

# Effect of Customer Loyalty, Innovative Management, Knowledge Management and Marketing Management on Business Performance of Three Stars Hotel in Eastern Region of Thailand

**Sakul Jariyachamsit**

Collage of Hospitality Industry Management  
Suan Sunandha Rajabhat University, Thailand

[sakul.ja@ssru.ac.th](mailto:sakul.ja@ssru.ac.th)

## Abstract

The current study objective was to test the effect of customer loyalty, innovative management, knowledge management and marketing management on business performance of three stars hotel in eastern region of Thailand. For this purpose, the current study had applied the quantitative research approach and use the cross-sectional research design and data was collected from the 340 respondents. The Structural Equation Modeling (SEM) results have shown that customer loyalty has a positive and significant relationship with the business performance. In the same vein, innovation management also has a positive and significant relationship with the business performance. In addition, the marketing management also significantly and positively influence to business performance. Similarly, knowledge management also significantly and positively effect to the business performance s. All the proposed hypothesis of the study had been supported therefore following predictor's customer loyalty, innovation management, marketing management, and knowledge management are considered to be important predictors to increase the business performance of the three stars hotel in eastern region of Thailand. Based on these findings, the current study could contribute to provide help to the researcher to conduct a new insight of research in future. In addition, the research could be helped to the policy makers and owners to know the importance of the predictors to increase their business performance. The study limitations and future directions were also discussed at the end of the study.

## Keywords

Customer loyalty, innovative management, knowledge management, marketing management, Business performance, Thailand.

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## Introduction

Nowadays, the companies are operating within the knowledge economy. Therefore, these companies must pursue knowledge-intensive practices to achieve sustainable competitiveness. The company's prosperity is seen more based on their ability to manage the given knowledge effectively. Knowledge is considered a valuable factor for any type of organization. Knowledge management (KM), however, cannot be effectively and efficiently implemented. Battaglia et al. (2018) stated that knowledge is corporate power, and knowledge is identified as a major asset for a business. It becomes very challenging for an organization to respond effectively to the ever-changing market demands without effectively managing knowledge. Hence, the idea of knowledge management must be transformed into a major need for any organization, regardless of the size of the organization. Based on the enhanced significance of knowledge management for some type of contemporary organizations, the analysis of knowledge management becomes notable. It is important to analyze how knowledge management works best for a firm.

Furthermore, along with the knowledge management, customer loyalty (CL) is also not a new notion, however due to customer-oriented approaches or strategies, there has been a growing interest in fabricating CL in recent years. The CL has been extensively studied in marketing, trades, as well as transaction-based research in the past era (Lam, Shankar, Erramilli, & Murthy, 2004; Palmatier, Scheer, & Steenkamp, 2007; Reynolds & Arnold, 2000). Furthermore, as service marketplaces become extremely competitive, businesses are facing different kinds of issues about acquiring and retaining customers. As a result, there is a need to encourage CL is growing. In this climate, CL has become a critical marketing tool that is not only geared at the customer, and also a key measure of a company's success (Vaccaro, Jansen, Van Den Bosch, & Volberda, 2012). By focusing more on the consumer, the profits of service providers are highlighted, as well as the potential creation of future revenue sources. As a result, CL is prioritized as a business and their marketing's primary goal. It is a company's most asset as well as very essential for its foundation. The number of professionals recognize the value of CL and devote resources to enhancing existing CL, acquiring more loyal customers, thus developing a CL management strategy. This is especially crucial in mature markets when it is unable to expand to new devoted customers. However, in current business environment with short product life cycles, it's very necessary to have a clear aim that pay more attention on innovation to meet changing consumer wants (Hussain, Melewar, Priporas, Foroudi, & Dennis, 2020). In addition, according to the theory of resource-advantage, innovation management (IM) allows businesses to provide more value towards customers and its competitors which is essential to their success (Andrea & Snežana, 2019; Gallardo-Vázquez, Valdez-Juárez, & Castuera-Díaz, 2019). Several studies were associated towards theory of resource-advantage (Geldes, Felzensztein, & Palacios-Fenech, 2017; Vaccaro et al., 2012; ZD, Ziyadin, Palazzo, & Sidhu, 2020), which states that in order to sustain a maintainable competitive advantage, firms must recognize innovation in non-technological regions as well as technology-associated innovation. According to prior study of (Foroudi, Jin, Gupta, Melewar, & Foroudi, 2016; Troebbs, Wagner, & Heidemann, 2018; ZD et al., 2020), opportunity as well as innovation are a means of gaining a competitive advantage. According to Li, Hua, Fu, and Liu (2021), successful innovation management leads to satisfying customer needs through producing new ideas with innovation, and the greater the possibility of "innovation management competence (IMC)", higher the performance of creating new ideas. To set themselves apart from their competitors, companies must innovate quickly and effectively in order to gain a competitive advantage (Imani, Foroudi, Seyyedamiri, & Dehghani, 2020; Wang & Wu, 2012). Businesses who systematically manage innovations are more advanced in their ability to innovate than those that do not (Battor & Battor, 2010).

In the same way, currently, "innovation management (IM) has become a generic term. A search in the web of science provides an outcome of 25.579 results (1.277 with the word in quotations) and 76.770 in Scopus (2.064 with references)". Furthermore, meanwhile initial suggestions, the original "linear innovation models" are evolved to deal by the broader as well as more systemic view of innovation. This is also become a topic of discussion in the present publication. Various management models were already offered to constructed uncertainties and expanding global competition since there is a great demand among businesses for realistic techniques to managing innovation (Zafar, Zafar, Asif, Hunjra, & Ahmad, 2012). For the purpose of manage innovation more successfully at the firm level, many innovations management models as well as innovation

management methodologies or tools have been developed. On the other hand, the literature on the latter, and that is the subject of this article, is scarce as well as scattered across many domains. Moreover, the previous studies had a major focus on the developed economies but had a little attention on the developing economies like three stars hotel in eastern region of Thailand. As the three-star hotels in the eastern region of Thailand played an important role in the social and economic development. Therefore, the current study objective is to test the effect of customer loyalty, innovative management, knowledge management and marketing management on business performance of three stars hotel in eastern region of Thailand. The study was divided into five sections, introduction, literature review, research methodology, data analysis, and conclusion and discussion.

## Literature Review

In this section review of all the dependent and independent variables had been written based on both of the theoretical and empirical perspective.

### Business Performance

The term "business performance (BP)" has a variety of connotations within an organization. This can be operational performance, firms (financial and non-financial) performance, brand performance, research performance, market performance, and something entirely different. There are numerous research streams in this extent, and it is very essential to narrow the focus of the study on the effect of service quality on performance to a specific context of performance. The performance measurement literature is replete with diverse approaches, the most prevalent of which is the Balanced Score Card. Again, performance can be quantified qualitatively or quantitatively, as well as at the employee and organizational levels. At the organizational level of study, financial measures are the most frequently used performance indicators. Profit margins are comprised of three components: return on assets, return on equity, and return on assets. Financial reports may include performance indicators to track, among other things, employee performance, customer satisfaction, the health and safety environment's rating, and overall equipment effectiveness. When performance indicators are identified correctly, they can aid in resource allocation and control, benchmarking, and personnel performance improvement, all of which contribute to the achievement of the organization's overall business objectives (Gaur & Kumar, 2009). Baaki, Baharum, and Ali (2019) identify three distinct aspects of BP based on their service quality framework: service quality, technical aspects of quality, and image aspects of quality, all of which contribute to overall BP improvement. Jung and Hong (2008) examined customer satisfaction, employee morale, productivity, defect rate, warranty claims, and quality-related costs. These studies have concentrated on the relationship between business and employee performance. As a result, BP can be defined and quantified in a variety of ways, transforming it into a complex concept. There are the BP in the hotel industry must be quantified in terms of financial, non-financial, and operational performance; thus, this research examined these three dimensions of BP.

### Customer Loyalty

A large number of companies value customer loyalty as an important intangible asset (Jiang & Zhang, 2016). Customers' loyalty has been represented in different ways by marketing researchers (Ismail & Yunan, 2016). Research objectives and contexts led marketing researchers to draw different conclusions on customer loyalty. Loyalty can be defined as "feelings of devoted attachment to the loyalty object, rather than commercial transactions," as Casidy, Wymer, and O'Cass (2018) suggest (p.196). A customer's intent to stay committed to specific providers in the marketplace can be called attitudinal loyalty. Conversely, Oliver defined customers' loyalty as "a long-term, deeply held commitment to re-purchase or re-prepare yourself with a preferred product or service, over and over again, even when that product or service is presented to you in new ways by the company, even if doing so may cause you to switch brands" (p.34). Marketing scholars have agreed on the definition of customers' loyalty according to Oliver (Haryanto & Iswanto, 2020). Customers are loyal to two types of companies: those who have active loyalty and those who have passive loyalty (Kandampully, Zhang, & Bilgihan, 2015). Companies can have

loyal customers who are also active and customers who are passive. Active loyalty is important for different reasons, but online and social media applications make active loyalty increasingly important (Kandampully et al., 2015). Today's customers increasingly rely on online reviews and electronic word of mouth (E-WOM) when making decisions about different products and brands. Customers who are loyal to the brand, but not necessarily active on social media, are motivated to tell their opinions on their purchasing experiences with the public.

## Innovative Management

It's possible to consider three primary overlapping terms when you think about management of innovation. The first one is the field of management of innovation, also known as IM. The second is better defined as TM technology management and management of innovation (MI). Hamel (2006) refers to this as "changes in managerial behaviors," which can lead to long-term benefits for the organizations. In a contribution to defining innovation (innovative) management, Birkinshaw, Hamel, and Mol (2008) note that "the development of a management practice, process, structure, or technique that is new to the state of the art and is intended to promote organizational goals" is known as "innovative management." In this respect, they examine the social, structural, and cultural influences that managers have on it. Moreover, one of the subject's most prominent authors claims that "An innovative management principle challenging some long-standing orthodoxy yields a long-term advantage when at least two of three conditions are met: the innovation is based on a novel management principle; the innovation is systemic, encompassing a range of processes and methods; and/or the innovation is part of an ongoing Programme of rapid-fire invention, where progress compounds over time." Researchers (Zizlavsky, 2011) claim.

## Knowledge Management

For Velasquez and Lara (2017), knowledge is similar to a company's main asset because it is essential for survival in the constantly changing business environment. Managing effective knowledge tacit of knowledge management has become a major challenge for any organization, regardless of its size. The concept of knowledge management is unique. The value of a company can be created using intangible assets. Time passes, and companies and people grow their basic competencies and abilities. Today's highly competitive market requires employees to obtain as much knowledge as possible. Today's organizations should work to increase their knowledge because so many shifts have occurred in the business world. According to the current global economy, organizations should focus on making the most efficient use of knowledge systems. New knowledge is frequently discovered based on the structure in place today and based on a company's existing capabilities. To be sure, when we speak of organizational management, we should always be thinking about effective and efficient knowledge management. To understand the significance of knowledge management, Obeidat, Tarhini, Masa'deh, and Aqqad (2017) aimed to interpret it.

## Customer loyalty and Business performance

Achieving customers' loyalty (CL) is the fundamental goal of obtaining business performance. One prior study discovered that high levels of customer loyalty assist organizations in attaining competitive advantages, and these advantages ultimately enhance their business performance (LEE & SEONG, 2020). To be popular in the market, it is necessary for companies or organizations to have CL. Business performance deteriorates because of customers' rejection. Because of this, CL is critical to being well-liked among customers, which ultimately improves company performance. This contributes to customer retention and boosts the business performance of the company. There is a significant correlation between businesses that go out of their way to maintain customer loyalty and improved business performance (SINGH, NAYYAR, & DAS, 2019). Based on this, it is postulated that:

**H1:** Customers' loyalty has a positive effect on business performance.

## **Innovation Management and Business performance**

Innovation management (IM) is essential to a business' performance because innovation-driven companies are more productive and thus have greater growth potential. Antonioli, Mancinelli, and Mazzanti (2013) claims that there is a positive correlation between organizational innovation and performance. The capacity to innovate is found to be the most important factor in business performance alongside achievement of strategic and business goals, according to Hurley, Hult, and Knight (2005). Corporate strategy and then developing and reinforcing capabilities to accomplish the strategy result in outperforming the industry. The findings here thus show that there is a link between IM and productivity:

**H2:** There is a positive relationship between Innovation management and business performance.

## **Knowledge Management and Business performance**

The condition of customers, suppliers, employees, competitors, and the entrepreneurial environment affects business competitiveness, and thus, requires the constant availability of relevant information (Byukusenge & Munene, 2017). The study done by Al-Sa'di, Abdallah, and Dahiyat (2017) found that knowledge management (KM) processes have a positive and significant impact on organization performance. Researchers Sarkindaji, Hashim, and Abdullateef (2014) confirm the findings of other studies that contend that organizations with a goal of maintaining competitive advantage must put in place creative knowledge management strategies. Lopes, Scavarda, Hofmeister, Thomé, and Vaccaro (2017) examined the significance of the organization's knowledge assets for determining significance. Employees linked together because of knowledge management are said to make it possible for employees to continually develop their skills and increase their ability to be effective. This results in the development of the company's important memory for problem solving. To provide the necessary competitive advantage and drive overall techniques, producing services and products with better knowledge embedded helps. KM, as defined by Butt et al. (2019), refers to ongoing employee learning in order to constantly improve their comprehension. Effective KM serves the purpose of enabling you to foster new relationships by sharing knowledge with other stakeholders. Therefore, it is hypothesized that:

**H3:** Knowledge management has a positive effect on business performance.

## **Marketing Management and Business performance**

When business performance is measured using judgmental measures, literature promoting market orientation emphasizes its positive effect (Jaakkola et al., 2016; Mohammed & Rashid, 2012). (Jaworski & Kohli, 1993). To build a competitive advantage, one must comprehend customers' requirements, the actions of competitors, and technological advancements. Commitment to learning and market orientation lead to understanding like this (Calantone, Cavusgil, & Zhao, 2002). One theory holds that those organizations that keep track of customer needs and respond to them in a timely manner obtain higher levels of customer satisfaction, and this enables them to perform better in the market. It is therefore hypothesized that:

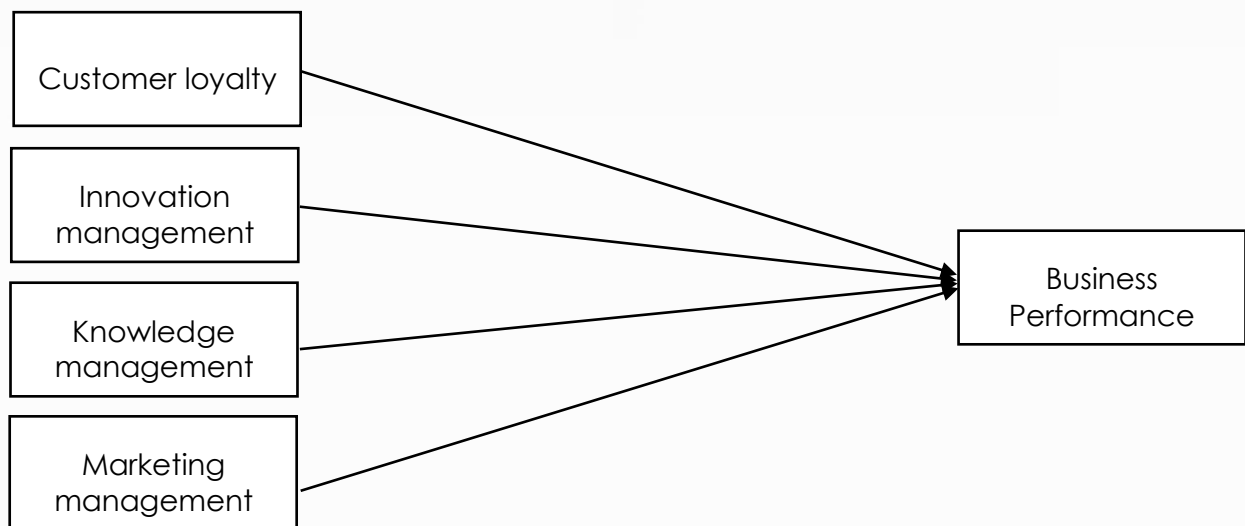
**H4:** Marketing Management has a positive relationship with the business performance.

## **Research Framework**

Based on the previous discussion, the following research objective "to test the effect of customer loyalty, innovative management, knowledge management and marketing management on business performance of three stars hotel in eastern region of Thailand" of the study had been formulated. All the variables are predicted in the following in the research framework Figure.1.

## Methodology

The current study objective was to test the effect of customer loyalty, innovative management, knowledge management and marketing management on business performance of three stars hotel in eastern region of Thailand. This study aims to support data and theories that support the general hypotheses to produce specific findings. For this purpose, the current study had applied the quantitative research approach and use the cross-sectional research design. The study was conducted in the three stars hotel in eastern region of Thailand. Three stars hotel in eastern region are backbone of Thailand. In the meantime, the COVID-19 had badly effect to all over the economy that is being affected from the declining of the business. Among of this business, the performance of the organization is being affected of three stars hotel in eastern region of Thailand. Therefore, the current study had been conducted on the three stars hotel in eastern region of Thailand. The data was collected by using an online survey in the Google form. The respondents were the employees of three stars hotel in eastern region which knows about the business structure. There were 340 questionnaires were distributed and among of them 340 questionnaires were returned that shows a 100.0 percent response rate. This response rate is considered to a sufficient for analysis (Ahmad, Bin Mohammad, & Nordin, 2019; Mugenda, Hira, & Fanslow, 1990). The research instrument was a questionnaire that was developed based on relevant theoretical and empirical studies.



**Figure.1** Research Framework

### Data Analysis and Discussions

The present study had used the Structural Equation Modeling (SEM) technique. The SEM technique had been an appropriated that wan done AMOS software.

### Descriptive Statistics

Descriptive analysis was carried out in the SPSS. Table 1 presents the descriptive analysis of each variable. The results of the analysis show the respondents perception about the variables. The analysis was carried out on the means score of all the items. The mean score for all the variables is ranged 3.93 to 4.44. The mean scores for the above variables are highly moderated which shows that respondents are highly involved in the independent and dependent variables activities. In addition, the standard deviation (S.D) of all the variables are ranged from 0.54 to 0.79. The mean score and S.D of all the variables are depicted in the following Table.1.

### Measurement model

The measurement model had shown that model is fit and had the ability to further test the study hypothesis. The measurement model could be assessed from the cronbach alpha that should have greater than 0.7 value (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). In addition, the composite reliability (CR) also recommend minimum value is 0.7 (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). On the other hand, for the factor loadings minimum recommended value is 0.5 (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). On the other hand, the recommended value for average variance extracted is also 0.5 (Hair Jr, Sarstedt, Hopkins, & Kuppelwieser, 2014). The Table.2 predicted results had shown that all values are greater than from above recommended values. Therefore, the questionnaire reliability and validity is properly assessed.

**Table 1.**

Statistical test of empirical variables (n=340)

Variable	Range	Min	Max	$\bar{x}$	SD.	Variance	Sk	Ku
Marketing Management								
MAR1	2.45	2.70	5.00	4.33	0.59	0.38	-0.07	-0.78
MAR2	3.00	2.00	5.00	4.09	0.61	0.36	-0.28	0.44
MAR3	3.00	2.00	5.00	4.06	0.65	0.44	-0.24	-0.43
MAR4	2.85	2.10	5.00	3.95	0.73	0.54	-0.65	0.51
Innovative Management								
INN1	3.00	2.00	5.00	4.12	0.60	0.38	-0.33	0.10
INN2	3.00	2.10	5.00	4.22	0.53	0.31	-0.25	0.07
INN3	2.55	2.70	5.00	4.17	0.53	0.26	0.23	-0.39
Knowledge Management								
KNO1	3.00	2.00	5.00	4.18	0.67	0.44	-0.44	-0.28
KNO2	2.85	2.20	5.00	4.25	0.62	0.43	-0.61	0.25
KNO3	2.85	2.00	5.00	4.35	0.59	0.33	-0.61	-0.19
KNO4	2.40	2.70	5.00	4.44	0.54	0.31	-0.27	-0.73
Customer Loyalty								
CUS1	2.90	2.60	5.00	4.16	0.54	0.29	-0.17	-0.19
CUS2	3.00	2.00	5.00	4.17	0.62	0.37	-0.49	0.24
CUS3	2.95	2.20	5.00	4.15	0.71	0.49	-0.92	1.09
Business Performance								
BUS1	3.00	2.10	5.00	3.93	0.79	0.52	-0.72	0.78
BUS2	3.00	2.40	5.00	4.14	0.59	0.44	-0.41	-0.27
BUS3	2.85	2.40	5.00	4.15	0.57	0.29	-0.27	0.09

**Note:** CSS = Customer Service Strategy; COS = Competitive Strategy; MAS = Marketing management; LOS = Logistics Strategy; BUS = Business Performance

**Table 2.**

Factor Loadings. (n = 340)

Variable	$\lambda$	SE.	t-value	R <sup>2</sup>	AVE	CR.
Customer Loyalty					0.784	0.876
CUS1 (Parameter constants)	0.84	-	-	0.81		
CUS2	0.92	0.05	17.462**	0.76		
CUS3	0.76	0.05	16.766**	0.63		
Innovative Management					0.75/	0.911
INN1 (Parameter constants)	0.85	-	-	0.81		
INN2	0.92	0.05	11.427**	0.75		
INN3	0.81	0.04	14.963**	0.72		
Marketing management					0.733	0.871
MAR1 (Parameter constants)	0.86	-	-	0.56		
MAR2	0.85	0.09	15.756**	0.77		
MAR3	0.92	0.16	14.313**	0.81		
MAR4	0.80	0.18	13.81**	0.68		

Knowledge Management					0.714	0.853
KNO1 (Parameter constants)	0.64	-	-	0.48		
KNO2	0.92	0.11	13.244**	0.70		
KNO3	0.72	0.11	11.107**	0.73		
KNO4	0.56	0.13	10.662**	0.78		
Business Performance					0.609	0.734
BUS1 (Parameter constants)	0.56	-	-	0.50		
BUS2	0.76	0.07	9.965**	0.42		
BUS3	0.73	0.06	8.576**	0.46		

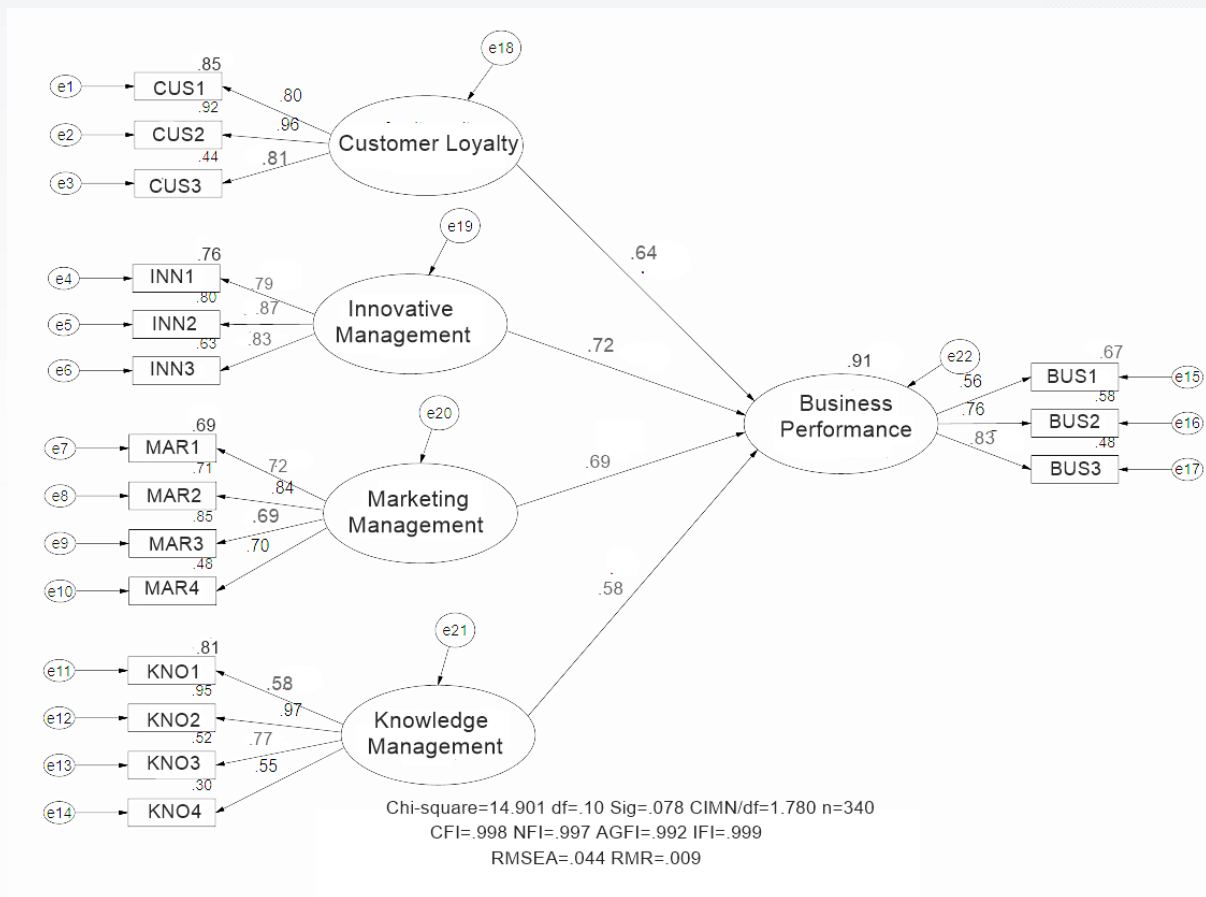


Figure.2: Conceptual Framework

**Note:** CUS = Customer Loyalty; INN = Innovative Management; MAR = Marketing Management; KNO = Knowledge Management; BUS = Business Performance

### Hypothesis Testing

After the assessment of measurement model, next step is to test the study hypothesis. The results had shown the positive and significant relationship of customer loyalty and business performance that supports to the proposed hypothesis. These findings had shown that customer loyalty and business performance are the directly proportional because when the loyalty of the customer had increased then the business of the three stars hotel in eastern region of Thailand also increased. In the same vein, innovation management also has a positive and significant relationship with the business performance that supports to the proposed hypothesis. These findings had also shown that when the innovation in the organizations had increased then the performance of the organizations had also increased. This shows that innovation management is an important predictor of the organizations. In addition, the marketing management also significantly and positively influence to business performance that supports to the proposed hypothesis. These results had shown that marketing management directly effect to business performance because



when the marketing management had increased then the performance of the organization had also increased. Similarly, knowledge management also significantly and positively effect to the business performance that supports to the proposed hypothesis. All the proposed hypothesis of the study had been supported therefore following predictor's customer loyalty, innovation management, marketing management, and knowledge management are important predictors to increase the business performance of the three stars hotel in eastern region of Thailand. All these findings are predicted in the Table 3.

**Table 3.**  
Results of hypotheses testing

Variable			$\beta$	SE.	t-value	Sig.
Business Performance	<--	Customer Loyalty	0.64	0.07	7.977	0.000**
Business Performance	<--	Innovative Management	0.72	0.06	8.798	0.000**
Business Performance	<--	Marketing management	0.69	0.08	5.215	0.000**
Business Performance	<--	Knowledge Management	0.58	0.09	12.752	0.000**

\* Statistically significant 0.001

\*\* Statistically significant 0.05

Note: CUS = Customer Loyalty; INN = Innovative Management; MAR = Marketing Management; KNO = Knowledge Management; BUS = Business Performance

## Conclusion And Discussions

The current study objective was to test the effect of customer loyalty, innovative management, knowledge management and marketing management on business performance of three stars hotel in eastern region of Thailand. This study aims to support data and theories that support the general hypotheses to produce specific findings. For this purpose, the current study had applied the quantitative research approach and use the cross-sectional research design. The study was conducted in the three stars hotel in eastern region of Thailand. Three stars hotel in eastern region are backbone of Thailand. The key findings of the study have shown that customer loyalty has a positive and significant relationship with the business performance that supports to the proposed hypothesis. These findings had shown that customer loyalty and business performance are the directly proportional because when the loyalty of the customer had increased then the business of the three stars hotel in eastern region of Thailand also increased. These findings are supported by the following various studies who had found the same results (Fernandes Sampaio, Hernández Mogollón, & de Ascensão Gouveia Rodrigues, 2020; Rashid et al., 2020). In the same vein, innovation management also has a positive and significant relationship with the business performance that supports to the proposed hypothesis. These findings had also shown that when the innovation in the organizations had increased then the performance of the organizations had also increased. This shows that innovation management is an important predictor of the organizations. These findings are further in line with previous studies who had found the same results (Hameed, Nisar, & Wu, 2021; Sitthisomjin, Somprach, & Phuseeorn, 2020). In addition, the marketing management also significantly and positively influence to business performance that supports to the proposed hypothesis. These results had shown that marketing management directly effect to business performance because when the marketing management had increased then the performance of the organization had also increased. These findings are further supported with the following previous studies (Adel, Mahrous, & Hammad, 2020; Wu, Guaita Martínez, & Martín Martín, 2020). Similarly, knowledge management also significantly and positively effect to the business performance that supports to the proposed hypothesis. These findings are further supported with the following previous studies who had same findings (Byukusenge & Munene, 2017; Santoso, 2021).

## Implications and Future Directions

As all of the hypothesis of the study are supported, therefore this study had several contributions in the theoretical and practical perspective. The current study could provide help to the higher

management to understand how the strategies could help to increase the performance of the organizations. In addition, the organizations should know about the right procedures, structures and mechanisms that could help to increase the strategies that could automatically help to the organization to increase their organizational performance. Furthermore, the findings could also provide help to the policy makers and decision makers to know about the importance of various strategies for their organizations. In addition, research findings could also provide hope to the business owners in of three stars hotels to build better business strategies. Based on these contributions, there are several limitations of the study. "Firstly, this study was limited on three stars hotels in Thailand, therefore future research could be done on service sector to increase the study generalizability. "Moreover, the study has the limitations of cross-sectional research design in which data is collected at first time. In this regard, future research could be established on longitudinal research design to increase the research generalizability. In addition, the study was limited on the direct effect, there are several other variables that could moderate or mediate on their relationship consequently future research could be done with the moderating and mediating variables."

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