THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER SATISFACTION AND CUSTOMER LOYALTY, MODERATING EFFECT OF CORPORATE IMAGE (EVIDENCE FROM PAKISTAN)

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Abstract

As the businesses are growing very fast today, there are different techniques and tools to make the place in the mind of customers and concept of Social Corporate Responsibility is most prominent area in the literature in customer’s point of view, in last two decades CSR was found very effective to attract the stack holders specially customers. This review examines that how Customers Satisfaction and Loyalty is influenced by the CSR factors in the presence of corporate Image as a moderator in economy of Pakistan. Study based on qualitative research method and questionnaire was spread in 370 target peoples, and 236 were received back from those 219 were found reliable for testing. Six Hypotheses were generated and data was run in SPSS and all of them were supported. Finally, overall results were found positive effect of Corporate Social Responsibility on the Customers Satisfaction and Loyalty and moderating effect of corporate high image results more strong relationship between CSR and Customer Satisfaction and Customer Loyalty. There should be need of market implication of this and researches in broader aria with the maximizing of resources.

**Keywords**: CSR, Corporate Image, Customer Satisfaction, Customer Loyalty

1. **Introduction**

The social role of businesses in the society is the area in literature from mid of last century and there is lot of articles on it, and CSR is Social Responsibility of and well known topic in businesses and among the researchers CSR was found limited discourse in 1950. Fredrick was a notable contributor of the CSR in the literature explained that balances of the competing resources, Corporate Philanthropy and managers as public trustees are three Ideas (Carroll & Shabaana, 2010). The World Bank defines CSR as “the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society to improve the quality of life in way that both good for business and development. A survey showed that 76% executives that shareholders wealth positively contributed by the Social Corporate Responsibility (Capozzi, Gregg, & Howe, 2010). Many of researchers found positive behavior of customers in buying on the base of corporate social role (Forte & Lamont, 1998).
There was the time of growing the CSR in the developed countries in the 1960 and in 1970 and beyond CSR concept involved primarily through the academic contribution to the literature and slowly emerging realities of business practices (Carroll, 1999). CSR provide a framework to structure the responsible use of corporate power and social involvement (Turker, 2009). Implementation of a Social Corporate Responsibility may generate a useful positive relationship that pursues stakeholders to be committed to the corporate through the Customers satisfaction, stockholders and investors attractiveness (Maignan & Ferrell, 2004; 2000). Customer satisfaction is evaluation of the perceived discrepancy between prior expectations and the actual performance of the product (Tse & Wilton, 1988: Oliver, 1999). Customer’s loyalty is purchasers commitment with services and product (Oliver, 1999). Now a day’most of the family owned companies associated with the WAQFS and other charities and allocating small portion of profit to these associations to achieved Social benefits (Ararat, 2008).

Majority of the studies on Social Corporate Responsibility cover the developed economies and a little bit work was found in emerging and developing countries including Pakistan economy (Ali, Rehman, Yilmaz, Nazir, & Ali, 2010). Pakistan has 168 million peoples with the labor force. Like other developing countries there are many of the national and international companies are working in Pakistan. Normally companies are focusing on earning and maximizing the wealth without considering social effects and environmental friendly conditions that are only because in developed countries these are not allowed (Naeem & Welford, 2009). There is many researches in developed countries on CSR factors, in Pakistan also some researches that used few factors of CSR but by using these factors (Ethical Responsibility, Legal Responsibility, Economic Responsibility, Philanthropic Responsibility) we will cover the whole impact of CSR on Customer Satisfaction as well as on Customer Loyalty. One important thing is that Pakistan is also a secondary emerging Country according to the List of World Bank in 2015. This review is exploring the value of CSR, and how much CSR is effective to enhance Customer Satisfaction and Loyalty and how Corporate Image is positively increasing the relationship between them, This review will helpful for the all corporations and SME firms and a way for the future researcher.

2. Literature Review

2.1 Corporate Social Responsibility

According to the World Bank CSR is “the commitment of the business to contributes economics developments working with employees, their families, local community, and society to improve quality of life, in ways that are both good for the business and good for development” (Chung, Yu, Choi, & Shin, 2015). CSR is an effort and responsibility of company to avoid the hurdles or reduces harmful effects and maximizing long run positive impact and image on society (Moon, 2002). In earlier thoughts organizations were only think and seeking for the maximization of the profit and shareholders’ wealth only. CSR is the commitment of organization to improve community by business practices and contribution of resources (Kotler & Lee, 2008).

There are lots of researches that shown the support as well as detract the concept of Social Corporate Responsibility. Where articles argued for CSR, some were against the CSR (Carroll & Shabana, 2010). CSR is a commitment of companies to reducing all harmful effects and maximizing wealth and its long-run beneficial impact on society or community (Mohr, Webb, & Harris, 2001). Companies have become increasingly interested in CSR, as it seems to have a positive impact on consumers’ affective and behavioral responses (Sen & Bhattacharya, 2001). Planning and initiatives to the social problem is better than to react against them (Carroll, Buchholtz, & Business, 2000). Widely accepted and implemented definition of (Carroll, 1979, 1991) about CSR is stating “the social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations.” This definition has become fairly widely accepted (Mohr, Webb, & Harris, 2001) and emphasizes four principle types of responsibilities; economic, legal, ethical and philanthropic (Matten & Crane, 2005).
There are four types dimensions of social responsibilities constitute total CSR: economic, legal, ethical, and philanthropic. These components of CSR might be considered as a pyramid. Each dimension deserves same consideration.

2.1.1 Economic Responsibilities

The basic responsibility of any business is the economic responsibility, that means maximization of wealth and profit and development of the economic growth, from the start business organization was the basic economic unit in communities. Main role of businesses was to produce goods and services that consumers needed and delivered to gain an acceptable profit. Other responsibilities of business are followed by the economic responsibility of the firm, because without it the others become meaningless (Carroll, 1991).

2.1.2 Legal Responsibilities

With the motive of profit maximization society allows business to operates under the law and regulation promulgated by federal and local governments. Those Laws allows achieving economic missions within the framework of the law (Carroll, 1991: Carroll & Shabana, 2010).

2.1.3 Ethical Responsibilities

Although economic and legal responsibilities followed by the ethical norms and value of the society and community. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights. Ethical responsibilities are the strategic values of managers about right and wrong business behavior. Ethics or values are proceeding to the establishment of law according to the norms of community. Ethics are the driving force behind the creation of laws or regulations (Fadun, 2014: Carroll, 1991).

2.1.4 Philanthropic Responsibilities

Philanthropy responsibilities are actions or policies toward humanity and charity, in response to social and community expectations that businesses are good corporate citizens. Philanthropic responsibilities are voluntarily share of business for the development of society, and contribution to education or community. Ethical responsibilities are components are expected in an ethical or moral sense and philanthropy is voluntary part of a business to the society. Philanthropic component is willingness to contribute in charitable expectations of society and projects that enhance a community's quality of life (Carroll 1991).

2.2 Customers Satisfaction and Effect of CSR

Customer satisfactions are feelings of person in term of pleasure that shows expectations of the product/Services to their expectations (Oliver, 1980). Customers satisfaction is the base for business success and the long run growth of the business (Drucker, 1973). When level of Customer satisfaction increased it leads to the higher level of customers repurchase (Iqbal, Zia, Bashir, Shahzad, & Aslam, 2008) they also found that satisfied Customer will also recommend and patronize to other customers for the choosing of that firm’s product/services. CSR make a good reputation in the mind of consumers that is a positive sign and customer satisfaction positively influence by the Social Corporate Responsibility, the following hypothesis can be generated based on previous theoretical discussion.

**H1:** CSR has significantly positive impact on Customer Satisfaction.

2.3 Customer loyalty and Effect of CSR
Customer loyalty is desire of customer to continue to conduct business with a company over the time (Smith & Chaffey, 2008). Loyalty mean to stay with the company for the time being or repurchase behavior of the customers is customer loyalty toward firm. It can be described consumer loyalty to recognition and preference towards a particular company (Naqvi, 2013). Oliver, (1999) defined loyalty as “a deep commitment to the product/services for re-patronizing and repurchasing consistently for the time being, thereby causing to purchase same brand again and again, despite situational influences and marketing efforts having the potential to cause switching behavior”. As customer loyalty is considered a major objective of a firm to survive in the market and growth and also important for the competitive advantages (Kotler & Armstrong, 2010). The customers who are loyal will be commented higher contribution of their category spending for the firm, and are more likely to pursue and positively speak to the surrounding peoples about the firm to become part of the firm (Zeithaml, Berry, & Parasuraman, 1996). It is widely agreed that customer satisfaction leads to customer retention, purchase intentions. Thus, it is expected that CSR and customer satisfaction are positively related to customer loyalty (Anderson & Mittal, 2000). Therefore, the following hypothesis is proposed, based on previous theoretical discussion.

**H2**: CSR has significantly positive impact on Customer Loyalty.

### 2.4 Effect of Corporate Image on Customer Satisfaction and Customer Loyalty

Several studies had accepted the crucial part of corporate reputation and corporate image in the customer’s buying behavior (Zeithaml, 1981). “Perceptions of an organization reflected in the associations held in consumer memory” (Kotler & Lee, 2008). Corporate reputation and image are considered as important factors in establishing and maintaining loyalty among customers (Gupta, Raj, & Wilemon, 1985). Corporate image is related to customer retention likelihood (Ball, Coelho, & Vilaress, 2006; Nguyen & Leblanc, 2001). According to attitude theory, the foremost cause of corporate image is the evaluation of services which increases value and becomes more accessible in memory (Farquhar, Herr, & Fazio, 1990). Some of the researchers justify the role of Corporate Image for the consumer’s satisfaction with the support of signaling theory (Chen & Dubinsky, 2003).

**H3**: Corporate Image has positive impact on the Customer Satisfaction.

However, it is also found by the researches that when customers develop their positive mindset about any corporation they will move towards higher satisfaction and loyalty (Brodie, Whittome, & Brush, 2009). In the light of above mentioned arguments it can be testify that positive corporate image should enhance customer satisfaction and loyalty towards corporations. Examining airline services (Ostrowski, O’Brien, & Gordon, 1993) argue that positive experience over time ultimately leads to positive image. Studies showed the direct impact (Nguyen & Leblanc, 2001) as well as indirect effect (Ball, Coelho, & Vilaress, 2006) of corporate image on customer loyalty.

**H4**: Corporate Image has positive impact on the Customer Loyalty.

### 2.5 Corporate Image as a Moderator CSR & Customer Satisfaction & Loyalty

Corporate reputation not only motivates the existing customers to adopt favorable attitude, but also to potential customers. Potential customers conceive idea about corporations from their advertisements and from other sources for instance word of mouth from existing customers. Building strong corporate image is more important in the context of service organizations who are not offering tangible products to customers. Therefore, service providing organizations use corporate reputation as a tool to mold consumer behavior for repetitive purchases from the organizations (Tang & Weiwei, 2007). Companies can use the Social Norms and Strategies by compelling images that appeal to consumers’ social and psychological needs. A positive Customer attitude can be achieved toward the Corporate Image by the societal marketing program and corporate communications (Chattananon, Lawley, Trimetsoon, Supparerkchaisakul, & Leelayouthayothin, 2007).

**H5**: Corporate Image moderate relationship between CSR and Customers Satisfaction, in the way that this relationship will stronger when Corporate Image is high.
Corporations can build potential, compelling images which present fulfill consumers’ social and psychological needs though which companies can achieve customers’ satisfaction and loyalty (Kotler, Keller, Ancarani, & Costabile, 2014). Corporate image & Customers Satisfaction is a key to the customer’s loyalty and repurchases behavior (Kaur & Soch, 2012). (Chung, Yu, Choi, & Shin, 2015) argued that: features of Corporate image provides dual aspects benefits, one in term of realized corporate potentials and performance while second is socio cultural mind set of the customers toward the organization, in other words social activities are also parallel to Corporate image, according to the literature and previous researches the following hypothesis are generated based on previous theoretical discussion.

H6: Corporate Image moderate relationship between CSR and Customers Loyalty, in the way that this relationship will stronger when Corporate Image is high.

3. Theoretical Framework

4. Methodology

4.1 Sample and Data Collections

For the testing of above derived hypothesis, a survey was conducted from the 370 sample Peoples from the Government sector, private sector and university students. The nature of the population, sample, survey procedures, and method of analysis are discussed below.

4.2 Sample

Convenience sampling technique was used to collect the data from the Pakistan, private sectors, and government sector as well as from students to capture different cultures and to make broad the concept and to reach the maximum level of accuracy in results, to distribute and collect the questionnaire successfully. The letter of the questionnaire explained that the result would keep in strict confidential and participations were voluntary to attempt. Total of 370 questionnaires were distributed out of which 236 received back and 219 questionnaires were usable (response rate of 59.19%). Respondents divided between 20 and 29, between 30 and 39, between 40 and 49, 50 and 59 and 60 and above. 75% percent have at least a bachelor degree and 55% percent have a profession (in public or private sector). It should be noticed, however, that owing to the fact that we have a convenience sample. The SPSS was run to get the results. The questionnaire design the questionnaire was originally written in English. There was no need to translate the questionnaire in Pakistani Languages, because all of the professionals and students can easily understand English language.

4.3 Measures
The questionnaire was designed into five sections. Section A is based on the CSR questions and uses a four-dimensional model of Carroll (1991) with the following dimensions: Philanthropic Responsibility “Employees participate in charitable activities of their local communities.” Ethical Responsibility “This Cellular firm recognizes and respects new ethical/moral norms.” Legal Responsibility “This Cellular firm fulfills its legal obligations.” Economic Responsibility “This Cellular firm is committed to profitability.”

Items for Section B are based on the Corporate Image (CI) to evaluate the effect of Corporate Image on the Customer Satisfaction and Loyalty developed by Souiden, Kassim, & Hong, (2006), which were also used by Ishaq, (2012), Chung, Yu, Choi, & Shin, (2015). Sample items from the study include “This Cellular firm has an overall clean reputation.” Section C covers the Customer Satisfaction questionnaire which is developed by Verhoef, Franses, & Hoekstra, (2001). Sample item from the study is like “Overall, I am satisfied with products and services of this Cellular firm”. Section D is based on the Customer Loyalty (CL) developed by Verhoef, Franses, & Hoekstra, (2001). All variables were measured using a five-point likert-type response scale starting from strongly Agree (1), Agree (2), Neutral (3), Disagree (4) and strongly Disagree (5).

4.4 Data Analysis Procedure

In order to test the model correlations were computed to verify the relationships of the social Corporate Responsibility and Corporate Image with Customer Satisfaction and Customer Loyalty and linear regression was used in order to check the significance and nature of relationship.

4.5 Control Variables

One-way ANOVA was used to identify control variable gender is identified as control variable because of their possible effects on Customer Satisfaction.

5. Results

5.1 Correlation Analysis

Table 1 of the correlations is showing the strong relationship between descriptive statistics, bivariate correlations and estimates of reliability for all variables.

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Gender</td>
<td>1.2374</td>
<td>.42649</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2. Education</td>
<td>3.1416</td>
<td>1.04621</td>
<td>.140*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Age</td>
<td>3.1963</td>
<td>.98278</td>
<td>.173*</td>
<td>.348**</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. CSR_Mean</td>
<td>1.3716</td>
<td>.37124</td>
<td>.154*</td>
<td>-0.052</td>
<td>-0.001</td>
<td>1(.876)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Mean_CI</td>
<td>1.3543</td>
<td>.45707</td>
<td>0.075</td>
<td>0.025</td>
<td>0.03</td>
<td>.648**</td>
<td>1 (.850)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Mean_CS</td>
<td>1.1553</td>
<td>.37097</td>
<td>.149*</td>
<td>-0.078</td>
<td>-0.029</td>
<td>.697**</td>
<td>.711**</td>
<td>1 (.873)</td>
<td></td>
</tr>
<tr>
<td>7. Mean_CL</td>
<td>1.3032</td>
<td>.46663</td>
<td>0.107</td>
<td>-0.009</td>
<td>-0.024</td>
<td>.538**</td>
<td>.408**</td>
<td>.514**</td>
<td>1 (.764)</td>
</tr>
</tbody>
</table>

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Total Sample Size is, n=219. Alpha Reliability of all variables is more than 0.7 Shown in Parenthesis ().
As Cronbach’s alpha shown in table for CSR, Customer Satisfaction, Customer loyalty and Corporate Image is more than .7 which is shown that all set of items are having internal consistency between them and highly reliable. Corporate Social Responsibility and Customer satisfaction at (r=.697 at value of p≤.01**), r=.697 is showing strong positive relation between CSR and Customer satisfaction on P value at ** which is less than 0.01. Social Corporate Responsibility and Customer Loyalty at (r=.538 at value of p≤.01**). Moderator Corporate Image also have strong relationship with Customer Satisfaction (r=.711** at value of p≤.01**). Moderator Corporate Image also have strong relationship with Customer Loyalty (r=.408** at value of p≤.01**). Our all hypothetical variables are correlated with each other, which also shows acceptance of overall research model.

5.2 Regression

We have used multiple linear regression analyses to test all hypotheses. We entered control variable, gender in first step. In step two Corporate Social Responsibility and moderator Corporate Image are add and in step three interactive term of Social Corporate Responsibility is added to check the impact of moderator Corporate Image on strengthening or weakening of relationship between independent Social Corporate Responsibility and dependents Customer Satisfaction and Customer Loyalty. Our first hypothesis CSR has significantly positive impact on Customer Satisfaction is supported (β=.349, P<.001). H2, CSR has significantly positive impact on Customer Loyalty. (β =.104, P<.01). H3, Corporate Image has positive impact on the Customer Satisfaction. (β =.364, P<.001) is also supported. H4, Corporate Image has positive impact on the Customer Satisfaction is also supported where (β=0.164, P<.001).

Table 2: Result for Effects and Moderated Regression Analysis

| Predictor(s) | Customer Satisfaction | | | Customer Loyalty | | |
|--------------|------------------------|-----------------|-----------------|----------------|-----------------|
|              | B          | R²               | ΔR²              | B              | R²               | ΔR²              |
| Step I       |            |                  |                  |                |                  |                  |
| Gender (For CL) | 0.022      |                  |                  |                |                  |                  |
| Step-II      |            |                  |                  |                |                  |                  |
| CSR          | 0.349***   | 0.779            | 0.174***         | 0.164***       | 0.320            | 0.24***          |
| Corp Image   | 0.364***   |                  |                  |                |                  |                  |
| Step-III     |            |                  |                  |                |                  |                  |
| Int Term CSR | 0.398***   | 0.605            | 0.583***         | 0.594***       | 0.289            | 0.296***         |

*P<0.05, **P<0.01, ***P<0.001

H5, Corporate Image moderates relationship between CSR and Customers Satisfaction, in the way that this relationship will stronger when Corporate Image is high. (β =.398, P<.001) is also supported. H6, Corporate Image moderate relationship between CSR and Customers Loyalty, in the way that this relationship will stronger when Corporate Image is high (β =.594, P<.001) is also supported. As correlation results are showing stronger relationship as well as all six hypotheses are showing acceptance by the results, it is proved that CSR positively influences the Customers satisfaction and Customers loyalty with positive corporate image. As in figure 1 and figure to both are showing the stronger relation of CSR on Customer satisfaction and Customer loyalty with high corporate image.
6. Conclusion

As the results mentioned as above our all Hypothesis are accepted results supported the H1 “CSR has significantly Positive Impact on Customer Satisfaction” and our Hypothesis “CSR has significantly Positive Impact on Customer Loyalty” with study of Mandhachitara & Poolthong, (2011) and Chung, Yu, Choi, & Shin, (2015) also supported the same result. H3: Corporate Image has positive Impact on the Customer Satisfaction. H4: “Corporate Image has positive Impact on the Customer Satisfaction” also supported by our results and results match to the Ball, Coelho, & Vilares, (2006) and Nguyen & Leblanc, (2001) Said that Corporate image is related to customer retention Positively Effects the Customer Satisfaction and Customer Loyalty as per the above discussion of results and the literature reviews our first four hypotheses are supported by the results and also with the literature in favor of the CSR and Corporate Image. And the last two hypothesis are also supported by our results got from SPSS In Regression Analysis and Chung, Yu, Choi, & Shin, (2015) also check the same hypothesis in the general sociality and overall impact of CSR In China and they also found the positive Relation of the Social Corporate Responsibility on the Customer Satisfaction in the moderation of Corporate Image. This is a most precious aspect that CSR and Corporate Image both positively Influence the Customer Satisfaction and Customer Loyalty so according to our Results and the above mentioned results our both hypothesis are supported that are mentioned as H5: “Corporate Image moderate relationship between CSR and Customers Satisfaction, in the way that this relationship will stronger when Corporate
Image is high”; H6: “Corporate Image Moderate relationship between CSR and Customers Loyalty, in the way that this relationship will stronger when Corporate Image is high.”

6.1 Limitations

With the best of our knowledge we tried to make the study perfect, but there are few limits about the study. The major limitation of the study is shorter of time, data was only collected from the employees of banks, universities and some public sector organization, in that manner generalization of the results is difficult. It may be possible that the results may be changed if the study model is tested in different cultural organizations manufacturing firm and other professionals. And convenient sampling used and all the data collected once the time. And the respondent was mixture of the graduate students, professional, academic and admin of university and banking sector, data was collected only from two city of the Pakistan. These are the reasons of narrow down the study, Educational level of the respondent also matter.

6.2 Future Research

CSR and Corporate image are two important tools or we can say that the routes to Customer Satisfaction & loyalty for services as well as Manufacturing Companies in retaining or attracting customers. Research related to the importance of CSR and Corporate image in attracting customers to the company and as per the limitations, that we have focused on the impact of CSR on customer satisfaction and Customer loyalty and Collected data related to Cellular Firms and for more generalization of future researches can be done in the Manufacturing firms as well as other services firms or a whole Impact how this may change between different industries. Finding good measures of satisfaction, image and loyalty, is therefore required.

Reference


Maheshwari, K., & Kumar, V. (2013). To create a positive brand image through corporate social responsibility.


