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# Journal of Business Management and Economic Research

## Contents

2019, Vol: 3, Issue: 8

**The Role of Customer Trust as a Mediation on The Effect of Corporate Images  
and Price Fairness to Customer Loyalty**

A.A.Ayu Ratih Permata Sari & Ni Nyoman Kerti Yasa

*pp.1-17*

**Analysis The Influence Degree of Factors to Develop The Supporting Industry:  
Research In Thai Nguyen Province, Vietnam**

Duong Quynh Lien

*pp.18-25*

**Factors Leading to Conflicts Between Farmers and Pastoralists in Tanzania:  
Evidence From Kambala Village in Morogoro**

William Mwalimu & Hadija Matimbwa

*pp.26-39*

**The Effect of Work Loads on Employee Performance With Job Satisfaction As A  
Mediation Variable**

A A Ngurah Bagus Danendra & Agoes Ganesha Rahyuda

*pp.40-49*

ISSN: 2602-3385



## **THE ROLE OF CUSTOMER TRUST AS A MEDIATION ON THE EFFECT OF CORPORATE IMAGES AND PRICE FAIRNESS TO CUSTOMER LOYALTY**

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### **Abstract**

The purpose of this study is determine the role of customer trust in mediating the corporate image and the price fairness to customer loyalty mapemall.com. Testing the research hypothesis using Structural Equation Modeling (SEM) analysis techniques using SMARTPLS assistance, using IBM SPSS Statistics 22 to test validity and reliability, and the sample in this study amounted to 85 respondents, taken using ppositive sampling technique, with the criteria of respondents namely customers who have been shopping online at Mapemall.com for the past year at least twice, living in the city of Denpasar. The results showed that (1) the corporate image had a positive and significant effect on customer trust, (2) the price fairness has a positive and significant effect on customer trust, (3) the corporate image has a positive and significant effect on customer loyalty, (4) the price fairness and significant to customer loyalty, (5) customer trust has a positive and significant effect on customer loyalty, (6) customer trust can mediate the relationship between corporate image and customer loyalty, and (7) customer trust can mediate the price fairness relationships with customer loyalty.

**Keywords:** *corporate image, price fairness, customer trust, customer loyalty*

## **1. Introduction**

Determinants of customer loyalty in online shop are effect by several variables including image and price (Leonnard et al, 2014). Abdel-Salam et al. (2010) define corporate image as a general impression left in the minds of customers as a result of a collection of feelings, ideas, attitudes, and experiences with companies that are stored in memory. The impression is then transformed into a positive or negative image according to the feelings and experiences of customers in the company.

Research by Widiyanto and Toro (2012) states that corporate image has a significant effect on customer trust. The results of the study of Li and Chaipoopirutana (2014) state that corporate image has a significant positive positive effect on customer loyalty. Kim and Lee (2010) state that corporate image is an important role in providing a positive effect in building and maintaining customer loyalty in the market.

In addition to corporate image, customer loyalty can also be effect by the price fairness. Price is one of the most flexible marketing mix elements that can quickly change, after changing certain product characteristics and services (Virvilaite et al., 2009). Price is the amount of money charged on a product, or the amount of value that customers exchange for benefits because they own and use the product, Kotler and Armstrong (2012: 439). Usually an individual will use price as a comparative information intensive to be able to assess a product from existing brands to make a purchase (Dimiyati and Subagio, 2016).

A customer in purchasing a product will certainly be effect by several marketing stimuli (Yulihastri, et al., 2011). Products that have reasonable prices that the company provides to its customers are marketing stimuli in increasing the value of their customers, (Ananta Wijaya, 2017). Price fairness as an assessment of a result and process to achieve a reasonable and acceptable outcome (Consuegra et al., 2007). Haghghi et al. (2012) states that the perception of price fairness gives a significant positive effect on customer trust.

The results of this study contradict the results of a study conducted by Doong et al. (2008) which states that price fairness does not have a significant impact on loyalty (loyalty intention). This is supported by the results of the study of Leonnard et al. (2014), which states that prices do not have a significant effect on loyalty. Therefore the pricing decision is very important in determining how far a service is valued by a customer because in the process of forming the business image itself and determining its quality, Hassan et al. (2013).

The existence of differences in results from several previous studies, of course, can enable the role of trust in bridging between the corporate image and the price fairness of a customer's loyalty. As is known, trust

trust is the belief that someone will find what he wants or is expected to generally have someone that words, promises, or statements of others can be trusted (Akbar and Parvez, 2009: 26). This was also supported by previous research which stated that the main determinant of customer loyalty in both online and offline markets was trust and satisfaction (Doong et al, 2008). This is in line with Costa and Chaipoopirutana (2014) research, which states that trust has a significant relationship and a moderating relationship to customer loyalty.

## **2. Literature Review**

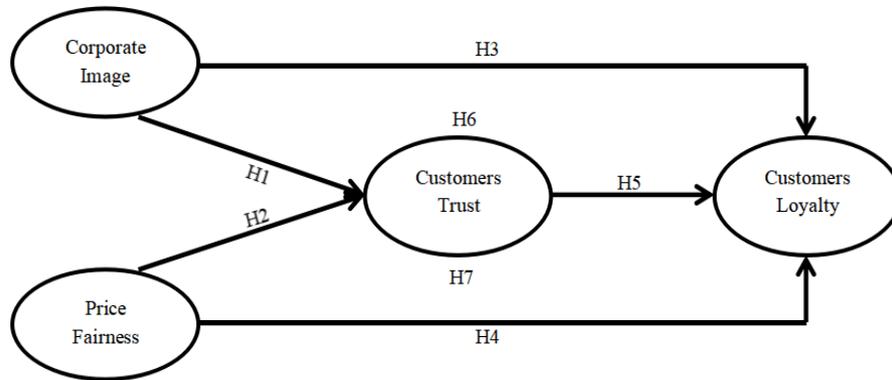
Company image is the result of a collection of processes in which consumers compare the various attributes possessed by the company. The attributes in question are for example products, prices, product quality, and service quality. Consumers will make subjective perceptions of the company and all its activities as expressed by Chiu and Hsu (2010). This perception will be different for each person even if faced with the same object. According to Subroto and Rahayu (2014) if companies want to increase customer loyalty, this can be done by increasing the trust and image of the company. Based on research conducted by Leonard et al. (2014) states that corporate image has a significant positive effect on consumer loyalty.

Ruiz and Rondan (2008) see the fairness of prices influenced by three things, namely: the price of goods in the past, prices offered by competitors, and prices set by the company. Githiri (2018) states that loyal consumers see the addition of relatively low prices as a natural thing, but not that it is inversely proportional to consumers who are not loyal. According to Virvilaite et al. (2009) states that there is a close relationship between fairness of prices and customer loyalty. Asadi et al. (2014) also found the same results where the perceived fairness of prices had a positive relationship both directly and indirectly (through customer satisfaction) to customer loyalty. Fairness of prices means a situation where consumers feel a comparison between the benefits received and the level of satisfaction obtained; and the price offered can be accepted according to the provisions (Marina et al., 2016).

Subroto and Rahayu (2014) state that consumer trust has a significant positive effect on consumer loyalty. Akbar and Parvez (2009: 26) state that trust only exists when one party believes in a cooperative relationship that is reliable and has integrity. Trust is the belief that someone will find what he wants in others, and not what he feared.

Dias et al. (2012) state that if a company already has loyal customers, the company's economic income will be guaranteed by regular cash flows. Product loyalty will form over time. The concentration of formation

and development of loyalty, at first, already exists in products related to services (Shahroudi and Naimi, 2014).



**Figure 1. Conceptual Framework**

## **Hypothesis**

### **The Effect of Corporate image on Customer Loyalty**

According to Li and Chaipooirutana (2014) concluded that there is a significant positive relationship between brand image and brand loyalty. The results illustrate that if the customer brand image is positive and high, purchase intention or brand loyalty will be high. According to Leonnard et al. (2014) Image has a significant effect on loyalty. This finding shows that a good image can significantly encourage customers to be loyal. Based on research conducted by Widiyanto and Toro (2012), Costa and Chaipooirutana (2014), and Subroto and Rahayu (2014) it was stated that corporate image has a significant positive effect on customer loyalty. Kim and Lee (2010) also state that corporate image has an important role in building and maintaining customer loyalty in the market. This description is the basis for developing the proposed hypothesis, namely:

H1: Corporate image has a positive and significant effect on customer loyalty

### **The Effect of Price Fairness on Customer Loyalty**

Virvilaite et al. (2009) states that there is a close relationship between price fairness and customer loyalty. Kurniasih (2012) also found the same results where the perception of price fairness has a positive relationship both directly and indirectly (through customer satisfaction) to customer loyalty. Kaura et al. (2015) in his research found that there is a relationship between price fairness and satisfaction and loyalty to service companies. Nazari et al. (2014) found that price fairness has a direct effect on customer loyalty

without going through price satisfaction and customer satisfaction. The results of this study, namely the price fairness has a positive effect on customer loyalty. This is the basis for developing the proposed hypothesis, namely:

H2: Price fairness has a positive and significant effect on customer loyalty.

#### **The Effect of Corporate image on Customer Trust**

According to Widiyanto and Toro (2012) corporate image (corporate image) has a significant effect on trust. According to Nguyen et al. (2013) imagery is considered a source of trust so that, corporate image can be seen as an important publicity tool that tends to strengthen customer trust. Whereas according to Leonnard et al. (2014) Image does not have a significant effect on trust, these findings indicate that a positive image will not have an impact on the escalation of trust. This is the basis for developing the proposed hypothesis, namely:

H3: Corporate image has a positive and significant effect on customer trust

#### **The Effect of Price fairness on Customer Trust**

Most customers are usually as positive as prices, but also consider other factors such as brand image, location, service, features and product quality. In addition, customer perceptions of brand selection among competing alternatives are often effect by a price, Khandelwal and Bajpai (2012). A reasonable price will give trust to customers to shop. Haghighi et al. (2012) states that price fairness has a significant positive effect on customer trust. This is contrary to Anuwichanont et al. (2009) which states that price behavior has absolutely no effect on satisfaction and trust, while monetary prices have an effect only solely on satisfaction. According to Leonnard et al. (2014) prices do not have a significant effect on trust, these results indicate that costs do not always effect trust. This description is the basis for developing the proposed hypothesis, namely:

H4: Price fairness has a positive and significant effect on customer trust.

#### **The Effect of Customer Trust on Customer Loyalty**

Anuwichanont et al. (2009), Doong et al. (2010), Nguyen et al. (2013), Costa and Chaipoopirutana (2014), and Subroto and Rahayu (2014) state that customer trust has a significant positive effect on customer loyalty. Li and Chaipoopirutana (2014) concluded that there was a low positive relationship between brand trust and brand loyalty. Teenagers may trust some brands, but not for a long time. If the company makes a few small mistakes, even young people can feel uncomfortable with the brand, and they will easily switch

to other brands. Contrary to research conducted by Haghighi et al. (2012), Widiyanto and Toro (2012), and Leonard et al. (2014) which states that trust does not have a significant effect on customer loyalty. This description is the basis for developing the proposed hypothesis, namely:

H5: Customer trust has a positive and significant effect on customer loyalty.

#### **The Role of Customer Trust as a Mediation Variable Corporate Image between Customer Loyalty**

Vuuren et al. (2012) stated that image is one of the elements that enables the building of a trust relationship, where sincere trust can lead to customer loyalty. In line with Vuuren, research conducted by nurfarida and Dianawati (2016) in Toyota car companies got the results that the company's image was able to build a trust and trust as a mediating factor that was able to create customer loyalty with the company's image. Nguyen (2013) also stated that trust plays a role in creating customers, where trust has a mediating role in corporate image to increase customer loyalty. This description is the basis for developing the proposed hypothesis, namely:

H6: Customer trust mediates the relationship between corporate image and customer loyalty.

#### **The Role of Customer Trust as a Mediation Variable Price Fairness between Customer Loyalty**

A price that is formed is high where this means that the fairness of high prices will make a high value on the product, so it will form a picture of product quality and the creation of high trust and further increase in loyalty (Fata, 2015). It can be concluded that with satisfaction and trust in prices, tourists will become loyal tourists in using Booking.com services (Wulandari et al., 2016). This description is the basis for developing the proposed hypothesis, namely:

H7: Customer trust mediates the price fairness to customer loyalty.

### **3. Methods**

The instrument used to collect data is a questionnaire consisting of a set of statements to measure the variables that have been determined. The population in this study is customers who in the past year have been shopping online at Mapemall.com at least twice, who live in the area of Denpasar City, whose numbers cannot be calculated definitively (infinite). The analysis tool used in this study is Structural Equation Modeling-Partial Least Square (SEM-PLS), so the minimum sample size recommended is from 30 to 100 samples (Ghozali, 2012). In Ferdinand (2011: 173), it is stated that SEM analysis requires a sample of at least 5 times the number of parameter variables (indicators) to be analyzed. In this study, the total

number of indicators to be analyzed is 17 indicators, thus the minimum number of samples to be examined is as many as 17 indicators multiplied by 5 which are as many as 85 samples.

#### 4. Results

This study uses dominant customers, female than male, namely 52 people or 61.2%. If based on age, customers aged 25-30 years are the most among the others, namely 45 people or 53.0%. In this study respondents when viewed in terms of recent education, the customers with the latest S1 education were the most dominant among the others, namely 55 people or 64.7%. Based on Table 5.1, it can be seen that the most dominant customer profession is as many as 59 employees or 69.4%. From the average expenditure / month, the dominant customer with an average expenditure of Rp. 3,000,000 - Rp. 5,000,000 as many as 37 people or 43.5%.

#### Validity Testing Result

**Table 1. Validity Testing Result**

Variabel	Indikator	Koefisien Korelasi	Korelasi Batas	Keterangan
Corporate Image (X <sub>1</sub> )	X <sub>1.1</sub>	0,712	0,361	Valid
	X <sub>1.2</sub>	0,788	0,361	Valid
	X <sub>1.3</sub>	0,788	0,361	Valid
	X <sub>1.4</sub>	0,670	0,361	Valid
	X <sub>1.5</sub>	0,717	0,361	Valid
Price Fairness (X <sub>2</sub> )	X <sub>2.1</sub>	0,733	0,361	Valid
	X <sub>2.2</sub>	0,730	0,361	Valid
	X <sub>2.3</sub>	0,747	0,361	Valid
	X <sub>2.4</sub>	0,721	0,361	Valid
Customer Trust (Y <sub>1</sub> )	Y <sub>1.1</sub>	0,748	0,361	Valid
	Y <sub>1.2</sub>	0,729	0,361	Valid
	Y <sub>1.3</sub>	0,782	0,361	Valid
	Y <sub>1.4</sub>	0,722	0,361	Valid
	Y <sub>1.5</sub>	0,765	0,361	Valid
Customer Loyalty (Y <sub>2</sub> )	Y <sub>2.1</sub>	0,725	0,361	Valid
	Y <sub>2.2</sub>	0,766	0,361	Valid
	Y <sub>2.3</sub>	0,783	0,361	Valid

All research instruments used to measure corporate image variables, price fairness, customer trust and customer loyalty have a correlation coefficient value with a total score of all statement items greater than 0.361. This shows that the items in the research instrument are valid and appropriate to be used as research instruments.

## Reliability Testing Result

**Table 2. Reliability Test**

No.	Variabel	Cronbach's Alpha	Keterangan
1	Corporate Image (X <sub>1</sub> )	0,785	Reliabel
2	Price Fairness (X <sub>2</sub> )	0,709	Reliabel
3	Customer Trust (Y <sub>1</sub> )	0,803	Reliabel
4	Customer Loyalty (Y <sub>2</sub> )	0,625	Reliabel

Primary Data, 2019

All research instruments have a Cronbach's Alpha coefficient of more than 0.6. So it can be stated that all variables have met the requirements of reliability or reliability so that they can be used to conduct research.

## R-Square

**Table 3. R-square Testing Result**

	R Square	R Square Adjusted
Customer Trust (Y1)	0.716	0.709
Customer Loyal (Y2)	0.683	0.671

Primary Data, 2018

Based on the table above, the R-square value is obtained for the corporate image variable and the price fairness towards customer loyalty is 0.683 which indicates that it has a large effect of  $0.683 \times 100\% = 68.3\%$ . The R-square value for the corporate image variable and the price fairness against customer trust is 0.716 which indicates that it has a large effect of  $0.716 \times 100\% = 71.6\%$ .

## Q-Square

Inner model testing is done by looking at the Q-square value which is a test of the model's goodness of fit. If the Q-square value is greater than 0 (zero), it shows that the model has a predictive relevance value, while the Q-square value less than 0 (zero) shows that the model lacks predictive relevance. However, if the calculation results show a Q-square value of more than 0 (zero), then the feasible model is said to have a relevant predictive value. The Q-square calculation can be seen as follows:

$$Q^2 = 1 - [(1-R12) (1- R22)]$$

$$Q^2 = 1 - [(1-0,716) (1-0,683)]$$

$$Q^2 = 1 - [(0,284) (1-0,317)]$$

$$Q^2 = 1 - (0,090)$$

$$Q^2 = 0,909$$

Based on the above calculations, obtained a Q-square value of 0.909 more than 0, so it can be concluded that the model has predictive value relevance or a decent model is said to have relevant predictive value.

## Direct Effect

**Table3. Direct Effect**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
<b>Corporate Image (X1) -&gt;Customer Trust (Y1)</b>	0.528	0.529	0.124	4.265	<b>0.000</b>
<b>Corporate Image (X1) -&gt;Customer Loyalty (Y2)</b>	0.511	0.511	0.108	4.716	<b>0.000</b>
<b>Customer Trust (Y1) -&gt;Customer Loyalty (Y2)</b>	0.362	0.360	0.105	3.459	<b>0.001</b>
<b>Price Fairness (X2) -&gt;Customer Trust (Y1)</b>	0.385	0.385	0.138	2.793	<b>0.005</b>
<b>Price Fairness (X2) -&gt;Customer Loyalty (Y2)</b>	0.683	0.682	0.076	9.028	<b>0.000</b>

Primary Data, 2018

**H1: corporate image has a positive and significant effect on customer loyalty**

Testing the hypothesis with the PLS approach produces path coefficients a direct effect of corporate image on customer loyalty with the Original Sample value of 0.511 and P-Values of 0,000. Original Value Samples show a positive correlation between corporate image and customer loyalty. The P-Values value of 0,000 is less than 0.05 (0,000 <0,05) indicating that the corporate image has a significant effect on customer loyalty. Thus the results of statistical data analysis show that the corporate image has a positive and significant effect on customer loyalty. The results of this study are in accordance with the results of previous studies by Li and Chaipoopirutana (2014), concluding that there is a significant positive relationship between brand image and brand loyalty. The results illustrate that if the customer brand image is positive and high, purchase intention or brand loyalty will be high. The results of this study are also in accordance with the results of the study of Leonard et al. (2014) which states that the image has a significant effect on loyalty. This finding shows that a good image can significantly encourage customers to be loyal. These results are also in line with the research conducted by Widiyanto and Toro (2012), Costa and Chaipoopirutana (2014), and Subroto and Rahayu (2014) which state that corporate image has a significant positive effect on customer loyalty. Kim and Lee (2010) also state that corporate image has an important role in building and maintaining customer loyalty in the market.

**H2: price fairness has a positive and significant effect on customer loyalty**

Testing the hypothesis with the PLS approach produces a path coefficient of the direct effect of price fairness on customer loyalty with an Original Sample value of 0.683 and P-Values of 0,000. The Original Sample value shows a positive correlation between price fairness and customer loyalty. The P-Values value is 0,000 which is less than 0.05 (0,000 <0,05) indicating the price fairness has a significant effect on customer loyalty. Thus the results of statistical data analysis indicate that the price fairness has a positive and significant effect on customer loyalty. The results of this study are consistent with the results of previous studies by Virvilaite et al. (2009) states that there is a close relationship between price fairness and customer loyalty. Kurniasih (2012) also found the same results where the perception of price fairness has a positive relationship both directly and indirectly (through customer satisfaction) to customer loyalty. The results of this study are also in accordance with Kaura et al. (2015), who in his research found that there was a relationship between price fairness and satisfaction and loyalty to service companies. And the results of this study are also in line with the results of research by Nazari et al. (2014), who found that price fairness has a direct effect on customer loyalty without going through price satisfaction and customer satisfaction. The results of this study, namely the price fairness has a positive effect on customer loyalty.

### **H3: corporate image has a positive and significant effect on customer trust**

Testing the hypothesis with the PLS approach produces path coefficients a direct effect of corporate image on customer trust with an Original Sample value of 0.528 and P-Values of 0,000. Original Value Samples show a positive correlation between corporate image and customer trust. The P-Values value is 0,000 which is less than 0.05 ( $0,000 < 0,05$ ) indicating that the corporate image has a significant effect on customer trust. Thus the results of statistical data analysis show that the corporate image has a positive and significant effect on customer trust. The results of this study in accordance with the results of previous studies by Widiyanto and Toro (2012) corporate image (corporate image) have a significant effect on trust. These results are also in accordance with Nguyen et al. (2013), image is considered as a source of trust so that, corporate image can be seen as an important publicity tool that tends to strengthen customer trust. The results of this study contradict Leonard et al. (2014) which states that the image does not have a significant effect on trust, these findings indicate that a positive image will not have an impact on the escalation of trust.

### **H4: price fairness has a positive and significant effect on customer trust**

Testing the hypothesis with the PLS approach produces path coefficients the direct effect of price fairness on customer trust with the Original Sample value of 0.385 and P-Values of 0.005. Original Sample value shows a positive correlation between price fairness and customer trust. P-Values of 0.005 which is less than 0.05 ( $0,005 < 0,05$ ) shows the price fairness has a significant effect on customer trust. Thus the results of statistical analysis show that price fairness has a positive and significant effect on customer trust. The results of this study are in accordance with the results of previous studies by Haghighi et al. (2012), which states that price fairness has a significant positive effect on customer trust. This is contrary to Anuwichanont et al. (2009) which states that price behavior has absolutely no effect on satisfaction and trust, while monetary prices have an effect only solely on satisfaction. According to Leonard et al. (2014) prices do not have a significant effect on trust, these results indicate that costs do not always effect trust.

### **H5: customer trust has a positive and significant effect on customer loyalty**

Testing the hypothesis with the PLS approach produces path coefficients a direct effect on customer trust in customer loyalty with an Original Sample value of 0.362 and P-Values of 0.001. Original Sample Value shows a positive correlation between customer trust and customer loyalty. P-Values, value of 0.001 which is less than 0.05 ( $0,001 < 0,05$ ) indicates that customer trust has a significant effect on customer loyalty. Thus the results of data analysis statistically show that customer trust has a positive and significant effect on customer loyalty. The results of this study are in accordance with the results of previous studies by Anuwichanont et al. (2009), Doong et al. (2010), Nguyen et al. (2013), Costa and Chaipoopirutana (2014), and Subroto and Rahayu (2014) which state that customer trust has a significant positive effect on customer loyalty. Li and Chaipoopirutana (2014) concluded that there was a low positive relationship between brand trust and brand loyalty. Teenagers may trust some brands, but not for a long time. If the company makes a few small mistakes, even young people can feel uncomfortable with the brand, and they will easily switch to other brands. The results of this study contradict the research conducted by Haghighi et al. (2012), Widiyanto and Toro (2012), and Leonard et al. (2014) which states that trust does not have a significant effect on customer loyalty.

**Indirect Effect**

**Tabel 3. Indirect Effect**

	<b>Original Sample (O)</b>	<b>Sample Mean (M)</b>	<b>Standard Deviation (STDEV)</b>	<b>T Statistics ( O/STDEV )</b>	<b>P Values</b>
<b>Corporate Image (X1) -&gt;Customer Trust (Y1) -&gt;Customer Loyalty (Y2)</b>	0.191	0.191	0.075	2.558	<b>0.011</b>
<b>Price Fairness (X2) -&gt;Customer Trust (Y1) -&gt;Customer Loyalty (Y2)</b>	0.139	0.139	0.063	2.202	<b>0.028</b>

Primary Data, 2018

**H6: customer trust mediates the corporate image relationship to customer loyalty**

The value of the p-value of the corporate image variable on customer loyalty through customer trust is 0.011. Because the p-value is less than 0.05 ( $0.011 < 0.05$ ) with an original sample value of positive 0.191, it can be concluded that customer trust is able to mediate positively and significantly the effect of corporate image on customer loyalty.

The mediating role test of customer trust in the effect of corporate image on customer loyalty can also be done by examining the coefficient of direct effect of exogenous variables on endogenous variables in the model involving mediating variables. The results of the mediation test have shown that according to the criteria for the effect of exogenous variables on mediating variables (corporate image on customer trust) that is ( $0,000 < 0,05$ ) is significant, the effect of mediating variables on endogenous variables (customer trust in customer loyalty) is ( $0.001 < 0.05$ ) is significant, the direct effect of exogenous variables on endogenous variables (corporate image on customer loyalty) on the model involving mediating variables ( $0,000 < 0,05$ ) is significant, it can be said to be partial mediation. Thus, trust as a partial mediation between the effect of corporate image on customer loyalty.

Based on the description, then hypothesis 6 which states that customer trust mediates the relationship of corporate image to customer loyalty is accepted.

**H7: customer trust mediates the price fairness relationship to customer loyalty**

The value of the p-value price fairness variable towards customer loyalty through customer trust is 0.028. Because the p-value is less than 0.05 ( $0.028 < 0.05$ ) with an original sample value of positive 0.139, it can be concluded that customer trust is able to positively mediate and significantly effect the price fairness on customer loyalty.

The test of the mediating role of customer trust in the effect of price fairness on customer loyalty can also be done by examining the coefficient of direct effect of exogenous variables on endogenous variables in the model involving mediating variables. The results of the mediation test have shown that according to the criteria of the effect of exogenous variables on the mediating variable (price fairness on customer trust) that is ( $0.005 < 0.05$ ) is significant, the effect of mediating variables on endogenous variables (customer trust in customer loyalty) is ( $0.001 < 0.05$ ) is significant, the direct effect of exogenous variables on endogenous variables (price fairness on customer loyalty) in the model involving mediating variables ( $0,000 < 0,05$ ) is significant, it can be said to be partial mediation. Thus, trust as a partial mediation between the effect of price fairness on customer loyalty.

Based on the description, hypothesis 7 which states that customer trust mediates the price fairness relationship to customer loyalty is accepted.

## **5. Conclusion**

The corporate image has a positive and significant effect on the trust of Mapemall.com customers. This means that if the corporate image increases, then the trust of Mapemall.com customers will increase as well. Price fairness has a positive and significant effect on customer trust in Mapemall.com. This means that if the price fairness increases, the trust of Mapemall.com customers will increase as well. Corporate image has a positive and significant effect on customer loyalty at Mapemall.com. This means that if the corporate image increases, then the loyalty of Mapemall.com customers increases as well. Price fairness has a positive and significant effect on customer loyalty in Mapemall.com. This means that if the price fairness increases, then the loyalty of Mapemall.com customers will increase as well. Customer trust has a positive and significant effect on customer loyalty at Mapemall.com. This means that if customer trust increases, Mapemall.com customer loyalty increases. Customer Trust is able to mediate the effect of corporate image on customer loyalty in Mapemall.com. This means that the trust of Mapemall.com customers can strengthen the effect of corporate image on Mapemall.com customer loyalty. Customer trust is able to mediate the effect of price fairness on customer loyalty in Mapemall.com. This means that the fairness of Mapemall.com price can strengthen the effect of price fairness on customer loyalty mapemall.com.

Based on the results of the study, it shows that the corporate image variable has the highest effect on customer trust, compared to the price fairness variable. Thus, it is suggested to the management to pay more attention to the company's image. This is because customers make the corporate image the main measure of trust in an online store. In this case, the indicator of the corporate image that needs to be improved is the indicator "Mapemall.com has a good track record", where the indicator shows the lowest number of respondents' answers which means that the reputation of Mapemall.com should be improved again.

Based on the results of the study, it shows that the price fairness variable has the highest effect on customer loyalty, compared to corporate image variables and customer trust. Thus it is recommended that the management pay more attention to the price fairness of the products offered by the company. This is because customers make the price fairness the main measure of loyalty to an online store. In this case, the indicator of the fairness of the price that needs to be improved is the indicator "prices of products at Mapemall.com compete with similar products in other online shops", where the indicator shows the lowest number of respondents' answers which means that the price of Mapemall.com must be more competitive with the prices of similar products in other online shops.

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## **ANALYSIS THE INFLUENCE DEGREE OF FACTORS TO DEVELOP THE SUPPORTING INDUSTRY: RESEARCH IN THAI NGUYEN PROVINCE, VIETNAM**

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### **Abstract**

This study was conducted to analyze the influence degree of factors to develop supporting industry in Thai Nguyen province, Vietnam. Data for the study were collected from the survey of 116 supporting industrial enterprises operating in Thai Nguyen province. The analysis of the results showed that, the factors: Human resources, science and technology, capital, infrastructure, product consumption market has an influence on development of supporting industry, however, the degree of influence is different. On the basis of that analysis, the author proposes some recommendations to contribute to the development of supporting industry in Thai Nguyen province, Vietnam.

**Keywords:** *Supporting industry, development, Vietnam*

### **1. Introduction**

Vietnam is being placed in a general context: globalization and regionalization is going strong, the fourth Scientific and Technological revolution is taking place, Vietnam itself is also transforming the development model in width to depth (from exploitation of mineral resources, take advantage of cheap labor trans to economic development mainly based on high productivity, using effectively resources and using advanced and modern science and technology.)

Along with the trend of developing industrial parks of the country as well as Northern midland and mountainous of Vietnam, Thai Nguyen province has advocated the synchronous construction of industrial parks in the overall socio-economic development plan of the country. In the end of 2016, Thai Nguyen province has six concentrated industrial parks: Song Cong 1, Song Cong 2, Nam Pho Yen, Tay Pho Yen, Quyet Thang and Diem Thuy. These industrial parks have been formed and developed, contributing to economic restructuring, creating jobs for thousands of workers, developing the supporting and service industries of the province.

In the end of 2017, 182 projects have been granted investment certificates for industrial parks in the province with a total registered investment capital about USD 7,061 billion and about VND 14,192.72

billion; total implemented investment capital is about USD 6.4 billion and VND 7540.3 billion. [Source: Thai Nguyen Industrial Zone Authority].

In addition, the province is focused and invested in industrial development, leading to great demand about raw materials for production. For years, most enterprises in Thai Nguyen province use imported materials to produce finished products. Supporting industry in Thai Nguyen province in particular and in country in general has not met the demand about raw materials and accessories for domestic production both in quantity and quality. The above situation comes partly from objective reasons, that is the industry in Thai Nguyen province is still fledgling, the supporting industry is mainly based on foreign direct investment enterprises come to Thai Nguyen to rent premises, labors producing export products with most imported materials. However, the lack of investment planning to develop supporting industries as well as the lack of policies to encourage the development of supporting industries of the Central Committee for a long time, it is the main reason that the supporting industries in Thai Nguyen province in particular and in the country in general are underdeveloped. The dependence on imported raw materials and the underdeveloped supporting industry has influenced the growth quality of industries in Thai Nguyen province.

With that position, supporting industry not only receives the attention of policy makers but also receives the attention of researchers in the world as well as in the country. Research related to this area are aimed at clarifying issues related to supporting industry, namely, the concept of supporting industries in different countries and regions (Dung et al., 2014). Moreover, implementing research towards developing support industries, factors affecting the development of supporting industries. Some studies focus on analyzing policies affecting industrial development in general, investment in industrial development (Pham Thi Anh Nguyet (2014), Jackson and colleagues (1999)).

Therefore, studying the influence degree of factors to develop supporting industry is necessary.

## **2. Research overview**

Supporting industry receives the attention not only of researchers but also of policy makers, the factors affecting supporting industry development are summarized as follows:

**Table 1. Summary table about factors affecting development of supporting industry**

Items	Author / year
Infrastructure system	Kamunge et al(2014); Trinh Duc Chieu et al(2010);
Supporting industrial development policy	Kamunge et al (2014); Bouazza et al (2015); Abrar-ul-haq et al (2015); Trinh Duc Chieu et al (2010); Quoc Nghi et al (2011); Phan Thi Minh Ly (2011);

Human resources	Ghosh et al (2011); Kamunge et al(2014); Bouazza et al(2015); Abrar-ul-haq et al(2015); Trinh Duc Chieu et al (2010); Do Thi Thu Thuy (2017); Vu Chi Loc (2010), Luu Tien Dung et al(2014)
Product consumption market	Chittithaworn et al (2011); Ghosh et al (2011); Kamunge et al (2014); Bouazza et al (2015); Abrar-ul-haq et al (2015); Trinh Duc Chieu et al (2010); Nham Tuan et al (2016); Do Thi Thu Thuy (2017); Vu Chi Loc (2010), Luu Tien Dung et al (2014).
Capital (financial resource)	Chittithaworn et al (2011); Ghosh et al (2011); Kamunge et al (2014); Kamunge et al (2014); Bouazza et al (2015); Abrar-ul-haq et al (2015); Phan Thi Minh Ly (2011);
Science and technology	Ghosh et al (2011); Kamunge et al (2014); Bouazza et al (2015); Abrar-ul-haq et al (2015); Trinh Duc Chieu et al (2010); Phan Thi Minh Ly (2011); Nham Tuan et al (2016); Do Thi Thu Thuy (2017)
International integration	Chittithaworn et al (2011); Phan Thi Minh Ly (2011); Đỗ Thị Thu Thủy (2017); Vũ Chí Lộc (2010), Luu Tien Dung et al (2014)
Political, cultural and social	Kamunge et al (2014); Trinh Duc Chieu et al (2010); Vu Chi loc (2010), Luu Tien Dung et al (2014)

*Source: Author's summary*

### **3. Research Methodology**

Primary information was collected from interviews with representatives of 116 enterprises in the supporting industry and related industries to supporting industries in Thai Nguyen province by the use of questionnaires. Research conducted to send survey forms to representatives of enterprises, in case of not meeting the representative of the enterprises; the author sent the survey form or sent an email and made an appointment a week later to return to receive the survey

With 116 enterprises that collected data to meet the minimum requirements of performing statistical operations.

After cleaning the data, the author performed OLS regression to analyze the influence of factors on supporting industry development in Thai Nguyen province, Vietnam under the help of SPSS 20.0 software.

**4. Research findings**

Dependent variable (Y): Results of investment in supporting industry development in Thai Nguyen province.

Independent variables:

- + Human resources (LD):
- + Supporting industrial development policy (CSPT)
- + Capital (V):
- + Product consumption market (TTTT):
- + Political, cultural and social
- + Infrastructure system (HT):
- + International integration (HN):
- + Science and technology (KHCN):

Research results are as follows:

**Table 1: Testing the level of model interpretation**

<b>Model Summary</b>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.877 <sup>a</sup>	.770	.752	.452016626694024
a. Predictors: (Constant), V, HT, HN, CSPT, XH, KHCN, LD, TTTT				

Source: Result analysis from the author’s research data

The level of model interpretation, with adjusted R2 coefficient = 0.752, this indicates that about 75.2% of the variation of the dependent variable is explained by the independent variables in the model.

**Table 2: Testing the relevance of the model**

<b>ANOVA<sup>a</sup></b>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	73.014	8	9.127	44.669	.000 <sup>b</sup>
	Residual	21.862	107	.204		

Total	94.876	115			
a. Dependent Variable: KQ					
b. Predictors: (Constant), V, HT, HN, CSPT, XH, KHCCN, LD, TTTT					

Source: Result analysis from the author's research data

With Sig coefficient = 0.000 the author's research model is suitable.

**Table 3: Regression results model**

Coefficients <sup>a</sup>								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-2.641	.375		-7.037	.000		
	LD	.231	.075	.174	3.075	.003	.676	1.480
	CSPT	.217	.047	.247	4.574	.000	.737	1.356
	HN	.239	.051	.222	4.724	.000	.974	1.027
	HT	.211	.050	.246	4.176	.000	.620	1.613
	KHCCN	.285	.056	.305	5.088	.000	.599	1.671
	XH	.186	.066	.155	2.817	.006	.714	1.401
	TTTT	.185	.067	.183	2.768	.007	.492	2.031
	V	.163	.068	.142	2.419	.017	.629	1.589
a. Dependent Variable: KQ								

Source: Result analysis from the author's research data

+ Human resources (LD): The coefficient of the labor variable 0.231 is positive (+) Indicates the relationship in the same direction of independent variables and dependent variables. When assessing the local labor force increased by 1 point, the development result of supporting industrial enterprises will increase by 0.231 points.

+ Supporting industrial development policy (CSPT): The coefficient of CSPT variable 0.217 is positive (+) also shows the positive relationship of the independent variable and the dependent variable. When evaluating the supporting industry development policy by 1 point, the development result of supporting industrial enterprises will increase by 0.217 points.

+ International integration (HN): The analysis results show that the coefficient of the international integration variable is positive, express the relationship of independent variables and dependent variables, specifically, the coefficient of this variable is 0.239, indicating that when assessing

international integration by 1 point, the development result of supporting industrial enterprises will increase by 0.239 points.

+ Infrastructure system (HT): The coefficient of the infrastructure system variable is 0.211 with positive sign (+) also shows the positive relationship of the independent variable and the dependent variable. When assessing infrastructure system by 1 point, the development result of supporting industrial enterprises will increase by 0.211 points.

+ Science and technology (Science and Technology): The analysis results show that the coefficient of scientific and technological variables is positive, expressing the reciprocal relationship of the independent variable and the dependent variable, namely the coefficient of this variable is 0.285 indicating that when evaluating science and technology increased by 1 point, the development result of industrial enterprises support will increase by 0.285 points.

+ Political, cultural and social (XH): The coefficient of XH variable 0.186 with positive sign (+) also shows the positive relationship of the independent variable and the dependent variable. When favorable political, cultural and social environment will contribute to the improving output result in a positive way of supporting industry enterprises..

+ Product consumption market (TTTT): The analysis results show that the coefficient of the consumption market variable is positive, showing the positive relationship of the independent variable and the dependent variable. Specifically, the coefficient of this variable is 0.185, which indicates that when evaluating the consumption market of the product increases 1 point, the development result of the supporting industry will increase by 0.185 points.

+ Capital (V): The analysis results show that the coefficient of the variable is positive, showing the positive relationship of the independent variable and the dependent variable, namely the coefficient of this variable is 0.163 indicating that when In assessing capital increase by 1 point, the development result of supporting industrial enterprises will increase by 0.163 points.

## **5. Recommendations**

To develop supporting industries for Thai Nguyen province in the coming time, the solutions need to be implemented synchronously as follows:

Firstly, investing in developing infrastructure system

Secondly, ensuring capital sources for supporting industry development

Third, training human resources to meet the needs of enterprises in the supporting industry in the province

Fourth, investing and innovating in technological

Fifthly, strengthening international integration, facilitating the expansion of product consumption market

Eighth, taking advantage of local

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## **FACTORS LEADING TO CONFLICTS BETWEEN FARMERS AND PASTORALISTS IN TANZANIA: EVIDENCE FROM KAMBALA VILLAGE IN MOROGORO**

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### **Abstract**

The study was conducted to examine the factors leading to conflicts between farmers and pastoralists in Kambala Village. The work is anchored on the fact that there have been numerous efforts by the government to bring an end to conflicts between farmers and pastoralists but the conflicts continue to persist and escalate resulting into both economic and social difficulties. Covering a sample size of 110 respondents, data was collected using interviews, documentary review, and focus group discussions. Collected data was analysed using both qualitative and quantitative analysis. The findings reveal that environment factors, unethical behaviour, increase in both human and livestock population, overstocking, policy and regulatory deficiencies, nature of approaches used to resolve and manage the conflicts, and other factors are responsible for the recurrence of conflicts between farmers and pastoralists. Drawing from conflict and conflict resolution theories, which advocate for the use of coercive power and participatory approaches to restore peace, respectively; this paper concludes that no single strategy fits all conflicts given the uniqueness of different conflict settings. In light of the results, this paper recommends effective approaches to address farmers-pastoralists conflicts; actors should use both lenses of coercive and participatory approaches and the choice of an appropriate strategy will depend on the context of the conflict since no single approach fits all type of conflicts.

**Keywords:** *Conflict, Farmers, Pastoralists*

## **1. Background to the problem**

A major problem confronting world peace today from time immemorial is the manifestation of conflicts in different dimensions across the global. Conflict refers to misunderstanding, disagreement or divergence of idea, which result into harm. Delayed resolution of a conflict can lead to coercive measures that suggest forceful victory on either party (Norman, 2013).

Conflicts between farmers and pastoralists are not a new phenomenon. As a matter of fact, conflicts have been reported even in the holy books; reference can be made to the biblical story of Cain, a farmer who killed Abel who was a pastoralist (Benjaminses et al., 2009).

Also, various scholars have reported tensions between farmers and pastoralists in different parts of the world including Africa such as in Bukinafaso between the Mossi farmers and Fulani pastoralist, in Nigeria between the Hausa and Fulani, and in Kenya between the Pokomo (farmers) and Orma (pastoralists) (Massay, 2017). Most of these conflicts are caused by inadequate access to resources, beliefs and values, nature of relationship, territory fortification, language, ethnicity, self-determination, dominance, equality, and revenge. (Deutsch (1991) and Zartaman (2005) cited by Falanta et al., (2018).

In Tanzania, conflicts between farmers and pastoralists have been recurring for a long-time claiming lives of many innocent people, subjecting people to homelessness, causing food insecurity, among others in both communities. Areas such as Kilosa, Mvomero, Ulanga, and Kilombero Districts in Morogoro, Kilindi and Handeni in Tanga Region, Mbarali District in Mbeya, Arumeru and Kiteto in Arusha, Rufiji and Mkuranga in Pwani, Kongwa in Dodoma and Hai in Kilimanjaro are prone to farmers-pastoralists clashes (Mwamfupe, 2015).

The experience in Tanzania shows that conflicts between farmers and pastoralists are most noticeable during drought seasons. During such periods, pastoralists tend to move their herds to destinations far away from their settlements (transhumance) in search for pasture and water although sometimes animals graze on farm crop (Mung'ong'o et al., 2003; Falanta et al., 2018). There has been an increase in the magnitude of conflicts to the extent that state interventions have become necessary. For instance, in Kambala village in Mvomero District, which is a case study, land had to be split between pastoralists and farmers (Mwamfupe, 2015, Semberya 2014).

Despite these efforts by the government, conflicts have been recurring resulting into unbearable outcomes (Fantala et al., (2018). This situation raises a number of questions as to why such conflicts persist. While

literature observes that the increasing number of conflicts in various areas of farmers-pastoralist is worrisome (Semberya, 2014), what exactly causes the recurrence of this situation is unknown. It might be possible that there are new drivers emerging, the applied strategies in addressing such conflicts are not relevant to the prevailing situation, or the previously identified drivers have not been dealt with accordingly. Based on this backdrop, this paper attempts to examine the factors leading to conflicts between farmers and pastoralists in Kambala village.

## **2. Literature Review**

### **2.1 Theoretical Framework**

#### **Conflict Theory**

According to the conflict theory, tensions and conflicts arise when resources, status, and power are unevenly distributed between groups in society and these conflicts become the engine of social change (Crassman, 2016, Falanta et al., 2018). In addition, Tonah (2006) maintains that the conflict theory views constant antagonism over economic resources as the fundamental cause of conflict and this usually happens when two or more parties fail to reach a consensus on resources they need.

Karl Marx, through the conflict theory emphasizes the role of coercion and power in producing social order (Crossman, 2013). The theories stress that social order is maintained by domination and power, rather than by consensus and conformity. The wealthy and powerful individuals control material resources and accumulated wealth. They equally control politics and institutions that govern societies.

However, this paper argues that it is not in all contexts that coercive power is appropriate to solve conflicts. In other contexts, participatory approaches are more relevant and effective. This generally suggests that the conflict theory is limited in its scope and may not support situations, which require participatory approaches since it relies on the use of coercive power as a response to conflicts. In this regard, there is a need to reconsider the conflict resolution theory.

#### **The Conflict Resolution Theory**

The conflict resolution theory as a discipline has developed theoretical insights into the nature and resources of conflicts and how conflicts can be resolved through peaceful methods to effectuate durable settlements. Boundless (2016) argues that the conflict resolution theory suggests that human behaviour in social contexts results from conflicts between competing groups. The theory works along Karl Max's contention that "a society is a dynamic entity, which constantly views social life as competition."

It goes without saying that the conflict resolution theory considers peaceful mechanisms and more participatory approaches in addressing conflicts. This paper suggests that in situations where coercive approaches are not appropriate, the conflict resolution theory is well placed to invoke peaceful settlement of conflicts. Given the fact that we do not live in an ideal world, it is not uncommon to apply both approaches i.e. the coercive approach and the participative approach or a combination of both when dealing with conflicts.

## **2.2 Empirical Literature Review**

### **Factors Leading to Conflict between Farmers and Pastoralists**

Conflicts between farmers and pastoralists have been linked to a number of drivers. Scholars identify various factors (drivers) leading to conflicts such as drought, land use, migration, as well as traditional beliefs and practices (Mwamfupe, 2016; Benjaminsen et al., 2009; Abroulaye et al., 2015). However, the implications of these factors on farmers and pastoralists have been detrimental in most cases.

According to FAO (2005), droughts or periods of unusual low rainfall are part of the expected pattern of precipitation in semi-arid Africa. Thus, one of the serious effects of drought is drying up of water resources and decline of forage for livestock, a situation, which results into conflicts between farmers and pastoralists (Orindi et al., 2007). Climate variability also affects distribution and availability of these resources forcing pastoralists to migrate to areas occupied by farmers. This leads to inevitable conflicts between the two groups. Mancosu et al., (2015) points out that a correlation between droughts and conflict already exist in Africa mainly due to increased competition for water and pasture.

Additionally, land conflicts often have extensive negative effects on economic, social, spatial, and ecological development. This is especially true in developing countries and countries in transition economies where land market institutions are weak and opportunities for economic gain by illegal action are widespread and hence, many poor people lack access to land. Land conflicts can have disastrous effects on individuals as well as on groups and even entire nations (Adelakun, 2015; Wehrmann, 2008). Many conflicts that are perceived to be clashes between different cultures are actually conflicts over land and related natural resources. This means that in most cases people compete for natural resources to enhance their livelihood.

Migration from one place to another is a pattern resulting from chronic drought conditions. Initially, this follows pre-established labour migration patterns and may not differ in intensity from areas with established high rates of temporary, circular migration (Judex &Menz, 2003). In comparison to other

disasters where few victims consider permanently changing location, Raleigh et al., cited by Falanta et al., (2018) points out that migration is considered the highest in arid areas.

Adeoye (2007) accentuates that pastoralists sometimes engage in deliberate destruction of crops and properties believing that such acts are essential for stock growth/expansion and house prosperity. When farmers on the other hand carry out bush burning for various reasons, pastoralists perceive this as a deliberate attempt to deny livestock access to pasture. Additionally, some pastoralists believe that all livestock in the world belong to them and were given to them by Enkai, (the god). Such beliefs have often aroused misunderstandings between or among communities resulting into inter-tribal conflicts (Banjaminsen et al., 2009).

### **3. Methodology**

This study focuses on factors leading to conflicts between farmers and pastoralists at Kambala village in Mvomero District located in Morogoro. The choice of the study area was influenced by the fact that, Kambala is a pastoral village and it is blessed with natural resources, which set the stage for conflicts between farmers and pastoralists. The study employed the cross-section research design, which involves collection of information only once from any given sample of population (Kothari 2008). This design was used because of two main reasons. First, the information gathered from the respondents and documentary review represents the existing situation at the time of the study (Bailey 1994) and the second reason is based on Amin's (2005) observation that the design allows collection of data of given variables at a given time. This ensured that all data required were collected within a short period of time despite a relatively large sample of respondents.

The unit of analysis of this study were the households of farmers and pastoralist in Kambala. Using proportionate sampling, 58 and 52 respondents were selected from the study area respectively. Representatives from each sub-village were selected randomly; this was to avoid bias from the sample selected. The researcher prepared checklists for interview where by representatives from local government authorities and religious and traditional leaders participated in interviews. Focus group discussions were conducted with farmers and pastoralists as well. Other data were collected through existing documents relevant to the conflict between farmers and pastoralist. Qualitative data were analysed using content analysis where by a combination of elements of analysis were employed to come up with information or themes. Quantitative data were analysed using statistical package for the social science (SPSS) and results were presented by description.

## 4. Results and Discussion

### 4.1 Demographic Characteristics

The socio-economic characteristics of the respondents were examined in relation to the conflict between pastoralists and farmers. Household background information includes general characteristics of respondents in terms of sex, age, level of education, and main occupation.

**Table 1. Socio-Economic Characteristics of the Respondents (Pastoralists and Farmers)**

Social-Economic Variable	Distribution	
	Frequency	Percent
<b>Sex of respondents</b>		
Male	60	54.5
Female	50	45.5
<b>Age of Respondents</b>		
20 to 30	10	9.1
31 to 40	32	29.1
41 to 50	48	43.6
51 –Above	20	18.1
<b>Level of Education</b>		
No formal education	15	13.6
Primary education	60	54.6
Secondary education	20	18.1
Others (College & University)	15	13.6
<b>Main Occupation</b>		
Livestock keeping	54	49.1
Farming	56	50.9

**Source:** (Field Data, 2019)

In this study, 43.6% of the respondents were between the age of 41 and 50 years while 29.1% were between 31-40 years old. This implies that majority of respondents were within the active and working age group and responsible for decision making. In terms of sex distribution, 54.5% of the respondents were male and 45.5% were female. This implies that both groups had almost an equal chance to provide data. With regard to the level of education, this paper assumed that the higher the level of education, the higher the ability of addressing issues confronting the two groups (pastoralists and farmers). It is believed that the ability of an individual to highly analyse a situation lessens clashes, which could result into loss of life and properties (Bengesi& Abdalla, 2018). The fact that 68.2% (majority) of the respondents had low levels of education may explain the persistence of recurrent conflicts between the two groups.

With respect to the main occupation, there were slight differences between farmers and pastoralists. The study found that 50.9% were engaged in farming while 49.1% were pastoralists. This suggests that there was almost an equal distribution of the two groups in the study area, which implies that throughout the year, there is competition for farming and grazing land by the two groups.

#### **4.2 Factors Accounting for Recurrence of Farmers-Pastoralists Conflict**

##### **4.2.1 Unethical Practices**

This paper reveals that unethical practices such as corruption and deliberate destruction of crops and properties contribute to the recurrence of conflicts as illustrated in Table 2 below.

**4.2 Table 2 Factors Accounting for Recurrence of Farmers – Pastoralists Conflicts (n = 110)**

Socio-Economic Attribute	Distribution	
	Frequency	Percentage %
<b><u>Consequences of Environmental Factors</u></b>		
Search for water and pastures		
Decrease in Land Fertility	101	91.8
Migration from one Place to Another	50	45.5
Drought	58	52.7
	68	61.8
<b><u>Unethical Practices</u></b>		
Corruption	85	77.3
Destruction of crops and properties	62	56.4

**Source: Field data (2019)**

Findings reveal that 61.8% of the respondents agreed that drought is one of the factors determining the use of natural resource thereby resulting into conflicts while 45.5% of the respondents identified decline in land fertility as a source of conflicts. Similarly, literature has shown that competition for scarce natural resources such as water aggravates the frequency of droughts (Opiyo et al.; 2011, Opiyo et al., 2012; Laiser, 2016; Falanta et al.,2018).

Also, 91.8% of the respondents identified search for water points and pasture as the main factor leading to recurrence of conflicts between farmers and pastoralists. However, the search for water points and pastures for pastoralists is related to lack of land security that rural producers subsist on.

Moreover, 52.7% of the respondents established that migration from one area to another is one of the factors responsible for recurring conflicts between farmers and pastoralists. This is supported by Mung'ong'o and Mwamfupe (2003) who were confronted with loss of grazing land due to several geographical factors and political marginalization. Some Sukuma and Masai have migrated to and/or taken up other economic pre-occupation in addition to livestock keeping in different parts of Tanzania.

Furthermore, the study found that 77.3% of the respondents agreed that corruption by village leaders is one of the factors responsible for recurring conflicts between farmers and pastoralists.

This is evidenced by the response from one respondent who pointed out that *"The increasing rate of corruption among village leaders who sell land illegally is mostly the reason for these land conflicts...when village leaders sell land, they sometimes double sell it to both farmers and pastoralists and as a result when we cultivate our crops the pastoralists also feed their cattle there... That is how conflicts begin and when you go to court you find that the land was illegally sold to both"*

Also, deliberate destruction of crops and properties was another cause of conflicts mentioned by respondents. In this regard, 56.4% of the respondents attribute grazing on subsistence crops as a factor leading to conflicts between farmers and pastoralists. Most pastoralists lead their herds of cattle into farmers' cultivated fields to graze at night in the course of migration.

#### **4.2.2 Policy and Regulatory deficiencies**

The land policy in Tanzania (through the land Act No. 4 of 1999 and village land Act No. 5 of 1999) classifies land as: Reserved land; village land, and general land. Reserved land is statutorily protected as national parks, land for public utilities, wildlife and game reserves, and other land designated by sectoral legislation. Village land is land which is within demarcated or agreed boundaries of any Tanzanian village. This land is under the managerial authority of village councils, which are answerable to village assemblies (Mwamfupe, 2015; Bengesi et al., 2009).

General land is categorised as residual category and includes all public land which is not reserved land or village land. This also covers unoccupied or unused village land. The definition of general land is ambiguous because unoccupied or unused village land is considered as "excess" and thus falls under the

jurisdiction of the land commissioner rather than village authorities. The seemingly unoccupied village land may be important areas for seasonal livestock grazing and other important livelihood uses (Mattee and Shem, 2006). Certainly, this ignores the fact that as the population grows, excess village land will actually be brought into use. However, this is actually the same land, which is in most cases identified as suitable for agricultural investment.

Thus, pastoralists occupying semi-arid areas are often subject to efforts to alienate these customary pastures and land holdings for purposes of commercial investments of wildlife conservation areas (Mattee and Shem 2006).

**Table 3: Regulatory framework**

	Distribution	
	Frequency	Percentage %
Insecurity of land tenure	67	60.9
Ignore to observe demarcation	57	51.8
Beacons removed deliberately	52	47.2
Lack of specific area for grazing	40	36.4

**Source:** Field data (2019)

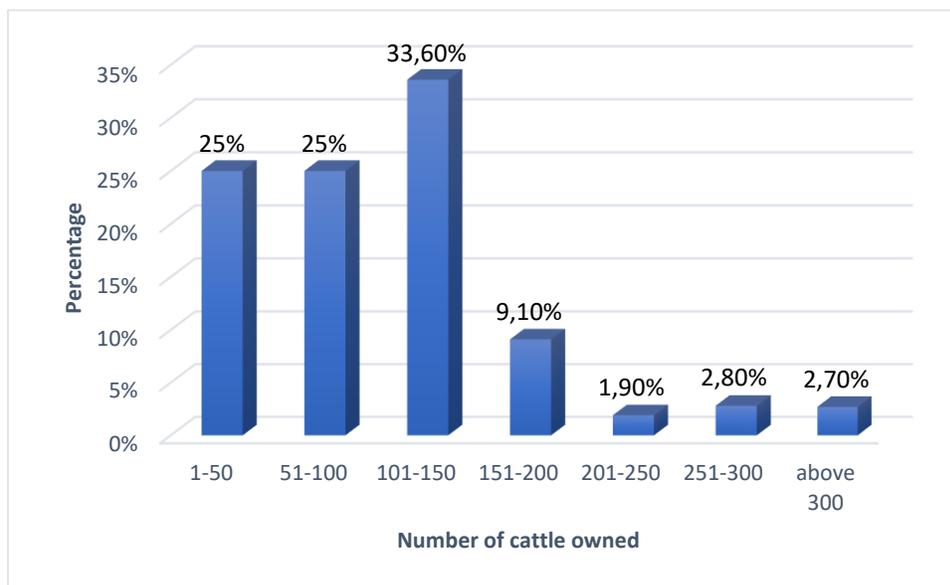
Findings reveal that 60.9% of the respondents affirmed that there was insecurity of land tenure which is associated with land policies and 51.8% of the respondents confirmed that they ignore land demarcations set up while 47.2% of the respondents affirmed that beacons were deliberately removed. In view of this, the land policy has some deficiencies because it does not guarantee security of tenure to some users, especially smallholder groups. According to Bengesi (2014) and Bengesi et al., (2009), unsecured land tenure system in Tanzania is accountable for the underdeveloped land resource in the country. Secure land tenure systems allow investment on land, which could partly address most land use conflicts we observe today.

Similarly, among factors leading to recurrent conflicts between farmers and pastoralists is lack of security on land that rural producers subsist on (Hussein et al., 1999) 36.4% of the interviewees claimed that there

was no specific area, which the government of Tanzania had set aside for grazing. In this case, pastoralists operate under challenging conditions to secure adequate land for their livestock.

#### **4.2.3 Overstocking**

Increase in livestock is one of the factors leading to recurrent conflicts between farmers and pastoralists. The occurrence of such conflicts is generally attributed to growing pressure on natural resources use, caused by large herds and increase in cultivation. Figure 1 shows the number of cattle owned by pastoralists in the study area whereby 33.6% owned herds of cattle between 101 and 150 in number, while 50% owned between 1 and 100 cattle. Those who owned 151 up to 300 cattle were 13.8% and 2.7% owned herds of cattle of above 300 in size. From these results, it can be concluded that over stocking is one of the main factors which fuels conflicts between farmers and pastoralist. These findings are in line with the argument of Ringo et al., (2018) who reported that overstocking is common because it is a symbol of wealth and respect among Masai communities.



#### **4.2.4 Increase in both human & livestock population**

Table 4 shows that 71.8% of the respondents agreed that increase in human and livestock population is one of the causes of conflict between farmers and pastoralists. This is support by (the census statistics which showed that in 2010 the population was 229,846, in 2011 it was 234,150, and in 2012 it was 265,203). Both farmers and pastoralist with their herds kept increasing in number, demanding for more land and drawing

the conclusion that “the land is not expanding but population increases.” The increase in population of both human and livestock depends on land resource, which itself never increases. Increased demand for land by both farmers and pastoralist as they increase in population leads to conflict. The same was revealed in a research done by (Odhiambo, 2003; Mwambashi, 2015) who found that population pressure leads to increase in tensions and conflicts between farmers and pastoralist, soil erosion, and human rights abuse.

#### **4.2.5 Nature of Approaches used to Resolve and Manage the Conflicts.**

Part of the reason for the persistence of farmers and pastoralists conflicts lie in the way conflicts are being handled. The use of excessive force involving the police is not only unsustainable but also deepens the hatred between the conflicting parties. At best, this approach is good for imposing short-lived peace but does not resolve conflicts in the long run. The findings of the current study indicate that 65.5% of respondents confirmed that the nature of approaches used to resolve and manage conflicts is one of the factors leading to farmers-pastoralists conflicts.

**Table 4: Other Factors (n=110)**

	Distribution	
	Frequency	Percentage %
Increase in population both human & livestock	79	71.8
Nature of approaches used to resolve and manage the conflicts	72	65.5

**Source:** Field data (2019)

### **5. Conclusion and Recommendations**

This paper explored factors leading to conflicts between farmers and pastoralists. It was observed that socio-economic factors, overstocking, political factors, limited land resource, violation of rules and regulations, unknown land marks, beliefs, population growth, and others are the key drivers of conflicts between farmers and pastoralists at Kambala village in Mvomero District. Therefore, the paper argues that pastoralist activities such as grazing and search for water highly cause conflicts. The findings show that farmers are often more vulnerable to such conflicts because they are in sedentary settlements. Again, policy deficiencies and contradictions have been exploited by corrupt elites to the detriment of poor farmers and pastoralists.

Moreover, because farmer-pastoralist conflicts continue to persist without resolution, it is recommended that land laws and district by-laws should be employed to end the problem. Land laws should be applied and enforced by relevant authorities such as the judiciary and local governments to curb the existing conflicts. Farmers and pastoralists should be advised and educated by various stakeholders like extension agents and NGOs on best practices for crop and livestock production to ensure sustainable land use and pasture production.

Since it has been found that there is increasing demand for water, pasture, and fertile land for farming, the study recommends that, capacity building should be extended to both farmers and pastoralists by the government and NGOs to build relevant infrastructures for rain water harvesting, which can be used for various purposes (livestock, domestic, irrigation, and pasture production). Farmers should avoid expanding land by using improved crop varieties and inputs in crop production and pastoralists should be educated to keep fewer animals while diversifying into other economic activities to limit encroaching other peoples' land in search for nutritious pastures.

Resolving farmer pastoralists conflicts is not a politics issue and should not therefore be taken as a political agenda. Conflicts should be resolved using land laws and relevant authorities should ensure that human right are protected and any bod who contravenes the established laws should be dealt with accordingly.

The study found that climate change is the main cause of drought and water scarcity leading to farmer pastoralists conflicts. It is recommended that farmers should be given assistance to cope with the situation. Farmers should be educated on the presence and continuity of climate change it variability impacts, and the need to change life styles, production systems, and general ways of earning income in order to adapt to the prevailing situation. Farmers and pastoralists should be given input subsidies in order to use land resources economically. The two parties should be advised to form cooperatives through which they will have bargaining power to increase their product process and market them for profit. This will ultimately increase their household incomes.

The government should be keen on balancing investment interests and the livelihood of its people. The ongoing green grabbing which targets rangeland and protected areas has excluded pastoralists. Business projects must pot the interests of the people at centre.

Strong institutions and good leadership are vital in addressing land use conflicts between farmers and pastoralists. Corrupt leaders have benefited enormously from such conflicts. This is an area that n needs to be seriously scrutinized.

Civil society organizations and other development actors should ensure that communities are organized to address their own challenges. This can be done by encouraging communities to openly discuss matters that affect them and ask difficult questions which hold their leaders accountable.

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## **THE EFFECT OF WORK LOADS ON EMPLOYEE PERFORMANCE WITH JOB SATISFACTION AS A MEDIATION VARIABLE**

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### **Abstract**

The purpose of this study was to analyze and explain the mediating role of job satisfaction on the workload relationship on employee performance at PT. Amanaid. The research population was PT. Amanaid with a total sample of 40 respondents. The sampling technique is done is a saturated sample technique. The research instrument used questionnaires and analysis methods using Partial Least Square (PLS) with SmartPLS 2.0 software. The results of the study show (1) workload has a negative and significant effect on job satisfaction. (2) Negative and significant workload on employee performance. (3) Job satisfaction has a positive and significant effect on employee performance. (4) Job satisfaction is a mediating variable that has a positive and significant effect on workload and employee performance, meaning that job satisfaction has an important role in mediating workloads on employee performance. The implications of the results of this study indicate that workload is found as a major factor in improving employee performance. If the workload felt by employees is low, it can increase job satisfaction and employee performance. Suggestions on job satisfaction research are proven to mediate partially the relationship between workload on employee performance, so it is recommended to organizations to pay attention to employee workload because it can improve job satisfaction and ultimately improve employee performance. In addition, this study can also expand the research orientation within a larger organization or wider population.

**Keywords:** workload, job satisfaction, employee performance

## **1. Introduction**

The quality of work of employees at waste treatment companies, namely, the accuracy of employees when installing waste processing equipment in order to function properly, the installation of waste treatment equipment is carried out in accordance with established standards. The work quantity of employees in waste processing companies is in making waste processing products for example in one month can make 3 products where only targeted to produce only two, but employees are able to make 3 products. Then the timeliness of waste processing companies is that employees can make waste processing products in a timely manner, besides that when employees install waste processing equipment, employees can finish it on time according to the time specified. If employee performance is good and meets employee performance indicators, it will have a good impact on the company, can increase company profits so that the company is able to compete, the company will always develop and corporate goals can be achieved. It is better if the employee's performance is bad, it can reduce the company's profits, the company's goals cannot be achieved so that the company's performance is reduced and eventually the company can go bankrupt.

Job satisfaction becomes important in a company because employee job satisfaction is closely related to the work results of employees and the survival of the company concerned. Employees will feel comfortable when working gets job satisfaction as expected (Koesmono, 2005). Altaf and Mohamad Atif (2011) found that high workloads had a negative effect on job satisfaction. In Mustapha's research (2013) states that job satisfaction is effect by daily workload, employees are more satisfied when they are given a lower workload. Lower job satisfaction is found in higher workloads in the Mansoor, et. al (2011). So that the lower the workload, the higher job satisfaction will be so that it can improve employee performance. Research conducted by Perera et al. (2014) states that job satisfaction has a positive effect on employee performance. When employees are satisfied, they will work as effectively as possible so that they will improve their performance in the organization.

## **2. Literature Review and Hyphotesis Development**

Increasingly tight business competition requires companies to be able to compete with other organizations. In order to compete, companies must pay attention to the performance of their employees. Because if the employee's performance is good then the company's performance is good so that it can increase the profit of the company and the company is growing. Employee performance must always be considered so that the company can run well and in accordance with the company's goals The factors that can affect employee performance are workload. The greater the workload felt by employees, the lower the employee's performance, so the company must always pay attention to the workload of employees. Research by Ali et al. (2013) suggested that there was a positive relationship between employee work hours and employee productivity and there was a negative relationship between workload and employee productivity. Mohamad Atif (2011) found that high workloads had a negative effect on job satisfaction. When the workload of employees is in accordance with the work it can increase job satisfaction so that it can improve employee performance.

### **The Effect of Workload on Employee Performance**

The research conducted by Shah et. Al. (2011) stated that workload had a negative effect on performance. The higher the workload borne by the employee, the lower the employee's performance. Companies must

reduce the workload borne by employees, workload must be adjusted to the duties and responsibilities of employees so that employees do not feel burdened so as to improve employee performance. The results of research conducted by Beal et. al (2005) states that workload has a negative effect on employee performance. The results of the same study were also found in Bekker and Demerouti (2007), Barnes and Van Dyne (2009). Based on the empirical evidence, the following hypotheses can be formulated:

H1: Workload has a significant negative effect on employee performance.

### **The Effect of Workload on Job Satisfaction**

In a study conducted by Rehman et. al. (2012) states that there is a positive relationship between workload and job satisfaction. Employees will feel comfortable if when work gets job satisfaction as expected (Koesmono, 2005). Mustapha and Ghee (2013) provide results, there is a significant negative relationship between workload and job satisfaction. In the study stated that job satisfaction is effect by daily workload, employees are more satisfied when they are given a lower workload. Lower job satisfaction was found in higher workloads in Mansooret's research. al. (2011). In the Tunggareni and Thinni Nurul study (2013) finding nursing staff who have a moderate objective workload tends to have a greater level of job satisfaction than a high objective workload. If the workload given is high or exceeds the capacity capacity of the employee, it will have a negative impact resulting in a decrease in job satisfaction. Based on the empirical evidence, the following hypotheses can be formulated:

H2: Workload has a significant negative effect on job satisfaction

### **The Effect of Job Satisfaction on Employee Performance**

Research conducted by Kurniawan (2011) has the result that job satisfaction has a positive effect on employee performance. So the more satisfied the employee, the employee will increasingly show his best performance. Conversely, if the employee does not feel satisfied at work, then in him will feel a sense of laziness, so that it will have an impact on decreasing performance. The results of research conducted by Timothy et al (2007) also found that job satisfaction has a significant effect on employee performance. According to Judge et al. (2001), job satisfaction must be maintained to improve organizational performance. Job satisfaction is the emotional attitude of someone who is pleasant and loves his job. Sule et al. (2014) in his study stated that job satisfaction has a positive and significant effect on employee performance. Elarabi and Johari (2014) in their study stated that job satisfaction has a positive and significant effect on performance. Research conducted by Perera et al. (2014) states that job satisfaction has a positive effect on employee performance. When employees are satisfied, they will work as effectively as possible so that they will improve their performance in the organization. The same thing was expressed by Dizgah et al. (2012). Based on the empirical evidence, the following hypotheses can be formulated:

H3: Job satisfaction has a significant positive effect on employee performance.

### **The Role of Job Satisfaction in Mediating the Effect of Workload on Employee Performance**

Mustapha and Ghee (2013) provide results, there is a significant negative relationship between workload and job satisfaction. In the study stated that job satisfaction is effect by daily workload, employees are more satisfied when they are given a lower workload. According to Judge et al. (2001), job satisfaction must be maintained to improve organizational performance. Job satisfaction is the emotional attitude of someone who is pleasant and loves his job. Sule at el (2014) in his research stated that job satisfaction has a positive

and significant effect on employee performance. Elarabi and Johari (2014) in their study stated that job satisfaction has a positive and significant effect on performance. Research conducted by Perera et al. (2014) states that job satisfaction has a positive effect on employee performance. The research conducted by Amalia (2017) found that there is a positive and significant indirect effect between workload on performance and job satisfaction. Workload effects work performance and satisfaction. Which means that if the workload given is appropriate then job satisfaction will increase and then produce better performance.

H4: Job satisfaction mediates the effect of workload on employee performance

### **3. Methods**

The population used in this study were employees of PT. Amanaid. Number of employees of PT. Amanaid as many as 40 people. The sampling method in this study uses a saturated sample method or census, which is a sampling technique using the entire population as research respondents. Data was collected through interviews and questionnaires followed by data analysis using path analysis techniques to be interpreted and in the final stages conclusions and suggestions were given.

### **4. Findings**

Endogenous variables in this study are: employee performance (Y) and job satisfaction (M). The coefficient of determination ( $R^2$ ) of each endogenous variable can be presented in Table 1.

**Table 1. R-square**

Endogenous	R-square
Performance (Y)	0,927
Job Satisfaction (M)	0,882

Primary Data, 2019

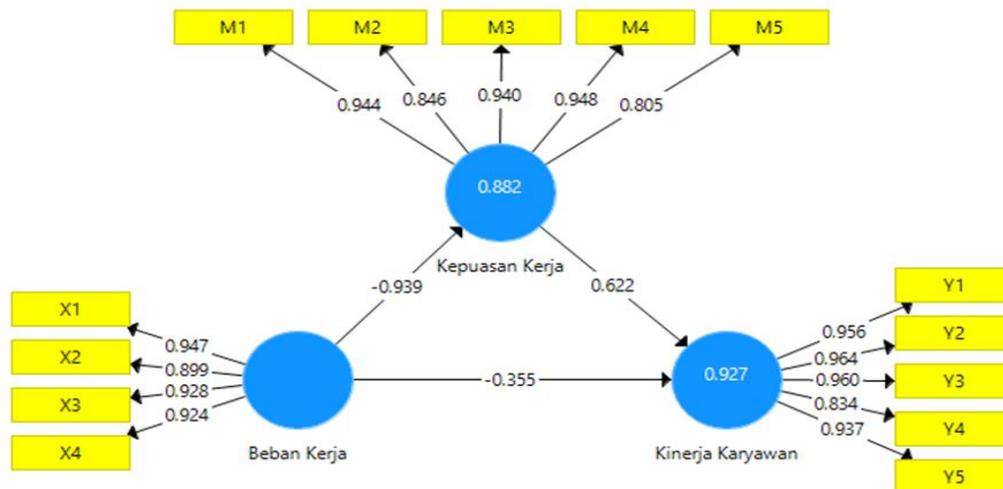
To measure how well the observation value is generated by the model and also its parameter estimation, it is necessary to calculate  $Q^2$  as follows:

$$\begin{aligned}
 Q^2 &= 1 - (1 - (R_1)^2) (1 - (R_2)^2) \\
 &= 1 - (1 - (0,927)^2) (1 - (0,882)^2) \\
 &= 1 - (0,073) (0,118) \\
 &= 1 - 0,008 \\
 &= 0,992
 \end{aligned}$$

The magnitude of  $Q^2$  has a value with a range of  $0 < Q^2 < 1$ , where getting closer to 1 means that the model is getting better. The results of the calculation obtained  $Q^2$  value is 0.889, so it can be concluded that the model has good predictive relevance ( $Q^2 = 0.889 > 0$ ).

**Direct Effect**

This study uses the Partial Least Square (PLS) approach to test and analyze the research hypotheses previously stated. The results of the analysis of the empirical model of research using the Partial Least Square (PLS) analysis tool can be seen in Figure 1 below:



**Figure 1. PLS Result**

The significance of the estimated parameters provides very useful information about the relationship between the research variables. The basis used in testing the hypothesis is the value found in the output path coefficients presented in Table 2 below.

**Table 2. Path Coefficients**

Construct	Path Coefficients	t statistics	Description
Workload ->Employee Performance	-0,355	2,447	Accepted
Workload ->Job Satisfaction	-0,939	45,886	Accepted
Job Satisfaction ->Employee Performance	0,622	4,414	Accepted

Primary Data, 2019

Hypothesis testing is done using t-statistics. If the value of t-statistics  $\geq$  t-table value (1.96), then Ho is rejected and the research hypothesis is accepted. In table 2, it can be seen that the workload variable on employee performance has a correlation coefficient of -0.355 and the value of t statistics is 2.447. This shows if there is a significant negative effect between workload on employee performance. The lower the workload, the higher the employee's performance. In the table it can be seen that the workload has a correlation coefficient value of -0.939 and the value of t statistics is 45,886. This shows if there is a negative and significant influence between workload on job satisfaction. The lower the workload of an organization, the higher the job satisfaction of an organization. Furthermore the job satisfaction variable has a correlation coefficient of 0.622 and t statistics of 4.414. This shows if there is a significant positive effect between job satisfaction on employee performance. The higher the job satisfaction, the higher the employee's performance. Based on the data above, it can be concluded that the hypothesis in this study was entirely accepted.

### Job Satisfaction Mediating on Workloads to Employee Performance

The results of testing the direct effect indicate that the coefficient value between workload variables and employee performance is -0.355 with t-statistics value of 2.447. The addition of job satisfaction variables as mediating variables gives a different influence on the direct relationship of workload to employee performance. Testing the mediating variables of company job satisfaction is done by calculating the value of Variance Accounted For (VAF) which can be seen in Table 2

In Table 2 it can be seen that job satisfaction has a direct influence on employee performance of 0.622. Workload has a direct influence on employee performance by -0.355. Workload has a direct influence on job satisfaction by -0.939. The indirect effect between workload and employee performance is -0,584. The total influence between work satisfaction and employee performance is 0.622, the effect of total workload on employee performance is -0.939 and the total effect between workload and job satisfaction is -0.939.

**Table 3. Direct Effect, Indirect Effect and Total Effect**

Variable	Direct Effect	
	Coefficient	T Statistik ( O/STDEV )
Workload ->Employee Performance	0.622	4.414
Workload ->Job Satisfaction	-0.355	2.447
Job Satisfaction ->Employee Performance	-0.939	45.886
Variable	Indirect Effect	
Workload ->Employee Performance	-0.584	4.248
Variabel	Pengaruh Total	
Job Satisfaction ->Employee Performance	0.622	4.414
Workload ->Employee Performance	-0.939	52.608
Workload ->Job Satisfaction	-0.939	45.886

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VAF	->	Indirect Effect/Total Effect (-0,548/-0,939)	0,583
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Primary Data, 2019

From the results of calculations in Table 3 it can be interpreted that the role of job satisfaction as a mediator has a VAF value of 0.583 (58.3%). These results indicate that the job satisfaction variable has a role as mediator between workload variables and employee performance. This shows that the lower the workload felt by employees, the higher the job satisfaction felt by employees so that it will improve the company's performance, the hypothesis that job satisfaction serves as a mediator of the relationship between workload and proven employee performance.

## 5. Conclusion

The results of this study have shown that workload has a negative and significant effect on employee performance, workload has a negative and significant effect on job satisfaction, job satisfaction that has a positive and significant effect on employee performance and job satisfaction as mediating the effect of workload on employee performance.

Based on these findings, it supports the theory that the lower the workload, the higher job satisfaction and employee performance. Job satisfaction also plays a role in mediating workloads on employee performance. The results of this study are expected to be empirical evidence for future research and able to enrich the development of human resource management science related to workload, employee performance and job satisfaction as mediating the effect of workload on employee performance.

The survey results show that workload is an important factor in job satisfaction and the performance of employees of PT. Amanaid. Indicators making decisions in work are important factors in workload variables to improve job satisfaction and improve employee performance. Employees who are given the opportunity to make decisions at work, they feel trusted and unencumbered so they are satisfied with their work. Based on the results of the sincerity survey in work can also improve employee performance. Employees who are serious in doing their work can complete the work according to the target.

The survey results show that indicators of high concern in job satisfaction need to be considered because it can have an impact on employee performance. High concern needs to be considered in order to improve the ability to work together so that cooperation can be established if there is concern among employees. So that it can improve the performance of employees of PT. Amanaid.

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