IMPACT OF CORPORATE SOCIAL RESPONSIBILITIES ON CUSTOMERS LOYALTY IN ISLAMIC BANKS

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ABSTRACT- In contemporary academic literature, research on corporate social responsibility and consumer loyalty has become gradually significant due to its critical role in the success of the organizations in general and for individuals in societies specifically. The corporate social responsibility helps the organizations to become accountable to the own and stakeholders from diverse dimensions like economic, social and environmental perspectives. The customer loyalty is value of the consistent emotional positive experience and apparent worth of practice towards services and product. In this regard, this study is an attempt to examine relationships among corporate social responsibility measures and consumer loyalty in the context of banking sector by collecting the data from the stakeholders hailing from southern region Banks in KP, Pakistan. The data was analyzed by using the statistical tools as per demands of the research hypotheses extracted from theoretical framework. The results are significant and provide suitable information about the phenomena under considerations which may be helpful for the policy makers.

Keywords: Corporate Social Responsibilities, Customers Loyalty, Islamic Banks, KP, Pakistan

I. INTRODUCTION

The service industry, around the globe, has been considered as the backbone for the social and economic development. In addition to profit generation, services industry is carrying out the dynamic responsibilities to serve humanity. In this connection, the banking sector is also considered as dynamic sector who contribute its share in the economic development and contribute significantly in serving the humanity/societies (Ganesh, Arnold & Reynolds, 2000). In banking sector, Islamic banks are considered as vital gears to national economic progression thereby providing their services to serve the societies along with certain well-defined responsibilities (Mohr, Webb & Harris, 2001). The corporate social responsibility along with certain vital measures are considered as critical obligations of Islamic banks in serving communities with enthusiastic manners in the context of developing countries like Pakistan.

The mission of Pakistan State Bank is to promote financial stability by developing dynamic and sound financial system to attain the justified and sustainable economic development and prosperity in Pakistan. In this mission, Islamic banking system has playing significant role by promoting and developing the Islamic practices in banking industry thereby ensuring the Shariah transparency and compliance (Muhammad, 2002). The Islamic banks have occupied substantial position and has become the fast-growing sector in entire financial system due to efficient delivery of quality products and services to its different stakeholders (Archer & Ahmed, 2003). The Islamic banks have become gradually dynamic profit-making financial institutions. The Islamic banks have dynamic responsibilities which make them accountable to the stakeholders in which the corporate social responsibility is inclusive package of these responsibilities.

The corporate social responsibility, during the few decades, becomes the area of interest for the business analysists, management researchers and organizations/banks. This phenomenon is mainly emphasized on the role/responsibilities of businesses towards the societies. It helps in ensuring the standards behavioral guidelines and measures by guiding the organizations to adopt positive and productive measures for community development (Maignan & Ferrell, 2004). The "corporate social responsibility" is considered as vital strategic tool for business and financial entities to develop the corporate image in viable situation. It helps in providing good governance about workforces' privileges, customers' satisfaction and environmental protection by aiming on stakeholder loyalty and trust (Beckerolsen, Cudmore & Hill, 2006). It has many attributes among which the economic, social and environmental are the foremost predictors.

Through the effective and strategic corporate social responsibility measures, organizations might be able to reach the loyalties of their stakeholders. The continuous and long-lasting interaction of individuals with

specific organization by using its products and services and their recommendations to other individuals comes under the umbrella of loyalty (Rosario, Carmen & Simonetti, 2015). In marking this loyalty, the corporate social responsibility has played significant role as per validation and confirmations of existing researches in diverse contexts. The effective corporate social responsibility policies help organizations in marking their images in customers' perspectives which in turn inspire customers to become loyal and committed to organizations (González & Vilela, 2016). The organizational efforts towards corporate social responsibility will improve stakeholders trust which lead to loyalty of the customers.

Problem Statement

This study aims at exploring the relationships between the corporate social responsibility, customers' loyalty in context of Islamic banks in Khyber Pakhtunkhwa, Pakistan. The Islamic banks are considered as backbone of national economy as also considered as the vital contributor towards the national exchequer. The corporate social responsibility is dynamic for financial institution and to what extent it is significant in Islamic banking system in shaping the attitude and heavier of the stakeholders is the main theme of present research study.

Objectives & Hypotheses

1.   To examine the association between corporate social responsibility and customers' loyalty in context of Islamic banks (hypothesis # 1).
2.   To examine the impact of the corporate social responsibility on customers' loyalty in context of Islamic banks (hypothesis # 1).

II.   LITERATURE REVIEW

The strong banking system, around the globe, is the croon of the economic development as banking sector is paying major contribution in setting out savings across the countries. In developing countries like Pakistan, the financial sector is also considered as the backbone for spirited economic development. In Pakistan, different sectors of economies are playing their substantial role in economic growth in which banking sector is considered as leading constituent (Muhammad, 2002). The banking sector accounts for about three-fourth of entire financial sector. The statement bank of Pakistan is regularity body of financial sector who frame the policies and roles for financial sector including banking sector wherein different banks are functional like commercial and Islamic banks (Archer & Ahmed, 2003). The role of Islamic banks is vital to offer the interest free products and services to customers around the country which are expected to be influence by many factors like the corporate social responsibilities and customers loyalty.

The banking sector in Pakistan has faced various issues during the past few decades which are mainly related with the economic uncertainty and political instability that remains the leading problematic concerns. The banking sector is producing revenues along with decline in defaults and surplus liquidity however, the economic situation is still deteriorating due to political and administrative unpredictability (Zafar & Aziz, 2013). The fact is that economic development is directly with development of concerned country and efficient role of baking sector is quite impressive towards economic change. This sector not only helps in increasing the revenues but also helps in increasing and maintaining the gross domestic product growth to a larger extent (Nayak & Goel, 2014). This increasing trend is possible just only efficient role of banking sector along with the supporting and supervisory role of the governmental functionaries.

The corporate social responsibility from economic dimensions denotes to efforts in shape of economic contributions towards societies thereby offering their economic shares towards the welfare of stakeholders and societies (Klein & Dawar, 2004). This responsibility focused the organizations to offer some portion of income that comes from the profitable operations thereby investing these shares in the societal issues to resolve the issues and to maintain the trust of individuals in societies as well as their stakeholders to continue their commitment in prolonged manners towards the organizations (Anderson & Bieniaszewska, 2005). The organizations can facilitate stakeholders by reducing cost of operations, by reducing interest rates and by producing quality goods and services to their stakeholders. The stakeholders in turn will show their utmost dedication toward improvements in corporate reputations and standing.

The effective interactive relationships are the outcome of the social responsivity with respect to the organizations and societies. The social responsibility denotes to aim benefit societies from social perspectives by focusing upon social needs of individuals in societies and the focus remained important due overwhelming role of organizations towards the societies (Anderson & Bieniaszewska, 2005). This

phenomenon diverges the relationships between the organizations and the societies. The social issues are the main priorities of organizations to maintain the social and ethical values in the societies by contributing societies from their overwhelming measures (Becker, Cudmore & Hill, 2006). This is the main reason why the researchers endorsed social facet of CSR by keeping in view social issue and organization's role in protection the said societies from social dilemmas to maintain their reputations in the societies.

The environmental responsibility denotes to impact of organizations on environments from different perspectives. Thus, it becomes the obligations of organizations to focus on issues related with environmental uncertainty thereby playing their critical roles towards removing the environmental constraints to protect the concerned environment (Mazurkiewicz, 2006). The environmental issues are dilemmas that not only influences societies but also influences corporate image and reputations of organizations (Pomering & Dalnicar, 2007). It becomes the utmost responsibility of organizations to focus on issues that hindrances environmental development and contribute in developmental protection by paying economic shares over different perspectives (Pomering & Johnson, 2009). Organizations are required to put emphasis on societal prosperity from environmental views to uphold their position in viable markets.

The customers' loyalty is contingent upon various dynamic factors among which corporate social responsibility has been considered as vital predictor in determining customers' loyalty and commitment. The customers' loyalty in context of corporate social responsibility has been widely studied with different outcomes (Cohen, Pham & Andrade, 2008). The satisfied customers are foremost assets of organizations and organizational success is contingent on the increase in the perceived values of the customers. The organizations are mainly focused upon the provision of quality services to their customers to make them loyal and committed towards concerned organizations (Chang & Fong, 2010). The customers are considered as true stakeholders of organizations as its credibility and success is mainly due to customers. In this linking, there is a saying in management, and in marketing that customers are always right.

III. RESEARCH METHODOLOGY

The positivism is research philosophy adapted in present research as positivism suggests that reality should exists and further measured and analyzed by using the quantitative tools and techniques to reach the conclusions in a comprehensive manner. For this purpose, as the positivist approach was adopted in this research so as to determine relationships among diverse constructs over statistical procedures, deductive approach was estimated to be more suitable. In positivist approach which usually involves analysis of relationships over a representative sampling from population by collecting and analyzing data over statistical measures, survey is suggested as the best tool (Bryman & Bell, 2015). Thus, survey method was used to access population where they are questioned about research variables by labeling their views about phenomena. The questionnaire was used as data collection tool while statistical analysis was used for corresponding analysis so as to test hypotheses in the particular context over particular framework. The population of present study comprises all customers of Islamic Banks in Khyber Pakhtunkhwa, Pakistan. There are total 210 functional Islamic Banks in all the districts of Khyber Pakhtunkhwa (Islamic Banking Bulletin, 2018). A sample of 140 was selected from the infinite population and used for analysis in the present research study.

IV. DATA ANALYSIS

The results of the study obtained through statistical procedures thereby finding the answers of the research questions have been presented in this section. In this connection, the results presentation is the most important part of research studies as it helps in providing the main outcomes concerning the assumptions extracted from theoretical framework. Therefore, the researcher presented the main results systematically to reach the conclusion of present study.

Table 1 Descriptive Statistics

	N	Minimum	Maximum	Mean	SD
Economic Responsibility	340	1.33	5.00	3.2227	.80430
Social Responsibility	340	1.17	4.67	3.0363	.77415
Environmental Responsibility	340	1.83	5.00	3.3642	.74510
Customers Loyalty	340	1.70	4.80	3.5600	.67735
Valid N (List-wise)	340				

The above table provide the descriptive statistics about the research variables under study concerning the total sample, minimum and maximum response rate of the respondents about each question through which the variables are measured, the mean and standards deviation. Descriptive statistics helps in providing leading information about determining the variables research variables in understanding their mean, standard deviation and rate of the responses.

H1: There is significant association between CSR (economic, social and environmental), customer loyalty, corporate reputation & customers trust.

Table 2 Correlation Analysis

		ERS	SRS	ENR
Social Responsibility (SRS)	Pearson Correlation	.558**		
	Sig. (2-tailed)	.000		
	N	340		
Environmental Responsibility (ENR)	Pearson Correlation	.311**	.267**	
	Sig. (2-tailed)	.000	.000	
	N	340	340	
Customers Loyalty (CSL)	Pearson Correlation	.574**	.686**	.509**
	Sig. (2-tailed)	.000	.000	.000
	N	340	340	340
**. Correlation is significant at the 0.01 level (2-tailed).				
*. Correlation is significant at the 0.05 level (2-tailed).				

The first hypothesis was about association between the predictors and criterion variables in order to examine the strength and direction of association among the research variables. The results provide enough information in deciding the association among the variables in this study. The predictors are positively and significantly associated with criterion variable as customers' loyalty is positively and significantly associated with economic responsibility (.574 & .000), social responsibility (.686 & 000), environmental responsibility (.509 & .000). The results show that the association among the predicting variables and criterion variables is higher as compared to independent variables themselves, therefore, there exists nominal chances of collinearity and multi-collinearity issues. Thus, from the results, the hypothesis # 1 as about association among research variables is hence accepted and substantiated as true.

H2: There is significant impact of corporate social responsibility (economic, social and environmental) on customers' loyalty.

Table 3 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error Estimate	F	Sig.
1	.780a	.609	.606	.42544	174.442	.000b

Table 4 Coefficients of Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	SE	Beta		
1	(Constant)	.757	.130		5.834	.000
	Economic Responsibility	.157	.035	.187	4.445	.000
	Social Responsibility	.435	.036	.497	12.00	.000
	Environmental Responsibility	.290	.033	.319	8.820	.000

a. Predictors: Social, Environmental & Economic Responsibilities
b. Dependent Variable: Customers Loyalty

The second hypothesis was about the influence of predictors on the criterion variables by examining the cause-&-effect relationship. The results from regression provide substantial information in deciding the effect of predictors on criterion variables. Likewise, the R^2 show the 61% variation in criterion variable (customers loyalty) is due to predictors (economic, social and environmental responsibilities). Similarly, ANOVA and coefficient of regression tables also provide significant information likewise predictors show

the significant impact on the criterion variables as economic responsibility (Beta value = .157 & P-value = .000), social responsibility (Beta value = .435 & P-value = .000) and environmental responsibility (Beta value = .290 & P-value = .000). The results thus verified the results from correlation wherein the highest correlation was between the social responsibility and customers' loyalty and Beta value in regression is higher than other variables, and thus hypothesis No. 2 is also accepted.

V.   DISCUSSIONS

The discussion section helps in positioning of the current study by matching the results of current study with the results of the previous research studies. The current study identified most leading issues like corporate social responsibility (economic, social & environmental), and customers' loyalty. These variables have been explored in the context of Islamic banks due to their critical role in the social and economic development of the developing countries including Pakistan. The data was collected from customers hailing from Islamic banks and were analyzed by using different statistical tools (correlation & regression) to find answers of research questions (hypotheses) about relationships as emerged from the theoretical framework. The correlation provides significant information about the association among research variables likewise, significant correlation was found amid economic responsibility and customers' loyalty which has been evident in the previous studies (Crespo & Bosque, 2005; Berg & Lidfors, 2012; González & Vilela, 2016; Aramburu & Pescador, 2019) and thus validated from previous studies.

Similarly, the current study shows significant association between the social responsibility and customers loyalty which were also found in previous studies by showing the significant and positive association between corporate social responsibility dimensions and customers loyalty (Iwasaki & Havitz, 2004; Mandhachitara & Poolthong, 2011; Afridi, Gul & Haider, 2018). The cause-&-effect relationships was hypothesized by examining the impact of corporate social responsibility measures (economic, social & environmental) on customers' loyalty. The results of this study show the significant impact of corporate social responsibility on customers' loyalty. Also, economic responsibility has significant impact on customers' loyalty which has been validated through existing research studies (Iwasaki & Havitz, 2004; González & Vilela, 2016; Aramburu & Pescador, 2019). Similarly, the social responsibility has significant impact on customers' loyalty which has been validated over results of existing research studies in different contexts (Schlegelmilch & Pollach, 2005; Naeem & Welford, 2009; González & Vilela, 2016; Arambur & Pescador, 2019).

VI.   CONCLUSION

The study was aimed to examine the relationships between corporate social responsibility measures (economic, social & environmental) and customers' loyalty. Consequently, by applying different statistical tools (correlation & Regression) as per nature of relationship, present study systematically explored the significant statistical relationships among the different research variables under consideration.

1.   The first hypothesis was about association among economic, social, environmental responsibilities, and customers' loyalty. From the hints of existing literature, it was expected that corporate social responsibility measures have significant association with the customer loyalty. Thus, from results, these expectations were sustained thereby obtaining significant information about the association customer loyalty with corporate responsibilities likewise the economic (.574 & .000), social (.686 & 000), and environmental (.509 & .000).

2.   The second hypothesis was about influence of economic, social, environmental responsibilities on customers' loyalty which was also expected as per hints from existing literature. The expectations were sustained and significant relationships were evident from regression results likewise the customer loyalty was significantly predicted through independent variables like 61% variance along with significance of economic responsibility (coefficient=.157 & P-value= .000), social responsibility ((Beta=.435 & P-value=.000), environmental responsibility (Beta=.290 & P-value = .000).

3.   The conclusion is all about the judgments that the researcher has achieved from the research study. The researcher provides the concluding points systematically in order to understand the different nature of relationships among the research variables. The present study successfully offered the information from the results about the relationship among the research variables in reaching the conclusion of the study and to offer some recommendations extracted from the conclusion to make the decisions.

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