Charity et al., 2019) advocated that there are risk and return implications associated with a company's capital structure's debt and equity levels. (Blazenko & Fu, 2013) discovered that value-oriented dividend-paying companies experience a higher return on profitability when compared to growth-oriented companies. Additionally, it is discovered that growth firms outperform value enterprises in terms of returns. Later, (Zukbee & Anyamaobi, 2023) concluded that small and medium-sized businesses' profit after taxes and private equity have no significant relationship. The report suggests increasing private equity investors' funding for small and medium-sized businesses.

(Chindengwike, 2021) show that equity had a statistically significant negative impact on the Return on Capital Employed (ROCE) and Return on Equity (ROE) of small business firms in the East Asia-Pacific region, whereas equity had a statistically significant positive impact on Return on assets (ROA). However, Considering Return on Investment (ROI) as a measure for startup performance has certain limitations. In the study, (Jacobson, 1987) imply that ROI does contain some information on economic rate of return, although limited information. The author also concluded that ROI has a statistically significant correlation with stock return, both on a pooled time-series cross-sectional basis and on a strictly cross-sectional basis; and also, ROI has a statistically greater association with stock return than alternative profitability measures that are frequently supported, such as operating income growth and profit margin.

When it concerns investment and entrepreneurial endeavours, the relationship between expected return and startup performance is crucial. The expected return is the amount of money that an investor expects to receive in exchange for taking on the perceived risks of investing in a startup. Therefore, in the competitive startup landscape, the relationship between expected return and startup performance highlights the significance of strong execution, market traction, and strategic management in generating investor trust and promoting sustainable growth.

The capacity to successfully navigate a competitive landscape, acquire investors, and provide value to customers is what makes a startup successful. Resilience, adaptability, and strategic vision are characteristics of high-performing startups that are necessary for attaining long-term growth and market leadership. The startup's performance measures, such as revenue growth, client acquisition, market development, and operational efficiency, are closely linked to this expectation. Strong performance goes beyond financial measurements to create a vibrant startup culture. (Achim, 2010) claimed that the idea of business performance is extremely intricate as understanding the strategies employed to optimize worldwide business performance is highly beneficial to the strategic management of any organization. (Tasáryová & Pakšiová, 2021) supported the fact that nearly all economic choices, whether short- and long-term, at the macroeconomic and microeconomic levels, involve some degree of assessment of firm performance. (Kotane & Kuzmina-Merlino, 2012) listed a financial metrics which includes current ratio, the ratio of net working capital to sales, sales margin, debt to equity, financial cycle, maturing, and return on equity to be used as a financial indicator in Indian financial system for the analysis of business performances.

(Lee et al., 2016) empirically examines the influencing factors that affect their performance of technology driven startups and demonstrated that the entrepreneurial competence (technological, strategic management, creative, and team commitment) positively influences growth intention, and that growth intention positively influences both financial

and technological performance. The entrepreneurial orientation domain (EO) and the connections between it and the performance of business growth have been the subject of much research from both unidimensional and multidimensional viewpoints. (Omisakin & Adegoke, 2022) looked at the growth success of EO and New Zealand family businesses as well as the impact of the environment on the connection. It was discovered that environmental factors significantly moderate the association between EO and family business growth, and that EO dimension variables were a strong predictor of family business growth performance.

A multitude of elements impact the performance of startups, dictating the course of their expansion and triumph in the competitive marketplace. (Prasastyoga et al., 2018) examined the psychological mechanisms underpinning small business growth beliefs (SBGBs), or the anticipated outcomes of small business growth, with an emphasis on the predictive roles of perceived competence and regulatory focus. It was projected that those with a strong promotion focus would anticipate more good effects from small company growth, while those with a strong prevention focus would anticipate more negative effects. Furthermore, irrespective of their regulatory orientation, people who thought they were capable of expanding a business also held favourable growth beliefs, especially when it came to the emotional effects of growth.

(Frank et al., 2007) show that during the start-up and early business development stages, new businesses tend to separate themselves from their initiators that make it possible to sway the prospective pool of individuals who are eager to launch new companies based on traditional personality attributes (of founders). (Hay & Kamshad, 1994) is in the view that growth is of utmost importance for the majority of people managing SMEs, especially for non-owner managers leading SMEs, who prioritize growth more than owner-managers. (Ogbechi et al., 2020) claimed that small businesses in Lagos, Nigeria have exhibited and internalized the fundamental principles of strategic planning for sustainable business performance and it is significant that most SMEs employ other resources derived from technical capabilities and infrastructure more effectively than they do strategic planning, which is one of their most underutilized instruments

In the end, a company's startup performance is a measure of its vision and execution as an entrepreneur, determining its course for long-term success and market disruption. In the light of ever-expanding startup ecosystem, it is essential to study the interrelated impact among startup intention, equity intention, expected return and startup growth performance in India. Based on the previous studies, following hypotheses can be drawn to be tested:

H<sub>1</sub>: There exists significant relationship between startup intentions and growth performances of startups in India.

H<sub>2</sub>: There exists significant relationship between startup intentions and expected returns on investment for startups in India.

H<sub>3</sub>: There exists relationship between startup intentions and intention to use equity capital for startups in India.

H<sub>4</sub>: There exists significant relationship between expected returns and growth performances of startups in India.

H<sub>5</sub>: Expected returns mediates the relationship between startup intention and growth performances for startups in India.

H<sub>6</sub>: There exists significant relationship between intention to use equity and growth performances of startups in India.

H<sub>7</sub>: Intention to use equity mediates the relationship between startup intention and growth performances for startups in India.

### 3. Materials and Methods

The Materials and Methods are presented here. Ensure that all the data, materials, and protocols related to the article are made available to the readers. If the data set used for the study is large and cannot be included in the article, then ensure that it is deposited to publicly available databases or information, share the sources, and provide relevant information to access the data. Additionally, if the nature of the study requires ethical approval, like a study in animals or an experiment involving humans, ensure that the information about the ethical approval is provided.

The research's methodological foundation consists of both general scientific and specialized scientific procedures that were selected with the study's goals and objectives in mind. We used conceptual model framework for hypothesis testing and determining the

significance of structural relationships. This ‘material and methods’ sections aimed at enabling readers to comprehend the background and methodology used for the study. The research is quantitative in nature and experts’ opinions was incorporated in the process of questionnaire designing and data collection.

### 3.1. Variables’ Measurement

In the study, Startup intention (STARTUP\_INT) is the main independent variable, while startup’s growth performance (GWITH\_PER) is dependent variable. The study includes two mediating variables i.e., Expected return on Investment (EXP\_RTN) and intention to use equity (INT\_EQT). The data have been collected using five-point Likert scale (where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree)

Scale for measuring STARTUP\_INT has been adopted from (Guerrero & Urbano, 2014) which consist of four items like “I am ready to do anything to be an entrepreneur”, “I will make every effort to start and run my own business”, “I am determined to create a business venture in the future” and “My professional goal is to be an entrepreneur”. The startup intention scale shows good reliability, as the Cronbach’s alpha for STARTUP\_INT is 0.89.

To measure expected return on investment (EXP\_RTN), a four-item scale was adopted from (Appelhoff et al., 2015) which consist statements like “decisive for the project were considerations about potential returns”, “the selection of options for our project was mostly based on calculations of potential returns”, “we mainly considered the potential odds of the project” and “Decisions on capital expenditures were primarily based on potential returns”. The Cronbach’s alpha for EXP\_RTN is 0.86 which shows it has good internal reliability.

To measure intention to use equity as a form of capital (INT\_EQT), we adapted (modified as per need), three-items scale as used by (Koropp et al., 2014) which includes statements like “I intend to use equity for the next startup investment project”, “I will make an effort to use equity for the next startup investment project” and “I will try to use equity for the next startup investment project”. The scale was checked for its reliability, the Cronbach’s alpha is 0.85 which means the scale has good internal reliability.

The final endogenous construct i.e., the final dependent variable which is growth performance of startup (GWITH\_PER) is measured using five- items scale adopted from (Yu et al., 2022) consisting of statements like “Compared to peers, in the last three years the startup firm has employed more”, “Compared to peers, in the last three years the startup firm has achieved more significant sales growth”, “Compared to peers, in the last three years the startup firm has seen faster growth in new products/service”, “Compared to peers, in the last three years the startup firm has seen more significant market share growth” and “Compared to peers, in the last three years the startup firm has seen more significant profit growth”. The reliability of the scale is good as Cronbach’s alpha is 0.91.

### 3.2. Sample

The analysis is based on the sample of 400 entrepreneurs (consisting of startup founder, co-founder, Chief Executive Officer (CEO), Chief Experience Officer (CXO) and Chief Financial Officer (CFO) who are well versed with the financial data of their startup. The data is collected using online questionnaire using simple random sampling technique via professional networking sites and emails.

### 3.3. Data Analysis Technique

This study has employed partial least squares structural equation modeling (PLS-SEM) technique to analyze the relationship between Startup intention and Growth performance of Indian startups. Being a non-parametric technique, multivariate normality assumption is not a necessary condition for running PLS-SEM. Since PLS-SEM offers greater predictive relevance, this technique was suitable for the analysis instead of CB-SEM (Hair et al., 2019). Since all the four constructs were reflective in nature, consistent PLS algorithm was run in SmartPLS 4 software (Ringle et al., 2022) for model estimation.

## 4. Results

The following results were obtained after running the PLS-SEM Algorithm, Bootstrapping and PLS<sub>predict</sub> procedure in the SMARTPLS 4 software.

### 4.1. Measurement Model Assessment

Table 1 summarizes the results of the investigation into the construct’s indicator reliability, internal consistency reliability, convergent validity, and discriminant validity.



Reliability is concerned with consistency, while validity is concerned with accuracy. Internal consistency is measured using Cronbach's Alpha, and according to Hair et al. (2012), all constructs have Cronbach Alpha values of more than 0.7, which is considered satisfactory.

Each item's factor loadings were looked at in order to evaluate convergent validity. Furthermore, it was discovered that the Average Variance Extracted (AVE) was higher than 0.5, indicating additional support for convergent validity.

**Table 1.** Reliability and validity analysis of constructs

Construct	Factor Loadings	Cronbach's Alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	AVE
<b>Startup Intention</b>		0.887	0.894	0.922	0.748
STARTUP_INT_1	0.776				
STARTUP_INT_2	0.901				
STARTUP_INT_3	0.890				
STARTUP_INT_4	0.887				
<b>Expected Returns</b>		0.859	0.95	0.903	0.701
EXP_RTN_1	0.915				
EXP_RTN_2	0.870				
EXP_RTN_3	0.848				
EXP_RTN_4	0.700				
<b>Intention to use equity</b>		0.850	0.851	0.909	0.769
INT_EQT_1	0.875				
INT_EQT_2	0.876				
INT_EQT_3	0.878				
<b>Growth Performance</b>		0.912	0.915	0.935	0.743
GWTH_PER_1	0.754				
GWTH_PER_2	0.911				
GWTH_PER_3	0.878				
GWTH_PER_4	0.903				
GWTH_PER_5	0.857				

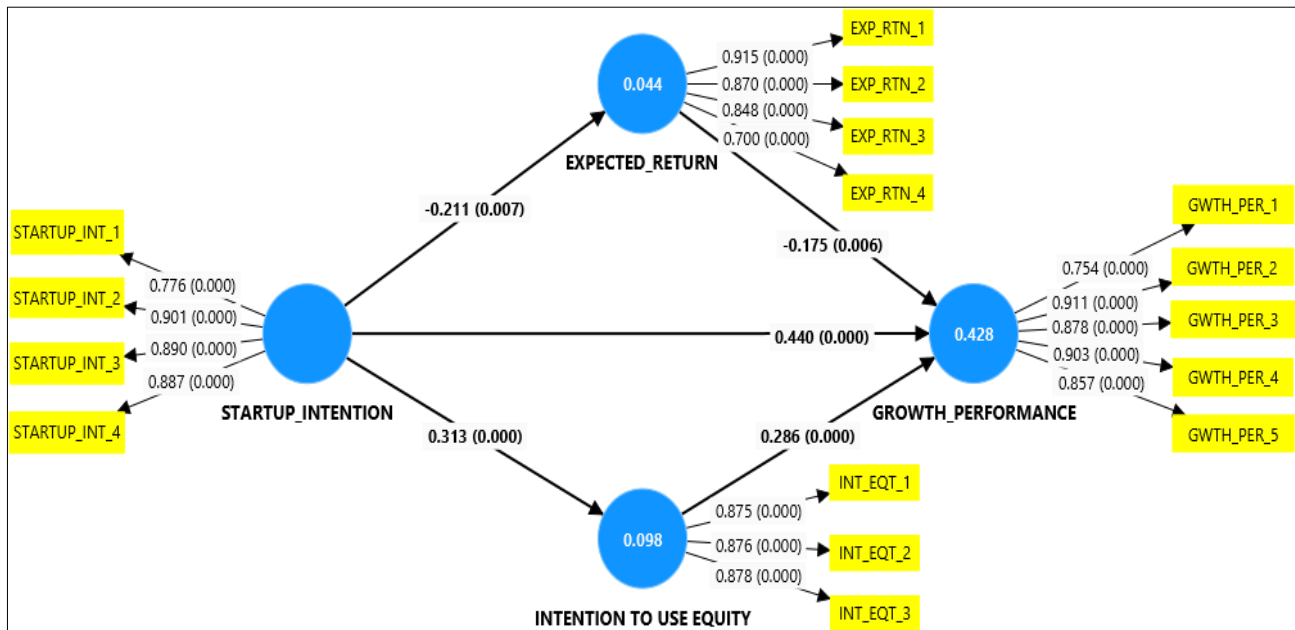
Discriminant validity among reflective constructs has been checked before analysis of structural relationships, as evidenced by the diagonal values are greater than other values in respective columns as shown in Table 2, which is a condition for the Fornell-Lacker Criterion, used for assessing discriminant validity. In addition, heterotrait-monotrait ratio (HTMT) was also looked in the software, which also ensures about discriminant validity establishment.

**Table 2.** Discriminant validity- Fornell-Larcker criterion

	EXP_RTN	GWTH_PER	INT_EQT	STARTUP_INT
EXP_RTN	0.837			
GWTH_PER	-0.297	0.862		
INT_EQT	-0.102	0.442	0.877	
STARTUP_INT	-0.211	0.567	0.313	0.865

#### 4.2. Structural Model Assessment

The bootstrapping process is used in SMARTPLS 4 to construct the inner or structural model. Using a structural model, path-coefficients, t values, and p values are evaluated to test hypotheses. In order to compute path coefficients and their significance for hypothesis testing, bootstrapping was carried out using 10,000 subsamples (at a 5% significance level). The significance of the direct, indirect, and total impacts was computed on the basis of bias-corrected confidence interval. Figure 1 displays the bootstrapped graphical output.



**Figure 1.** Model estimation results (Outer model showing outer weights/loadings and p values, inner model showing path coefficients and p values).

In Table 3, Summary of hypothesis table is shown based on the bootstrapping result. This table presents the results of a statistical analysis testing various hypotheses regarding relationships between different variables. Based on p-value, H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub>, H<sub>6</sub>, H<sub>7</sub> was accepted, while H<sub>5</sub> stands not accepted.

**Table 3.** Summary of hypothesis results.

Hypothesis	Relationship	Coefficient	T-Statistics	P-values	Remark
H <sub>1</sub>	STARTUP_INT -> GWTH_PER	0.440	8.650	0.000	Accepted
H <sub>2</sub>	STARTUP_INT -> EXP_RTN	-0.211	2.710	0.007	Accepted
H <sub>3</sub>	STARTUP_INT -> INT_EQT	0.313	6.629	0.000	Accepted
H <sub>4</sub>	EXP_RTN -> GWTH_PER	-0.175	2.777	0.006	Accepted
H <sub>5</sub>	STARTUP_INT-> EXP_RTN -> GWTH_PER	0.037	1.623	0.105	Not Accepted
H <sub>6</sub>	INT_EQT-> GWTH_PER	0.286	4.778	0.000	Accepted
H <sub>7</sub>	STARTUP_INT-> INT_EQT -> GWTH_PER	0.090	3.386	0.001	Accepted

### 4.3. Predictive Power Analysis

Based on the Q<sup>2</sup> values, the PLS<sub>predict</sub> Procedure in SMARTPLS 4 software was used to analyse the sample predictive power as suggested by Shmueli et al. (2016). Also, PLS<sub>predict</sub> out-of-sample predictions can be used by researchers to evaluate the predictive power of their model (Hair et al., 2019, 2022). The results of the predictive power analysis are summarised in Table 4.

The Q<sup>2</sup> value in PLS<sub>predict</sub> compares the prediction errors of the PLS path model with simple mean predictions values. When the prediction errors produced by the PLS-SEM model is compared to those of the naïve benchmark linear model, the PLS model has generated lower error for all variables, indicating a good predictive power. Furthermore, all measurable and latent variable Q<sup>2</sup> values are greater than zero, indicating that the sample has out-of-sample predictive potential.

**Table 4.** PLS<sub>predict</sub> Result Summary

Items	Q <sup>2</sup> <sub>predict</sub>	Prediction Error Comparison			
		PLS-SEM_RMSE	PLS-SEM_MAE	LM_RMSE	LM_MAE
EXP_RTN_1	0.037	0.459	0.283	0.458	0.277
EXP_RTN_2	0.016	0.574	0.311	0.578	0.320



EXP_RTN_3	0.006	0.548	0.277	0.553	0.289
EXP_RTN_4	0.014	0.548	0.317	0.550	0.319
INT_EQT_1	0.066	0.488	0.335	0.497	0.340
INT_EQT_2	0.071	0.498	0.323	0.506	0.325
INT_EQT_3	0.075	0.520	0.354	0.529	0.357
GWTH_PER_1	0.187	0.441	0.301	0.450	0.305
GWTH_PER_2	0.267	0.390	0.230	0.389	0.224
GWTH_PER_3	0.206	0.445	0.271	0.447	0.277
GWTH_PER_4	0.229	0.419	0.254	0.420	0.256
GWTH_PER_5	0.271	0.442	0.281	0.450	0.274
Latent Variable					Q <sup>2</sup>
EXP_RTN					0.025
INT_EQT					0.090
GWTH_PER					0.312

A well-constructed model with predictive power accuracy is essential for universal applicability of research outcomes. The structural equation modelling (SEM) can be used when examining and validating intricate relationships between variables, both latent and observed, and when conventional statistical techniques such as regression analysis may not be adequate to fully capture the intricacy of the relationships being studied. However, it is crucial to remember that SEM has limitations and that sample size, data quality, and model assumptions must all be carefully taken into account before data analysis and interpretations.

## 5. Discussion

Discussions regarding startup growth performance and factors that significant and non-significant impact on growth is pivotal for the development of startup ecosystem. The findings enable entrepreneurs to take financial decisions which are backed on rational ground. Also, the policy makers may formulate and execute the policies that are essential to foster growth of startups and also for the development and expansion of conducive business ecosystem in India.

### 5.1. Findings of the Study

Prior to the model's execution, Common Method Bias (CMB) was checked that may arise when respondents' data is obtained using a single method such as an interview or questionnaire. Presence of such bias can make the result inaccurate, skewed, or unreliable because respondents could be influenced by the same variables or provide answers to questions in the same way when collected on Likert scale. Thus, a complete collinearity assessment was carried out before model assessment. The data was determined to be free from CMB since none of the constructs' inner VIF values were found to be greater than 3.3 when the constructs were checked against a random endogenous variable (Kock, 2015).

In the measurement model assessment, the factor loading of each item regarding their respective construct was greater than 0.7 which means the items were true representative of their respective construct. The data was checked for composite validity and discriminant validity which was found satisfactory. Next, we check for effect sizes f-square for all structural model relationships with GWTH\_PER.

The effect size of startup intention (STARTUP\_INT) and intention to use equity (INT\_EQT) was found to be moderate, with f-square of 0.294 and 0.129 respectively and effect size of expected return was rather weak with f-square of 0.051 (Cohen, 1988). The assessment of Model's Explanatory power is done by running PLS-SEM Algorithm, by examining the R<sup>2</sup> values of the final endogenous latent variables that is GWTH\_PER which is 0.428 which as a rule of thumb is found to be moderate. The model fit was looked to refers to the ability of the model to reproduce the data. A value less than 0.08 is considered as a good fit (Hu & Bentler, 1999). The Standardized Root Mean Square Residual (SRMR) of the saturated model was 0.058 which ensures a good fit for the model.

Hypothesis was tested based on structural model assessment. The result shows that H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub>, H<sub>6</sub>, H<sub>7</sub> was accepted, while we failed to accept H<sub>5</sub>. An examination of beta



coefficient reveals that startup intention has positive and significant impact on intention to use equity and also on growth performance of Indian startups. However, impact of startup intentions on expected return was found to be negative although significant. This may be due to the fact that individuals with high entrepreneurial and startup intentions are more motivated by non-financial returns (like reputation, service motive, self-actualization etc.) than financial returns from startups. Also, expected return has negative and significant impact on startup's growth performance. The likely reason for such negative relation may be due to the high expectation of startup founders/ entrepreneurs regarding return from their business but in reality, the business may show lower performance as it is in its early life cycle stage. Moreover, expected return does not mediate the relationship between startup intention and growth performance. An important conclusion can be drawn regarding intention for equity usage in startup business as intention to use equity has significant positive relationship with growth performances. Also, equity intention significantly mediates the relationship between startup intention and growth performance. However, the strength of mediation was moderate as Variance Accounted For (VAF) as the ratio of indirect effect to the total effect was 65.85% (i.e.,  $0.027/0.041$ ).

In addition to hypothesis testing, PLS<sub>predict</sub> procedure in SMARTPLS4 was used as it is crucial aid in model validation, evaluates its predictive power, assesses out-of-sample performance, establishes the significance of each variable, and enables well-informed decision-making based on predictive analytics data. The outcome shows that the sample model has moderate predictive power and the findings can be generalised.

### 5.2. Implications of the Study

This study adds to the current limited literature on growth performances of Indian startups and factors affecting it. The current study has been one amongst the pioneer researches to investigate the mediating role of expected return and intention to use equity capital between the relationship of startup intention and growth performance. The finding of this study reconfirms the previously established notion that startup intention and equity usage intention has positive influence on growth performance. However, surprisingly expected return was found to be negatively associated with growth performance. The most logical reason for this, in spite of high expectations startups generally depicts low financial growth in their initial phase. By examining the mediating relationship, intention to use equity was found to be a significant mediator. Thus, it is suggested that by employing more and more equity in the capital structure, firm can enhance their growth performance. It is also suggested that policy makers can offers programmes for the development of startup intent among youth populations as it would lead to tackling the unemployment.

### 5.3. Limitations and Scope for Further Research

Despite of its theoretical and practical implications, the current research has several limitations. First, more variables should be included in the model estimation as there is scope for problem of omitted mediator-variable in the study which is evidence by the presence of significant direct path-coefficients but one specific indirect path coefficient (representing mediating relationship) was found to be insignificant. Secondly, unlike previous researches, the analysis shows negative coefficient for relationship between expected return with startup intentions and growth performance. Further studies should investigate the causes for such negative relationships. Lastly, the study is based on data collected from varied class of entrepreneur residing across nation and belonging to different business sectors. Thus, a more region or geographic-specific and sector-wise analysis could be conducted as rate of return (ROR) and debt-equity mix varies industry to industry.

## 6. Conclusions

The decision to launch a business is frequently preceded by the act of actually taking entrepreneurial action. Startup intentions research offers insights that are useful for understanding entrepreneurial behaviour, hence it is researched in the context of economic development and entrepreneurship study. A deeper analysis of the same can reveal both the obstacles and the enablers of entrepreneurship. Having this knowledge is essential for creating laws and initiatives that promote entrepreneurship and lower obstacles to entry. The outcomes of present research suggest the important role of equity capital which can be in form of founder's own money, love money, angel investment, venture capital funds etc., during the initial stages of startup lifecycle. It is also suggested that in majority of cases,



entrepreneurs have unrealistically high expectations regarding returns.

Since the ultimate goal of every business is to achieve growth, exploring the various environmental dynamism that encompasses the startup is essential to achieve the growth targets. From the policymakers and planners view point, such researches are important for framing suitable laws. Moreover, based on these outcomes, curriculums can be designed for igniting the growth-pace of startups in India. From a scholarly standpoint, research on startup goals advances the theories and frameworks used in entrepreneurship studies. It improves our knowledge of the dynamics of new venture development, decision-making under uncertainty, and entrepreneurial behaviour.

In conclusion, there is a dynamic and symbiotic relationship between startup intention and startup firm performance. In an alternate way, strong startup performance generates larger financial returns, raises valuation, and boosts investor confidence which may further encourage entrepreneurs to take such business endeavours. It is suggested that entrepreneurs must have a realistic expectation regarding financial returns based on the size and age of their startups. Also, by employing equity capital instead of debt capital may help to accelerate the performance and growth of startups in their initial stages. Policy makers can lead to generating startup intentions in the prospective entrepreneurs by offering programmes and financial aids which may ultimately leads towards fostering a dynamic and healthy startup ecosystem in India.

**Author Contributions:** Software, writing-review and editing was done by Aliza; validation was done by Prof. Asha Ram Tripathi.

**Funding:** This research received no external funding.

**Informed Consent Statement:** Not applicable.

**Acknowledgments:** We acknowledge members of Faculty of Commerce, Banaras Hindu University for providing research conducive environment and expert advices during questionnaire finalization and also in identifying and approaching respondents.

**Conflicts of Interest:** The authors declare no conflict of interest.

## References

- Achim, M. V. (2010). Business performances: between profitability, return and growth. *Annals of the University of Craiova. Economic Sciences Series*, 2, 1-12.
- Ali, J., & Jabeen, Z. (2022). Understanding entrepreneurial behavior for predicting start-up intention in India: Evidence from global entrepreneurship monitor (GEM) data. *Journal of Public Affairs*, 22(1), e2399. <https://doi.org/10.1002/pa.2399>
- Aman, Q., & Altass, S. (2023). The impact of debt and equity decisions on business performance: Evidence from International Airline Corporation. *Amazonia Investiga*, 12(63), 10-20. <https://doi.org/10.34069/AI/2023.63.03.1>
- Appelhoff, D., Mauer, R., Collewaert, V., & Brettel, M. (2015). The conflict potential of the entrepreneur's decision-making style in the entrepreneur-investor relationship. *International Entrepreneurship and Management Journal*, 12, 601-623. <https://doi.org/10.1007/s11365-015-0357-4>
- Arafat, M. Y., & Saleem, I. (2017). Examining start-up Intention of Indians through cognitive approach: a study using GEM data. *Journal of Global Entrepreneurship Research*, 7, 1-11. <https://doi.org/10.1186/s40497-017-0073-3>
- Armuña, C., Ramos, S., Juan, J., Feijóo, C., & Arenal, A. (2020). From stand-up to start-up: exploring entrepreneurship competences and STEM women's intention. *International Entrepreneurship and Management Journal*, 16(1), 69-92. <https://doi.org/10.1007/s11365-019-00627-z>
- Berger, A. N., & Udell, G. F. (1998). The economics of small business finance: The roles of private equity and debt markets in the financial growth cycle. *Journal of Banking & Finance*, 22(6-8), 613-673. [https://doi.org/10.1016/S0378-4266\(98\)00038-7](https://doi.org/10.1016/S0378-4266(98)00038-7)
- Birley, S., & Westhead, P. (1994). A taxonomy of business start-up reasons and their impact on firm growth and size. *Journal of Business Venturing*, 9(1), 7-31. [https://doi.org/10.1016/0883-9026\(94\)90024-8](https://doi.org/10.1016/0883-9026(94)90024-8)
- Blazenko, G. W., & Fu, Y. (2013). Value versus growth in dynamic equity investing. *Managerial Finance*, 39(3), 272-305. <https://doi.org/10.1108/03074351311302809>
- Charity, E., Austin, O. C., Orji, O. C., Steve, E. E., & Okechukwu, A. J. (2019). Capital structure determinants and performance of startup firms in developing economies: A conceptual review. *Academy of Entrepreneurship Journal*, 25(3), 1-9.
- Chemmanur, T. J., Krishnan, K., & Nandy, D. K. (2011). How Does Venture Capital Financing Improve Efficiency in Private Firms? A Look Beneath the Surface. *The Review of Financial Studies*, 24(12), 4037-4090. <https://doi.org/10.1093/rfs/hhr096>
- Chindengwike, J. (2021). Effect of Equity on Financial Performance Among Small Business Firms in East Africa Countries. *International Journal of Innovative Research in Engineering & Multidisciplinary Physical Sciences*, 9(3), 194-200.
- Cohen, J. (1988). *Statistical Power Analysis for the Behavioral Sciences* (2nd Ed.). New York: Routledge. <https://doi.org/10.4324/9780203771587>
- Croce, A., Martí, J., & Murtinu, S. (2013). The impact of venture capital on the productivity growth of European entrepreneurial firms: 'Screening' or 'value added' effect? *Journal of Business Venturing*, 28(4), 489-510. <https://doi.org/10.1016/j.jbusvent.2012.06.001>
- Eijdenberg, E. L., Paas, L. J., & Masurel, E. (2017). Decision-making and small business growth in Burundi. *Journal of Entrepreneurship in Emerging Economies*, 9(1), 35-64. <https://doi.org/10.1108/JEEE-12-2015-0065>



- Eldar, O., Grennan, J., & Waldo, K. (2020). *Common Ownership and Startup Growth*. Duke Law School Public Law & Legal Theory Series. <https://doi.org/10.2139/SSRN.3406205>
- Frank, H., Lueger, M., & Korunka, C. (2007). The significance of personality in business start-up intentions, start-up realization and business success. *Entrepreneurship & Regional Development*, 19(3), 227-251. <https://doi.org/10.1080/08985620701218387>
- Gani, M. O., Takahashi, Y., & Faroque, A. R. (2022). Entrepreneurial intention to business start-ups: Evidence from Asia. *International Journal of Business and Society*, 23(1), 54-72. <https://doi.org/10.33736/ijbs.4598.2022>
- Guerrero, M., & Urbano, D. (2014). Academics' start-up intentions and knowledge filters: An individual perspective of the knowledge spillover theory of entrepreneurship. *Small Business Economics*, 43, 57-74. <https://doi.org/10.1007/s11187-013-9526-4>
- Hair, J. F., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2022). *A Primer on Partial Least Squares Structural Equation Modelling (PLS-SEM)* (3rd ed.) Sage Publications.
- Hair, J. F., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2019). When to use and how to report the results of PLS-SEM. *European Business Review*, 31(1), 2-24. <https://doi.org/10.1108/EBR-11-2018-0203>
- Hair, J. F., Sarstedt, M., Pieper, T. M., & Ringle, C. M. (2012). The Use of Partial Least Squares Structural Equation Modeling in Strategic Management Research: A Review of Past Practices and Recommendations for Future Applications. *Long Range Planning*, 45(5-6), 320-340. <https://doi.org/10.1016/j.lrp.2012.09.008>
- Hay, M., & Kamshad, K. (1994). Small Firm Growth: Intentions, Implementation and Impediments. *Business Strategy Review*, 5(3), 49-68. <https://doi.org/10.1111/j.1467-8616.1994.tb00166.x>
- Heller, D., & Veihl, M. (2024). The Rise of Early-Stage Financing in the US and Startup Performance. <https://dx.doi.org/10.2139/ssrn.4793539>
- Hu, L. T., & Bentler, P. M. (1998). Fit indices in covariance structure modeling: Sensitivity to under parameterized model misspecification. *Psychological Methods*, 3(4), 424-453. <https://psycnet.apa.org/doi/10.1037/1082-989X.3.4.424>
- Hwang, Y., Park, J., & Kim, K. (2023). Equity Crowdfunding and Startup Performance. <https://dx.doi.org/10.2139/ssrn.4559496>
- Jacobson, R. (1987). The Validity of ROI as a Measure of Business Performance. *The American Economic Review*, 77(3), 470-478. <https://www.jstor.org/stable/1804112>
- Jeong, J., Kim, J., Son, H., & Nam, D. I. (2020). The Role of Venture Capital Investment in Startups' Sustainable Growth and Performance: Focusing on Absorptive Capacity and Venture Capitalists' Reputation. *Sustainability*, 12(8), 3447. <https://doi.org/10.3390/su12083447>
- Jin, C. H. (2017). The effect of psychological capital on start-up intention among young start-up entrepreneurs: A cross-cultural comparison. *Chinese Management Studies*, 11(4), 707-729. <https://doi.org/10.1108/CMS-06-2017-0162>
- Kock, N. (2015). Common method bias in PLS-SEM: A full collinearity assessment approach. *International Journal of e-Collaboration*, 11(4), 1-10. <https://doi.org/10.4018/ijec.2015100101>
- Koropp, C., Kellermanns, F. W., Grichnik, D., & Stanley, L. (2014). Financial Decision Making in Family Firms: An Adaptation of the Theory of Planned Behavior. *Family Business Review*, 27(4), 307-327. <https://doi.org/10.1177/0894486514522483>
- Kotane, I., & Kuzmina-Merlino, I. (2012). Assessment of Financial Indicators for Evaluation of Business Performance. *European Integration Studies*, 6. <http://dx.doi.org/10.5755/j01.eis.0.6.1554>
- Lee, C. Y., Hwang, I. H., & Kim, J. S. (2016). The Influential Factors to Growth Intention and Performance in Early-Stage Technology-Based Start-up Companies. *Asia-Pacific Journal of Business Venturing and Entrepreneurship*, 11(2), 49-62. <https://doi.org/10.16972/APJBVE.11.2.201604.49>
- Lee, M., & Nam, D. I. (2020). Unicorn Startups' Investment Duration, Government Policy, Foreign Investors, and Exit Valuation. *Asia-Pacific Journal of Business Venturing and Entrepreneurship*, 15(5), 1-11. <https://koreascience.kr/article/JAKO202031837626128.page>
- Mamun, A. A., Nawi, N. B. C., Mohiuddin, M., Shamsudin, S. F. F. B., & Fazal, S. A. (2017). Entrepreneurial intention and startup preparation: A study among business students in Malaysia. *Journal of Education for Business*, 92(6), 296-314. <https://doi.org/10.1080/08832323.2017.1365682>
- Martins, J. M., Shahzad, M. F., & Xu, S. (2023). Factors influencing entrepreneurial intention to initiate new ventures: evidence from university students. *Journal of Innovation and Entrepreneurship*, 12(1), 63. <https://doi.org/10.1186/s13731-023-00333-9>
- Meckin, D. (2011). *Naked Finance: Business Finance Pure and Simple*. Nicholas Brealey Publishing.
- Mergemeier, L., Moser, J., & Flatten, T. C. (2018). The influence of multiple constraints along the venture creation process and on start-up intention in nascent entrepreneurship. *Entrepreneurship & Regional Development*, 30(7-8), 848-876. <https://doi.org/10.1080/08985626.2018.1471163>
- Mikic, M., Novoselec, T., & Primorac, D. (2015). Influence of financing source on the small business performance. *Economic and Social Development: Book of Proceedings*, 283. <https://api.semanticscholar.org/CorpusID:168279944>
- Nigbor-Drozd, A. (2022). Startup and the economy 4.0. *International Journal for Quality Research*, 16(3), 749-766. <https://doi.org/10.24874/IJQR16.03-06>
- Ogbechi, A. D., Alase, P. O., Taiwo, S. F., & Ogbechi, C. D. (2020). Empirical Evaluation of Strategic Planning and Sustainable Business Growth Performance of Small and Medium Enterprises (SMEs). *International Journal of Innovative Research and Advanced Studies*, 7(5), 181-190. [https://www.ijiras.com/2020/Vol\\_7-Issue\\_5/paper\\_28.pdf](https://www.ijiras.com/2020/Vol_7-Issue_5/paper_28.pdf)
- Omisakin, O. M., & Adegoke, N. (2022). Entrepreneurial orientation and New Zealand family business growth performance: environmental effects. *Small Enterprise Research*, 29(2), 138-164. <https://doi.org/10.1080/13215906.2022.2039883>
- Prasastyoga, B., van Leeuwen, E., & Harinck, F. (2018). Will growth bring more good than harm to my business? The role of regulatory focus in small business growth beliefs. *Journal of Applied Social Psychology*, 48(7), 377-387. <https://doi.org/10.1111/jasp.12518>
- Qureshi, M. S., & Mahdi, F. (2014). Impact of effectuation-based interventions on the intentions to start a business. *Business Review*, 9(2), 143-157. <https://doi.org/10.54784/1990-6587.1277>
- Ries, E. (2011). *The lean startup*. New York: Crown Business, 27, 2016-2020.
- Ringle, C. M., Wende, S., & Becker, J. M. (2022). SmartPLS 4 [Computer software]. SmartPLS GmbH. <https://www.smartpls.com>
- Shmueli, G., Ray, S., Estrada, J. M. V., & Chatla, S. B. (2016). The elephant in the room: Predictive performance of PLS models. *Journal of Business Research*, 69(10), 4552-4564. <https://doi.org/10.1016/j.jbusres.2016.03.049>



- Staniewski, M., & Awruk, K. (2016). Start-up intentions of potential entrepreneurs- the contribution of hope to success. *Economic Research-Ekonomska Istraživanja*, 29(1), 233-249. <https://doi.org/10.1080/1331677X.2016.1166345>
- Tasáryová, K., & Pakšiová, R. (2021). The Impact of Equity Information as an Important Factor in Assessing Business Performance. *Information*, 12(2), 85. <https://doi.org/10.3390/info12020085>
- Yoo, B. H. (2014). A Study on Influential Factors of Self-Leadership on Start-up Intention. *Journal of the Korea Academia-Industrial Cooperation Society*, 15(3), 1382-1389. <https://doi.org/10.5762/KAIS.2014.15.3.1382>
- Yoo, B. H. (2015). The Effect of Achievement Needs and Entrepreneurship on the Start-up Intention: Focus on Mediation Role of Start-up Motivation. *Asia-Pacific Journal of Business Venturing and Entrepreneurship*, 10(3), 51-60. <http://dx.doi.org/10.16972/apjbve.10.3.201506.51>
- Yu, W., Dai, S., Liu, F., & Yang, Y. (2023). Matching disruptive innovation paths with entrepreneurial networks: A new perspective on startups' growth with Chinese evidence. *Asian Business & Management*, 22(3), 878-902. <https://doi.org/10.1057/s41291-022-00177-3>
- Zukbee, J. D., & Anyamaobi, C. (2023). Private equity capital and growth of entrepreneurial firms in Nigeria. *Advance Journal of Management, Accounting and Finance*, 8(12), 70–89. <https://aspjournals.org/ajmaf/index.php/ajmaf/article/view/79>

Research Article

# Corporate Social Responsibility in Insurance Sector and the Role of Insurance Sector in Economic Development of India

Sarita Panchal<sup>1\*</sup> , Pyla Narayan Rao<sup>2</sup> 

<sup>1</sup> Department of Management, Gurugram University, India

<sup>2</sup> Indian Institute of Corporate Affairs, India

\* Correspondence: panchalsarita45@gmail.com

<https://doi.org/eiki/10.59652/jeime.v2i2.244>

**Abstract:** One strategy to reduce the risk and protect against unplanned losses is insurance. Risks can bring benefits, but the possibility of harm is a disadvantage. Losses can be for many reasons, both professional and personal. Insurance turns accumulated capital into productive investments. Insurance also enables loss mitigation and financial stability and facilitates business leading to sustainable economic growth and development. That is why insurance plays a key role in the sustainable growth of the economy. In the present paper, an effort is made to study the role of Insurance sector in India and the relationship between Insurance and economic growth and the various CSR initiatives taken by insurance companies in India. This paper is a comprehensive descriptive study. Secondary data and information have been analysed for preparing the paper. Secondary information has been taken from various academic sources, such as books, journal articles, conference papers, working papers, and websites. Data on CSR has been collected from annual reports and information available on the companies' websites. The main result indicates that Indian insurance sector is an integral part of the economic prosperity of the country, yet its penetration rate is significantly lower than 5%. The insurance sector in India is crucial for economic growth by promoting financial stability, encouraging savings and investments, generating employment, and supporting infrastructure development and social security. This indicates that the insurance sector plays a significant role in the overall prosperity of the country. And CSR initiatives taken by companies lead to better corporate governance practices, as companies adopt more transparent, ethical, and responsible decision-making processes.

**Keywords:** insurance; corporate social responsibility; economic development; insurance penetration; financial stability

Received: June 21, 2024

Accepted: June 30, 2024

Published: June 30, 2024



**Copyright:** © 2022 by the authors.  
Submitted for open access publication  
under the terms and conditions of the  
Creative Commons Attribution (CC BY)  
license  
(<https://creativecommons.org/licenses/by/4.0/>).

## 1. Introduction

The insurance sector in India has witnessed tremendous growth over the last decade with the advent of a large number of innovative products. This has led to fierce competition with a positive and healthy outcome. In India, the insurance industry contributes significantly to the country's economic health. It significantly broadens the range of savings opportunities available to individuals, safeguards their financial future, and assists the insurance sector in constructing a substantial fund base.

The insurance sector highly contributes to the capital market, which accelerates India's large-scale infrastructure development. Insurance is a way to cover your risks. When you buy insurance, you are buying protection against unexpected financial losses. The insurance company will pay you or someone you choose if something bad happens to you. If you do not have insurance and an accident occurs, you could be responsible for all the costs involved. India is the world's fifth biggest life insurance market, rising at a rate of 32-34 percent each year. Foreign direct investment (FDI) in the sector is permitted up to 26% under the automatic system, and the industry is regulated by the Insurance Regulatory and Development Authority (IRDAI).

There are 57 insurance companies in the Indian insurance sector, of which 24 are active in life insurance and 34 are non-life insurers. Life Insurance Company (LIC) is the only public-sector company among life insurers. There are six public sector insurance companies

operating in the non-life insurance segment. Apart from these, the only national reinsurer is the General Insurance Corporation of India (GIC). In addition to insurance companies, there are other people in the insurance business in India like agents, brokers, surveyors and health insurance claims administrators. Insurance is a risk management tool for society. Insurance always provides security and financial assistance that is needed in many situations (IBEF, 2024).

#### *Research Aim and Objectives*

The main aim of an insurance sector research study is to generate insights and knowledge that can inform decision-making, policy formulation, and strategic planning within the industry. Specifically, the objectives include. (a) To examine the role of insurance sector in India (b) To study the relationship between insurance and economic growth in India (c) To study the importance of CSR in insurance sector and CSR initiatives taken by top insurance companies in India.

## 2. Literature Review

Kjosevski's (2011) findings show that, in the long run, there is a positive relationship between the insurance sector development and economic growth but this result consistent with non-life insurance and total insurance penetration not with life insurance. In this sense, a high rate of economic growth causes a high level of insurance premiums, and the opposite is also true. It appears that high-income nations have a propensity to rely on the insurance market, and that a sufficient volume of insurance activity seems to guarantee higher rates of economic growth. Verma and Bala (2013) stated that life insurance has a positive impact on economic growth. India currently has a large population that can be insured, which is encouraging for the life insurance industry.

Eze Onyekachi and Okoye's (2013) the study found that a positive relationship between economic growth and the insurance sector. The study concludes that it is necessary to make greater efforts to boost openness and efficiency in the insurance sector through appropriate legislation and policy formation aimed at delivering institutional development, notably in risk management and product innovations in the insurance industry. Ben Dhiab and Jouili (2015) found that there is a correlation between the insurance market, as measured by insurance penetration, and the degree of density and economic growth, as measured by GDP per capital. The link between the insurance share of GDP and GDP per capita reveals that non-life insurance has a higher impact than life insurance.

According to Ul Din, Regupathi, and Abu-Bakar (2017), non-life insurance significantly and favourably influenced short-term economic growth in the United States, the United Kingdom, China, India, Malaysia, and Pakistan. Additionally, the connection between life insurance and economic growth For India, Pakistan, and the UK, growth is favourable and significant. For the United States, China, and Malaysia, the findings show a significant but adverse relationship between life insurance and economic growth. The study of Mall (2018) found that implementing strategic and operational plans with reference to various macroeconomic factors is necessary since they serve as an important gauge of state economic growth, which in turn contributes to India's economic growth.

Ul Din, Abu-Bakar, Regupathi, and McMillan (2017) explored the relationship between insurance and economic growth. The study found a positive relationship between insurance and economic growth. Results showed that, for developed countries, life insurance has a positive and significant relationship with economic growth, for developing nations, non-life insurance is more important in fostering economic growth. Peleckienė, Peleckis, Dudzevičiūtė, and Peleckis (2019) found a positive relationship between insurance and economic growth. According to descriptive statistics research, the insurance industry is developing more rapidly in economically developed nations like the UK, the Netherlands, Denmark, Finland, Ireland, and France. The insurance industries are the least developed in Romania, Bulgaria, Latvia, and Estonia. Moreover, these nations fall under the category of very low economic development.

Senol, Zeren, and Canakci (2020) found that there is mutual causality and a unidirectional relationship between life insurance activity and economic growth causality from economic growth to non-life insurance. The study concludes that non-life insurance business, life insurance business promotes more economic growth in the long term and with regular resources that it offers. Apergis and Poufinas (2020) showed that gross operating and claims payments are significantly and favourably correlated with economic growth. The study found that gross premium and insurance penetration are also significantly and favourably associated

with economic growth supported by the data. The study concludes that the positive and statistically significant effects of insurance on gross capital creation, government spending, secondary education, FDI inflows, trade openness, and financial development.

### 3. Materials and Methods

#### 3.1. Types and Source of Data

This study is based on the secondary data. Secondary data and information collected from research papers, articles, magazine, and conference papers and websites. Corporate social responsibility initiatives information collected from companies CSR reports and annual reports.

#### 3.2. Technique of Data Analysis

This study is comprehensive descriptive study. Secondary information has been analysing for preparing the paper. The study used content analysis for CSR initiatives. In the analysis, six parameters have been taken and if the parameter has been fulfilled by, the sampled unit then Y (Yes) has been assigned to company and if it is not fulfilled then N (No) has been assigned. Then the total points gathered by the company at the end of year have been calculated for all the selected public sector units for this research work.

### 4. Results and Discussion

For the study to achieve its objective, data was taken from secondary sources includes research papers, articles, and various academic source. The result indicate that the insurance sector in India is crucial for economic growth by promoting financial stability, encouraging savings and investments, generating employment, and supporting infrastructure development and social security. CSR initiatives have a profound impact on companies by enhancing their reputation, improving employee engagement, driving operational efficiencies, managing risks, differentiating them in the market, attracting investors, strengthening community relations, promoting long-term sustainability.

#### 4.1. Role of Insurance Sector in India

(1). *Promote economic growth.* By mobilizing family savings, the insurance business has a considerable influence overall economy. Insurance transforms collected cash into profitable ventures. Insurance also allows for the reduction of losses, financial stability, and the promotion of trade and commerce operations, all of which contribute to long-term economic growth and development.

(2). *Generate long-term financial resources.* The insurance sector generates money through premiums from millions of policyholders. Due to the long-term nature of these funds, they are invested in the creation of long-term infrastructures assets that are vital for nation-building. Large investments increase employment opportunities, which lead to capital formation in the economy.

(3). *Spread risk.* Insurance facilitates the transfer of the risk of loss from the insured to the insurer. The basic principles of insurance are to spread the risk among a large number of people. A large population takes insurance policies and pays premiums to the insurer. Whenever there is a loss, it is compensated from the funds collected from the funds collected from lakhs of policyholders.

(4). *Employment generations.* Employment opportunities are offered by the insurance sector. Individual agents have grown in number. 503 Corporate Agents were employed by the life insurance sector as of March 31, 2015, bringing the new business premium for FY16 to \$1.38 trillion, up from \$1.13 trillion in the prior fiscal year. The New business premium for private insurers in the year was \$40,983 crore compared to the previous fiscal year's 34,840 crore last year. The Union Budget 2016–17 includes many changes for the insurance and pensions sector, including one to permit up to 49% of automatic foreign investment in the insurance industry. There were 2.59 crore new individual policies issued in 2014–15. Other job options are offered through brokers, corporate representatives, and training facilities.

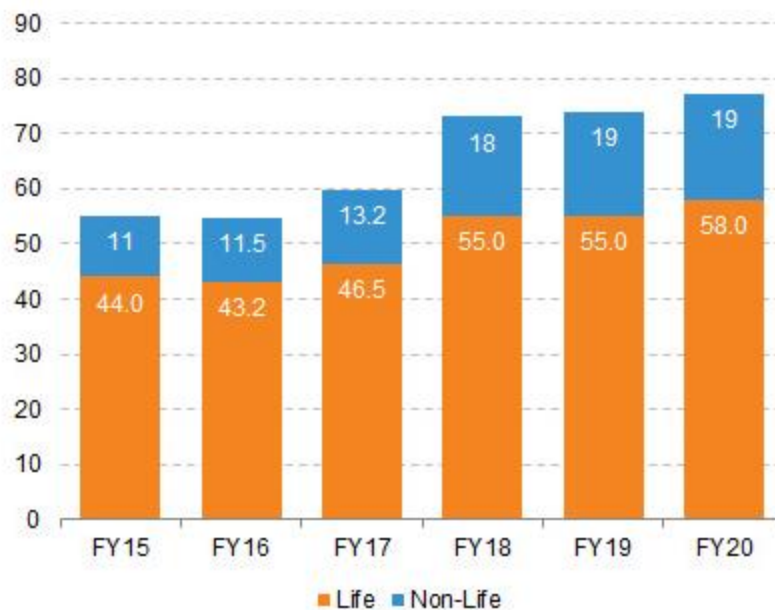
(5). *Insurance contributes to Indian GDP.* GDP is one of the most significant macroeconomic measures, and insurance helps to boost it. The size of the GDP is used to gauge each nation's degree of development. Individuals can select from a range of insurance plans that insurance companies offer. The insurance industry uses these premiums for its financial and investing activities.

#### 4.2. Economics Growth in India

The life insurance sector is anticipated to grow between 2019 and 2023 at a CAGR of 5.3%. In FY21, India had a 4.2% insurance penetration rate, with 1.0% of non-life insurance and 3.2% of life insurance. But in 2023, India's insurance premium penetration accounted for 4% of the GDP, with life insurance making up 3% and non-life insurance comprising 1%. India ranked 78th out of 190 countries in terms of insurance density in FY21. By FY31, it is anticipated that life insurance premiums in India will total Rs. 24 lakh crore (US\$ 317.98 billion). The premiums from new businesses of life insurance firms in India totaled US\$ 25.3 billion in FY23 (through October 2022).

Data from the Life Insurance Council show that in October 2022, new business premiums for life insurers reached Rs. 15,920.13 crores (\$1.94 billion). Life insurers' total first-year premiums grew by 12.93% in 2021–2022. Gross premiums written off by non-life insurers between April 2021 and March 2022 were Rs. 220,772.07 crore (US\$ 28.14 billion), an increase of 11.1% over the same period in FY 21. The non-life insurance segment's total premium revenue in May 2022 was Rs. 36,680.73 crore (US\$ 4.61 billion), up 24.15% from the same month the year before. From 48.03% in FY20 to 49.31% in FY21, the market share of private sector businesses in the market for general and health insurance grew.

In May 2021, six independent private sector health insurance firms reported an increase in gross premium of 66.6%, reaching Rs. 1,406.64 crore (US\$ 191.84 million), up from Rs. 844.13 crore (US\$ 115.12 million) month prior. S&P Global Market Intelligence data revealed that, India is the second-largest insurance technology market in Asia-Pacific, with 35% of Insurtech-focused venture investments made in the country. The insurance sector in India is poised for growth, but challenges in penetration and risk awareness must be addressed (IBEF, 2024). Figure 1 shows the insurance density.



**Figure 1.** Insurance density (premiums per capita) (US\$)  
Source: IBEF, 2024.

#### 4.3. Relationship between Insurance Sector and Economic growth

The insurance industry is one of the most significant ones in the services sector. The financial system cannot function without insurance companies. The creation of state budgets is also significantly influenced by insurance companies. They are significant state taxpayers. We are all aware that a sizable portion of the state budget comes from taxes. As a result, preserving the stability of the tax and financial systems is crucial for the insurance business. When premiums are not used to cover claims or other operational costs, insurance firms frequently invest unused funds. Via stock, corporate and government bonds, and real-estate mortgages, these investments typically support the construction of new buildings and provide other essential support to economic development initiatives around the nation. The monthly rates that people and corporations must pay are only one small aspect of insurance.

With a strong economy, the insurance industry as a whole plays a crucial role. The economy can benefit in the long run by helping firms reduce risk, just like it does for





customers. The economic system is supported by insurance. Unexpected setbacks can cause businesses and customers alike to experience financial difficulty. One of the most powerful financial resources available to businesses to assist them in handling a calamity is insurance (Ul Din, Abu-Bakar, Regupathi, & McMillan, 2017). Also, when an employee gets wounded at work, the company's insurance helps to pay for both the expense of the person's care and any potential wage loss. The expansion of a business is assisted by business insurance as well.

Verma & Bala (2013), at fundamental level, stated that insurance offers a protective safety enabling businesses to take on higher-risk, higher-return activities than they otherwise would. Customers are frequently unconscious of the daily barrage of risk and uncertainty because they are so used to the routine. Whether it's a vehicle accident, a house fire, and flooded basement after a large storm, or a job injury, unforeseen difficulties can happen at any time. Insurance may help handle the uncertainty and probable loss by providing critical financial protection. An insurance policy can assist customers in obtaining the funds they want in the event of a catastrophe. Without insurance, many people in these situations would face financial hardship and may even go bankrupt. The insurance sector is one of the primary economic players and a contributor to global economic growth. This is because they are among the safest investments one can make and contribute to the efficient operation of the global economy by paying insurance claims. Table 1 analyses investments and recent developments in insurance sector in India according to market growth, industry collaborations, mergers and acquisitions, performance metrics, regulatory changes, and market projections.

**Table 1.** Investments and recent developments in insurance sector in India

Market growth	Industry collaborations	Mergers and acquisitions	Performance metrics	Regulatory changes	Market projections
According to a Swiss Re study, India is projected to be the 10th largest insurance market globally and the second largest among emerging markets in 2024, with a 1.9% share in total premium volumes in USD. By 2032, India is expected to become one of the top six insurance markets worldwide, although it may only account for 4% of global premiums in USD.	ICICI Lombard and Airtel Payments Bank: Launched a cyber insurance product in February 2022. PhonePe: Received preliminary approval from IRDAI in August 2021 to act as a broker for life and general insurance products, enabling it to offer insurance services to its over 300 million users.	HDFC Life Insurance Acquired a 100% stake in Exide Life Insurance in November 2021, strengthening its position in South India.	LIC: Recorded a record first-year premium income of Rs. 56,406 crore (US\$ 7.75 billion) in FY21, a 10.11% increase from the previous year.	FDI Cap Increase: The Union Budget 2021 raised the FDI cap in insurance from 49% to 74%. Digital Insurance Policies: IRDAI announced the issuance of digital insurance policies via Digi-locker.	Future Value: The Indian insurance industry is projected to be worth US\$ 222 billion by 2026. Innovative solutions: The sector is expected to introduce customized and innovative solutions to meet evolving market demands and increase insurance penetration in India

Source: IBEF, n.a.

#### 4.4. CSR in Insurance Sector

Corporate Social Responsibility in India has traditionally been seen as a philanthropic activity. India was the first country to make Corporate Social Responsibility (CSR) mandatory for companies that meet certain criteria. Under Section 135 of Companies Act, a company with a net worth of 500 crore, turnover 1000 crore and net profit 5 crore or more, to spend two per cent of its average annual profit over last three years on CSR. India is the only country globally that mandates both spending and reporting on CSR obligations.

The Companies Act and its subsequent amendments have also clarified the scope of activities for which 2% funding can be utilised. Schedule VII of companies' act 2013 provides



a comprehensive framework for companies to engage in CSR activities. Schedule VII of companies' act 2013 specifies the different activities that can be undertaken by companies as CSR activities by applying a portion of its profits. In addition, there is a conscious effort to ensure that the corporate social CSR legislation is in line with India's commitment to the UN-SDGs.

The insurance sector in India is regulated by IRDAI (Insurance Regulatory Development Authority of India, 1999). IRDAI has identified insurance firm's commitment to community and society as per the obligation of insurers Rural and Social Sector Rules 2015 by proposing an obligation towards community and society. The Companies Act, 2013 also plays a crucial role in CSR for insurance companies and other firms. Schedule VII company act 2013 provides a list of activities, which companies can contribute their funds, these activities include initiatives in areas like education, healthcare, poverty alleviation, and rural development, directly impacting the society and communities in which the companies operate (General Circular No. 21/2014..., n.a.). Table 2 shows corporate social responsibility initiatives taken by top 10 insurance companies in India.

**Table 2.** Corporate social responsibility initiatives taken by top 10 insurance companies in India\*

Company name	Education	Healthcare and sanitation	Environment sustainability	Skill development	Insurance awareness	Financial inclusion
Life Insurance corporation of India	Y	Y	Y	Y	Y	Y
HDFC Life Insurance	Y	Y	Y	Y	Y	Y
SBI Life Insurance	Y	Y	Y	Y	Y	Y
Max Life Insurance	Y	Y	Y	Y	Y	Y
ICICI Prudential LIFE INSURANCE	Y	Y	Y	Y	Y	Y
PNB met Life Insurance	Y	Y	Y	Y	Y	Y
Bajaj Allianz Life insurance	Y	Y	Y	Y	Y	Y
Tata AIA life Insurance	Y	Y	Y	Y	Y	Y
Aditya Birla Sun life insurance	Y	Y	Y	Y	Y	Y
Canara HSBC life insurance	Y	Y	Y	Y	Y	Y

Source: [www.csr.reports](http://www.csr.reports)

\* Y means YES

## 5. Conclusions

The results of this study may serve as a valuable source of direction for policymakers in the insurance sector. The insurance industry not only safeguards people and businesses from a variety of potential risks, but it also makes a significant contribution to the country's overall economic expansion by ensuring the smooth operation of commercial enterprises and generating long-term funding for industrial projects. Together with other things, the insurance industry creates jobs for millions of people and promotes the value of saving, especially in countries like India, where both savings and employment are significant. Policies should be created to assist the development of the insurance business since insurance encourages economic growth. The nation's economic growth is aided by insurance by provides both direct and indirect job possibilities. Along with normal coverage, many insurance policies provide savings and investing options. These help in building wealth/savings for the future through regular investments. We pay premiums regularly and a portion of the same goes towards life coverage while the other portion goes towards either a savings plan or an investment plan, whichever you choose based on your future goals and needs. Without insurance, recovering from a significant loss of inventory will be quite expensive for firms. A family's or a business's financial situation may be impacted by natural disasters, accidents, theft, or break-ins. Families and companies can recover quickly when a significant portion of the losses are covered by insurance.

### 5.1. Limitation and Future Scope

(1) Firstly, only 10 companies were included in the sample. Therefore, due to the non-inclusion of small companies, that operates on a different scale and has distinct CSR strategies, the results of the final study cannot be generalized.

(2) Future research scopes, to study the CSR initiatives and its impact on financial performance of insurance industry in India.

## References

- Apergis, N., & Poufinas, T. (2020). The role of insurance growth in economic growth: Fresh evidence from a panel of OECD countries. *The North American Journal of Economics and Finance*, 53, Article 101217. <https://doi.org/10.1016/j.najef.2020.101217>.
- Ben Dhiab, L., & Jouili, T. (2015). Insurance and Economic Growth in Tunisia: A Theoretical and Empirical Analysis. *Journal of Economics & Sustainable Development*, 6, 101-107.
- Eze Onyekachi, R., & Okoye, V. (2013). Anaysis of insurance practices and economic growth in Nigeria: using co-integration test and error correction model. *Global Advanced Research Journal of Management and Business Studies*, 2(1), 063-070. <https://nairametrics.com/wp-content/uploads/2013/08/ANALYSIS-OF-INSURANCE-ECONOMICS-GROWTH.pdf>
- General Circular No. 21/2014 dated June 18, 2014. <https://www.opkhaitan.com/mca-has-issued-faqs-on-corporate-social-responsibility-csr-on-25-08-2021/>
- IBEF. (2024). Indian Insurance Industry Overview & Market Development Analysis. <https://www.ibef.org/industry/insurance-sector-india>
- IBEF. (n.a.). Investment in India. <https://www.ibef.org/economy/investments>
- Kjosevski, J. (2011). Impact of insurance on economic growth: The case of Republic of Macedonia. *European Journal of Business and Economics*, 4, 34-39.
- Mall, S. (2018). Contribution of Insurance on Economic Growth in India: An Econometric Approach. *Journal of Applied Business and Economics*, 20(1). <https://doi.org/10.33423/jabe.v20i1.318>
- Peleckienė, V., Peleckis, K., Dudzevičiūtė, G., & Peleckis, K. K. (2019). The relationship between insurance and economic growth: evidence from the European Union countries. *Economic Research-Ekonomska Istraživanja*, 32(1), 1138–1151. <https://doi.org/10.1080/1331677X.2019.1588765>
- Senol, Z., Zeren, F., & Canakci, M. (2020). The Relationship Between Insurance and Economic Growth. *Montenegrin Journal of Economics*, 16(4), 145-155. DOI: 10.14254/1800-5845/2020.16-4.12
- Ul Din, S. M., Abu-Bakar, A., Regupathi, A., & McMillan, D. (2017). Does insurance promote economic growth: A comparative study of developed and emerging/developing economies. *Cogent Economics & Finance*, 5(1). <https://doi.org/10.1080/23322039.2017.1390029>
- Ul Din, S. M., Regupathi, A., & Abu-Bakar, A. (2017). Insurance effect on economic growth – among economies in various phases of development. *Review of International Business and Strategy*, 27(4), 501-519. <https://doi.org/10.1108/RIBS-02-2017-0010>
- Verma, A., & Bala, R. (2013). The Relationship between Life Insurance and economic growth. *Global Journal of Management and Business Studies*, 3(4), 413-422.