



## **Interrelationship among Quality of Work-Life, Islamic Work Ethics, and Employee Performance: Employee Engagement as Mediator**

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### **Abstract**

*The main objective of this study is to investigate the impact of quality of work-life and Islamic work ethics on employee performance, as well as the mediating function of employee engagement in the relationship between quality of work-life, Islamic work ethics, and employee performance. The paper explicitly highlighted the conduct and outcomes of the study. A quantitative survey approach was used to collect necessary data by applying the instruments adopted from previous studies. The reliability and validity of the tools were above the standard. The research data is elicited from 194 Small and Medium Enterprises (SMEs) employees in Kudus, Central Java, Indonesia. The path analysis indicated that quality of work-life and Islamic work ethics contributed significantly to employee engagement and performance. However, the quality of work-life had no significant direct effect on employee performance. The relationship was fully mediated by employee engagement, whereas Islamic work ethics and performance partially mediated employee engagement. Thus, spiritual adoption of work ethics seems necessary for today's business organization. Therefore, it is recommended to SMEs' owners and practitioners that they could improve their business performance through improved quality of work-life, Islamic work ethics, and employee engagement.*

**Keywords:** *Quality of work-life; Islamic work ethics; Employee engagement; and Employee performance.*

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## INTRODUCTION

Small and Medium Enterprises (SMEs) play an essential part in Indonesia's economy (Sanusi and Connell, 2018; Tambunan, 2019; Kristiningrum *et al.*, 2021). In developing SMEs, one crucial aspect that needs to be improved is the issue of human resources. Human resources are the organization's primary asset, often referred to as "human capital" (Tahir, 2015). Because of the critical role of human resources in the organization, it is necessary to maintain a good quality of work-life (QWL) to improve the performance of SMEs (Thakur and Sharma, 2019).

QWL is the relationship between employees and their work environment that impacts economic and technical dimensions such as rewards and benefits, interpersonal relations, and job security. Employees with good QWL accomplish their jobs and duties efficiently and can complete organizational obligations and responsibilities completely (Sirgy *et al.*, 2001; Thakur and Sharma, 2019; Tarigan *et al.*, 2021). Another aspect that serves as a benchmark in developing employee performance is employee engagement. A new concept emerged in the past two decades to develop a new understanding of previous concepts, such as job satisfaction, commitment, and employee organizational behavior. Employee engagement shows a two-way relationship between leaders and subordinates. Hence, it is considered one of the significant variables in providing the positive performance of a company (Rachmawati, 2013). According to Rokhman (2013), optimizing the human resources function is a strategy to achieve excellence. However, to retain its employees, a company needs to create a QWL.

Previous studies emphasized the significance of the role of QWL on employee engagement (Kanten and Sadullah, 2012; Wahlberg *et al.*, 2017; Sahni, 2019). In addition, some previous studies also emphasized the significance of QWL on employee performance (Qamari *et al.*, 2020; Thakur and Sharma, 2019; [Hermawati](#) and [Mas.](#), 2017; Tarigan *et al.*, 2021), job satisfaction (Rokhman, 2013; Pio and Tampi, 2018; Lee *et al.*, 2015; Aruldoss *et al.*, 2021), and organizational commitment (Rokhman, 2013; El Badawy *et al.*, 2018; Agus and Selvaraj, 2020; Aruldoss *et al.*, 2021).

Moreover, prior studies have tested the impact of quality of work-life on employee engagement and performance in different scopes. For example, in the



industry and company, government sector, Islamic banking, and others (Sahni, 2019; Agus and Selvaraj, 2020; Qamari *et al.*, 2020; Thakur and Sharma, 2019; Kanten and Sadullah, 2012). However, few studies on the impact of Islamic work ethics (IWE) on employee engagement have been done. On the other hand, several previous studies have found the relationship of IWE with other variables, such as locus of control and role ambiguity (Yousef, 2000); organizational commitment (Yousef, 2001; Rokhman, 2010; Gheitani *et al.*, 2019; Husin and Kernain, 2020), job satisfaction (Yousef, 2001; Rokhman, 2010; Gheitani *et al.*, 2019; Raja *et al.*, 2020), employee performance (Imam *et al.* 2013; Shaheen *et al.*, 2020; Al-Douri *et al.*, 2020; Raja *et al.*, 2020) and employee engagement (Shaheen *et al.*, 2020).

Accordingly, the goal of this study is to the extent of understanding the relationship between QWL, IWE, and employee performance of SMEs in Indonesia. In addition, this study uses employee engagement as a mediating variable between the three variables tested.

## LITERATUR REVIEW

### QWL, Employee Engagement, and Employee Performance

Louis Davis first introduced the term 'Quality of work-life (QWL) in 1970 and coined it at the first International Labor Conference in New York in 1972 (Ahmad, 2013). The QWL was defined by Sirgy *et al.* (2001) as employee satisfaction with various requirements met through workplace resources, activities, and outcomes. Griffin (2014) stated that the QWL as the degree to which employees can meet important personal needs through their organizational experiences. According to Rokhman (2013), the QWL means a pleasant working condition, a work situation that supports and increases employee satisfaction by providing rewards, job security, and growth opportunities.

Some definitions above illustrate that the notion of QWL emphasizes the value of human respect in the workplace. Thus, the important role of QWL is to change and create a work climate in an organization, which in turn leads to a better QWL. The QWL consists of several dimensions and indicators that make the QWL very important in creating organizational productivity. Zin (2004) describes dimensions of QWL consist of 7, namely (1) growth and development;



(2) participation; (3) physical environment; (4) supervision; (5) pay and benefits; (6) social relevance; and (7) workplace integration. In the context of this study, regarding the relationship of work-life conditions at SMEs, the researchers only use five relevant dimensions of QWL from the seven dimensions stated by Zin (2004).

The relationship between QWL and employee engagement has been studied (Sahni, 2019; Kanten and Sadullah, 2012). In addition, the relationship between QWL and employee performance has been deliberated ([Hermawati](#), and [Mas](#), 2017; Qamari *et al.*, 2020; Thakur and Sharma, 2019; Tarigan *et al.*, 2021). According to the previous study's findings, the QWL is one of the most critical factors influencing employee engagement and performance. As a result, in this study, we offer the following hypotheses:

H<sub>1</sub>: There is a significant relationship between QWL and employee engagement.

H<sub>3</sub>: There is a significant relationship between QWL and employee performance.

### **Islamic Work Ethics (IWE), Employee Engagement, and Employee Performance**

The concept of IWE comes from Al-Qur'an and as-Sunnah. Several verses in the Qur'an emphasize the importance of work. In Q.S., the Qur'an chapter An-Najm verse 39 states: "That man can have nothing but what he strives for.". The verse explains that the success and welfare of human life in this world depend on his efforts.

Experts have been proposing definitions for IWE. IWE is defined by Rizk (2008) as a work orientation. It means that work is both a virtue in meeting man's necessities and a need to achieve balance in one's personal and social life. Ali and Owaihan (2008) describe that IWE is an orientation that shapes and influences the involvement and participation of beliefs in the workplace. According to Shukri and Owoyemi (2012), IWE could be explained as a set of values of beliefs derived from the Qur'an and Sunnah concerning work and hard work. IWE views dedication to work as a virtue and emphasizes cooperation and consultation at work (Abbasi *et al.*, 2012). Furthermore, Imam *et al.* (2013)



deliberate “hard work” as a virtue. Hence, to succeed, one needs to work hard and not working hard is seen as a cause of failure.

From the above discussion, it becomes clearer that IWE is sourced from the Qur’an and As-Sunnah, which dedicate work as a virtue. IWE maintains cooperation in work. Other than that, negotiation is one of the solutions to overcome difficulties and prevent mistakes. Social relationships at work are emphasized to maintain a balance between social life and the individual (Wijaya *et al.*, 2021).

Yousef (2000) argues that IWE indicates work creativity as a source of happiness and success. Hard work is a good thing and someone who works hard has one step ahead in life. IWE explains that life becomes meaningless when we are not working and carrying out economic activities as an obligation to fulfill responsibilities. Abbasi *et al.* (2012) provide aspects of IWE, including sincerity, proficiency; justice; truthfulness; patience; continuous self-evaluation, promise-keeping and moderation. Meanwhile, Ali and Owaihan (2008) categorize the basics of IWE as consisting of 11 dimensions.

IWE has been found in studies to impact employee performance significantly. It is a crucial component in increasing staff productivity and effectiveness. If the employee had an excellent Islamic work ethic, then the work achieved by an employee, as well as both in quality and quantity, would be high too. Among them is a study by Imam *et al.* (2013) on the relationship between IWE and employee performance. The evidence suggests that IWE is significantly related to employee engagement and performance. Thus, our hypotheses are as follows:

H<sub>2</sub>: There is a significant relationship between IWE and employee engagement.

H<sub>4</sub>: There is a significant relationship between IWE and employee performance.

### **Employee Engagement and Employee Performance**

Kahn (1990) defines employee engagement as “the harnessing of organizational members’ selves to their work roles; in engagement, people employ and express themselves physically, cognitively and emotionally during role performances.” Meanwhile, Harter *et al.* (2002) define employee engagement as the individual’s involvement, satisfaction, and enthusiasm for work.



Furthermore, according to Macey and Schneider (2008), employee engagement is the process through which a company increases the dedication and involvement of its people resources to produce better commercial results. Hence, employee engagement is defined as an employee's good attitude toward the company where they work and the principles that the company upholds (Robinson *et al.*, 2004). Meanwhile, Tahir (2015) further elaborates that employee engagement is the extent to which the workforce is emotionally and intellectually committed, which is relative to completing work by the mission and vision of the organization.

Based on the previous explanations, it can be inferred that employee engagement is achieved through a process that takes time and demands a high level of dedication from the leader. Organizational leaders are expected to have various talents in fostering employee engagement, such as communication techniques, providing feedback techniques, and performance appraisal techniques. An earlier study by Schaufeli and Bakker (2004) reveals that work engagement can be measured through three dimensions vigor, dedication, and absorption.

However, Tahir (2015) suggests three dimensions of employee engagement, namely: (1) emotional engagement, which is employees are emotionally bound to their work, in the form of commitment to the organization, its leaders, and the work environment; (2) cognitive engagement, which is employees really focus on their work because they know and understand their organization, leaders, and work environment; and (3) physically engagement, which is employees have a strong will and enthusiasm related to the work they face, have a commitment to succeed in their work and love their work.

The relationship between employee engagement and employee performance has been explained by [Anitha](#) (2014), Gupta and Sharma (2016), Amoako-Asiedu and Obuobisa-Darko (2017), [and Sandhya](#) and Sulphey (2021). Thus, employee engagement is regarded as an important element in success for SMEs through matters relating to employee performance and productivity. Therefore, we propose the following hypothesis:

H<sub>5</sub>: There is a significant relationship between employee engagement and employee performance.



### Mediation Effect of Employee Engagement

This study predicts that employee engagement mediates the effect of QWL on the relationship between employee performance and IWE. As mentioned earlier, QWL significantly affects employee engagement in the Telecom industry in Saudi Arabia (Sahni, 2019). Similarly, the dimensions of QWL showed a significant effect on work engagement in export companies in Turkey (Kanten and Sadullah, 2012). On the other hand, employee engagement's significance in employee performance has been explained ([Anitha, 2014](#); Gupta and Sharma, 2016; Amoako-Asiedu and Obuobisa-Darko, 2017; [Sandhya and Sulphey, 2021](#)). Suggests that employee engagement may or may not mediates the relationship between QWL and IWE on employee performance. Thus, we develop the following hypotheses:

H<sub>6</sub>: Employee engagement as a mediator between QWL and employee performance.

H<sub>7</sub>: Employee engagement as a mediator between IWE and employee performance.

### RESEARCH METHOD

Four latent variables are tested in this study: QWL, IWE, employee engagement, and employee performance. This study uses a survey questionnaire for data collection. Statements and items for each research variable in the questionnaire are referred to and adopted from previous studies.

**Table 1**

**The questionnaire, Item and Reference**

No	Variable	Item	Reference
1	Quality of Work-Life	15	Walton (1973) Zin (2004)
2	Islamic Work Ethics	17	Ali and Owaihan (2008) Rokhman (2010)
3	Employee Engagement	9	Schaufeli and Bakker (2004)
4	Employee Performance	11	Tsui, <i>et al.</i> (1997)

The population of this study is the total number of employees of SMEs in Kudus, Central Java, Indonesia. This study uses a sample from the said population using the purposive sampling method. The respondent can be taken as a sample if he has worked for at least one year at SMEs to describe his working experiences, especially on the QWL, IWE, and employee engagement in the companies they work for. Out of 194 questionnaires collected can be used for further analysis. The data are analyzed using path analysis in AMOS 16.0 statistics software.

## RESULT AND DISCUSSION

The demography profile of the respondents, which includes gender, age, education level, employees' involvement in the business sector, and length of employment, are provided in the following (see Table 2). Out of 194 total respondents, the frequency analysis showed that 109 respondents (56%) were female, whereas the other 85 (46%) were male. Besides, as for the age range of the participants, the majority of the respondents, 108 (53%) found to be between 18-25 years, followed by 27 or 14% of them belonged to the age group of 26-30 years while 25 (13%) of them found between 31-35 years, only 4 of them observed between the age 36-40 years, and 23 (12%) identified between 41-45 years while the rest 12 or (about 6%) of the respondents were at their 46 and above. It was significant to note that more than half of the respondents were millennials and generation Z.

Regarding their education level, 134 (69%) respondents, or almost two-thirds of the total sample, were high school graduates, followed by 28 or 15% recorded as undergraduate degree (S1) holders. In contrast, about 18 (9%) of the respondents held merely primary education. Subsequently, 12 (approximately 6%) of them were secondary school leavers, whereby only 2 (about 1%) respondents were holders of an associate degree (diploma).

Regarding the business sectors or SMEs where the employees worked for their living, the frequency analysis showed that the majority of the respondents, 52 (27%) of the total sample, belonged to Muslim fashion and design industries, whereas the second majority, 40 (21%) of them involved in confectionery, while 37 or 19% of them employed with Jenang business, whereby 29 (15%) they were engaged in embroidery (traditional batik artwork) followed by 20 (about 10%) of them involved in bag business. The remaining 16 (8%) of the respondents worked with Muria coffee production and

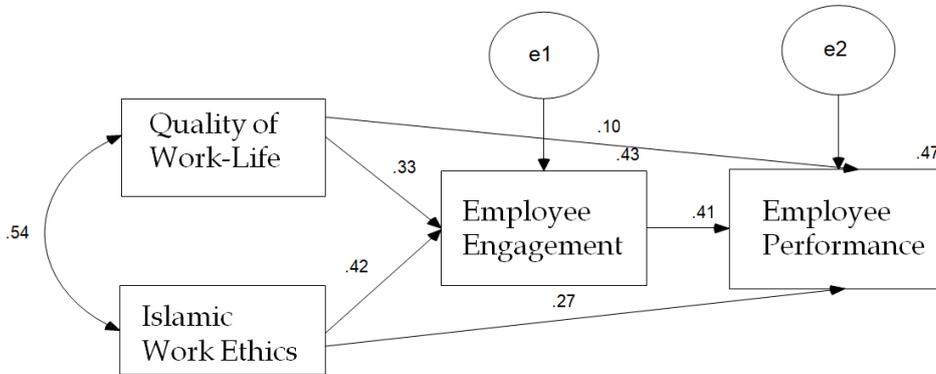


supply. As for the length of employment, the majority of the respondents, 89 (46%), were recorded working 1-3 years with the respective SMEs, whereas 46 (24%) of the respondents have been working for 4-6 years meanwhile 20 (10%) of them recorded worked for 7-9 years. Subsequently, 18 (9%) of the respondents reported working for 10-12 years with the same SMEs, while 15 (8%) of them responded that they worked for 13-15 years, whereas only 6 (3%) of them assumed working for more than 16 years in the same SMEs located across central Jawa.

**Table 2**  
**Respondent's Characteristics**

Characteristics	Total	Percentage
<b>Gender</b>		
▪ Male	85	44
▪ Female	109	56
Total	194	100
<b>Age</b>		
▪ 18 – 25 years old	108	53
▪ 26 – 30 years old	27	14
▪ 31 – 35 years old	25	13
▪ 36 – 40 years old	4	2
▪ 41 – 45 years old	23	12
▪ > 46 years old	12	6
Total	194	100
<b>Education level</b>		
▪ Primary School	18	9
▪ Secondary School	12	6
▪ High School	134	69
▪ Associate Degree (Diploma)	2	1
▪ Undergraduate Degree (S1)	28	15
Total	194	100
<b>Type SMEs</b>		
▪ Embroidery	29	15
▪ Convection	40	21
▪ Jenang	37	19
▪ Muslim fashion	52	27
▪ Bag	20	10
▪ Muria Coffee	16	8
Total	194	100
<b>Period of employment</b>		
▪ 1 – 3 years	89	46
▪ 4 – 6 years	46	24
▪ 7 – 9 years	20	10
▪ 10 – 12 years	18	9
▪ 13 – 15 years	15	8
▪ > 16 years	6	3
Total	194	100

After performing the assumption test for path-analysis and the results confirming the goodness-of-fit, the analysis is continued using the path-analysis model shown in Figure 1.



**Figure 1**  
*Path Analysis Model*

Table 3 shows the output from AMOS 16.0 for the maximum likelihood-based path analysis, which will be used to test the hypotheses proposed in this study. In general, the results confirmed all hypotheses. For hypotheses in paths 1,  $H_1$  and  $H_2$ , the significant positive effect of QWL ( $\beta=.327$ ,  $CR= 5.047$ ) and IWE ( $\beta=.418$ ,  $CR= 6.465$ ) upon employee engagement were accepted. There are three hypotheses tested in path 2, which are  $H_3$ ,  $H_4$ , and  $H_5$ . The results confirm the direction and the significance of the relationship between  $H_4$  and  $H_5$ . However, the relationship is not statistically significant for  $H_3$ , although the direction is as expected.

**Table 3**  
*Path Analysis Results*

Path	IV	DV	SPC	CR	Prob.	R <sup>2</sup>	DE	IE	T
1	QWL	EE	0.327	5.047	0.000**	0.430	0.327	-	0
	IWE		0.418	6.465	0.000**		0.418	-	0
2	QWL	EP	0.105	1.527	0.116	0.466	0.105	0.135	0
	IWE		0.268	3.874	0.000**		0.268	0.173	0
	EE		0.415	5.949	0.000**		0.415	-	0

Note: IV = Independent Variables; DV = Dependent Variables; SPC = Standardized Coefficient; CR = Critical ratio; Prob. = p-value; R<sup>2</sup> = Squared Multiple Correlations; DI Effects; IE = Indirect Effects; TE = Total Effects.

\*\* = significant at 5% alpha; QWL = Quality of Work-life; IWE = Islamic Work Eth Employee Engagement; EP = Employee Performance

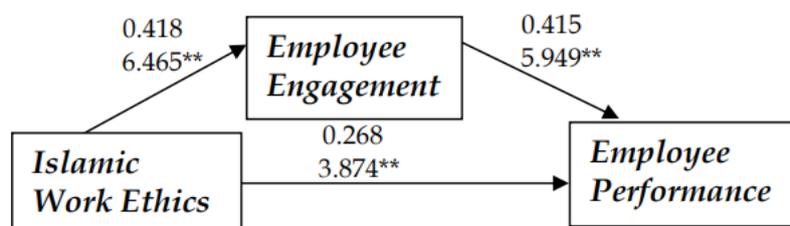


Figure 2 displays the Path test result showing that QWL significantly influences the mediating variable (Employee Engagement), then the mediating variable significantly influences Employee Performance. However, the QWL does not directly influence Employee Performance. According to Hair *et al.* (2006) and Baron and Kenny (1986), this condition has fulfilled the criteria for full-fledged mediation. Thus, the sixth hypothesis ( $H_6$ ) is accepted.



**Figure 2**  
**Path Analysis from QWL to Employee Performance**

Figure 3 shows the Path analysis from IWE to Employee Performance mediated by Employee Engagement. The results have shown a significant direct effect from IWE to Employee Engagement as mediating variable and a significant direct effect on Employee Performance as the dependent variable. Furthermore, the mediating variable (EE) is also found to influence the dependent variable (EP) significantly. Therefore, according to Hair *et al.* (2006) and Baron and Kenny (1986), this condition shows a partial mediation relationship. Hence, the seventh hypothesis, the mediating effect of employee engagement on the effect of IWE on employee performance, is accepted.



**Figure 3**  
**Path Analysis from IWE to Employee Performance**

## Discussion and Implication

The results indicate that the QWL has a significant effect on employee engagement. The principles of QWL emphasize the importance of recognizing the role and contribution of employees toward the working environment to improve the working climate. Hence, the application of QWL would be able to increase motivation, satisfaction, employee commitment and work engagement. In addition, the QWL reflects concern for employee work experience in the workplace, employee relationship with leaders and colleagues, a conducive work environment, and promoting satisfaction by providing innovative reward systems for employees, job security and career development opportunities. These findings have been strongly supported by several previous studies, which revealed that QWL significantly influences employee engagement (Sahni, 2019; Kanten and Sadullah, 2012).

That shows that improving the safety conditions and comfortability of the working environment, creating pleasant working experiences, improving the supporting system for active participation in the working environment, creating an innovative and satisfying reward system, and creating opportunities for career development, would have developed a tighter attachment between employees and the SMEs.

Regarding the relationship between IWE and employee engagement, the results have shown that IWE has a significant effect on employee engagement. In Islam, work is seen as a virtue. Work makes someone achieve independence, self-respect, satisfaction, happiness, and achievement. IWE emphasizes cooperation and establishing good social relations among employees to meet the needs of life and maintain a balance between social and individual life.

Employees with work engagement or attachment felt involved and had high enthusiasm for their work and organization. They strive to complete their work and use all their minds and energies for the organization's success. On the contrary, employees who have not has work attachment will tend to be skeptical of any initiative or communication carried out by the organization. This study provides insight into the role of IWE in work engagement. The result shows that the higher the IWE held by an employee, the higher the employee's work engagement level.



Although some previous studies emphasize the significance of QWL in improving employee performance (Ristanti and Dihan, 2016; [Hermawati and Mas](#), 2017; Thakur and Sharma, 2019; Tarigan *et al.*, 2021, Rokhman and Ahamed, 2021), the result of this study indicates that the QWL has no significant effect on employee performance. Thus, there is not enough evidence to support the third hypothesis.

This finding is in line with Ristanti and Dihan's (2016) research, which showed that QWL has no direct effect on employee performance. However, it indirectly affected employee performance through job satisfaction. [Hermawati and Mas's](#) (2017) study of 200 employees of Islamic banks in East Java also found that QWL has no direct effect on employee performance but indirectly affects employee performance through the mediation of organizational trust.

One of the reasons why the third hypothesis is not supported is because the implementation of QWL in the SMEs work environment is still lacking, such as the absence of career development opportunities within the scope of SMEs work, the lack of optimal employee involvement in decision making and the unavailability of innovative reward systems for employees.

The result shows that IWE significantly affects SMEs' employee performance. IWE maintains a balance between individual and social life and views work as a noble act to fulfill the necessities of life. Therefore, the faith of Islam looks high on those who have the will and ability to work hard and looks down on whom are reluctant to work hard. IWE also confirmed that life becomes meaningless without work and carrying out economic activities is an obligation to fulfill responsibilities (Yousef, 2000).

The output of this study is very consistent with research conducted by Imam *et al.* (2013) which found a significant influence of IWE on employee performance and with Rokhman and Ahamed (2021), which indicates that the more organizations value IWE in the workplace, the higher the employee's job performance. As a result, IWE is a crucial factor in increasing employee productivity and effectiveness. Employees with good IWE are expected to achieve better performance in quality and quantity. One of the reasons is that employees applying IWE will have a greater sense of responsibility in carrying out the tasks assigned to them, which will impact achieving performance targets in SMEs.

This study confirms that employee engagement significantly affects employee performance at SMEs in Kudus Regency. Employee engagement is the most decisive parameter in increasing productivity and works efficiency. Employees with a high working engagement with their organization would have a strong and deep emotional bond with their workplace, great enthusiasm to work, and sometimes they go beyond their main tasks to contribute more significantly to the SMEs. Work engagement is different from employee job satisfaction because SMEs cannot measure employee performance and retain employees only by relying on employee job satisfaction. Therefore, improving employees' performance in an organization is challenging by using job satisfaction at the SMEs level. Employee engagement, however, can do it.

This result is consistent with the study [Anitha](#) (2014), Gupta and Sharma (2016), Amoako-Asiedu and Obuobisa-Darko (2017), and [Sandhya](#) and Sulphey (2021). Thus, employee engagement is an important element in creating success for SMEs through matters relating to employee performance, productivity, attendance and retention, customer satisfaction and loyalty, to profitability. Employee performance is one of the things created by high employee engagement. Employees who have had strong ties with their work would improve their work performance for the success of the SMEs.

This study has provided enough evidence to say that employee engagement fully mediates the effect of QWL on employee performance. In other words, QWL is found to indirectly affect employee performance through employee engagement. In principle, the QWL is important in improving work productivity and effectiveness at SMEs. The application of good QWL in the SMEs working environment should be able to improve employees' performance. However, based on the findings here, employee working engagement is needed to mediate the application of QWL in improving employee work productivity. The entire mediation implies that QWL will only be able to improve employee performance when it is mediated by employee engagement.

However, employee engagement is found to mediate the influence of IWE only partially upon employee performance. The findings of this study demonstrate that IWE directly affects employee engagement and performance. Hence, it is expected that implementing IWE in the working environment will



strengthen the engagement between leaders and employees and employees with colleagues, which improves employee performance. Thus, partial mediation implies that the higher the level of IWE application, the stronger the employee working engagement, which finally will increase employee productivity and effectiveness.

## CONCLUSION

The results of this study describe that employee engagement not only fully mediates the effect of QWL on employee performance but also partially mediates the effect of IWE on employee performance. However, the QWL did not show a significant direct effect on employee performance. This can imply that employee engagement is essential in the relationship between QWL and employee performance; in fact, the models investigated in this study show that QWL is indirectly related to employee performance. The relationships between IWE and QWL with employee performance are partially mediated by employee engagement and the latter entirely.

This study implies that QWL and IWE might influence different organizational parameters, directly or indirectly. Therefore, it is recommended that future researchers evaluate potential relationships between QWL, IWE, and other variables while considering not only the role of employee engagement but also the mediating role of other variables to conceptualize the effective outcomes fully.



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