IMPACT OF CSR ECONOMIC DIMENSION ON CUSTOMERS LOYALTY: MEDIATING ROLE OF CORPORATE REPUTATION

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ABSTRACT- The corporate social responsibility is important phenomenon that is vital for almost all organizations including banking sector. This study aimed at exploring relationships among economic responsibility, customers' loyalty and corporate reputation like association through correlation and direct and indirect effects through process model by collecting primary data through structured questionnaire from the respondents (bank customers) hailing from southern region banks in KP, Pakistan. In this connection, the results of study revealed the positive and significant association between research variables like economics responsibility, corporate reputation and customers' loyalty. Likewise, the mediating role of corporate reputation confirmed the partial mediation. The results of this study provide significant information in deciding about possible relationship confirmed through statistical exploration in reaching the conclusion. The results are also significant in providing suitable guiding principles to the management of Islamic Banks in revisiting their policies concerning the economic responsivity, customers' loyalty and corporate reputation.

Keywords: Economic Responsibilities, Customers Loyalty, Corporate Reputation & Islamic Banks

I. INTRODUCTION

The Islamic banks are disbursing their economic share in economic growth thereby offering different products and services to customers. Though, the main theme of these banks is the revenue generation, however, these banks are plating their contribution towards prosperity of society. Among many efforts, role of Islamic banks, over Corporate Social Responsibility (CSR) is critical in determining their images in societies (Maali, Casson & Napier, 2006). CSR realizes the economic, environmental and social measures of Islamic banks to contribute in evolving local economy by producing quality facilities to individuals in community (Farook, Hassan & Lanis, 2011). These banks over these responsibilities have influence in serving the societies over diverse corporate social tasks to preserve their images toward stakeholders and community (Afridi, Gul & Haider, 2018). Through effective and strategic CSR 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 umbrella of loyalty (Rosario, Carmen & Simonetti, 2015).

In marking this loyalty, CSR has played significant role as per validation and confirmations of existing researches in diverse contexts. The effective CSR 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 CSR will improve stakeholders trust which lead to loyalty of the customers. The economic responsibility attribute of CSR stands towards the set values and principles with respect to moral and ethical rules and regulations. In this background, organizations/banks attempt to realize the clarification which might expedite the business development and make revenues by helping community (Walsh & Beatty, 2007). In this context, the economic judgments are made by seeing their inclusive dynamic influences on business and society respectively. Economic responsibility helpful in improving organizational reputation towards engaging in activities and practices which pays way to sustainable development (Marin, Ruiz & Rubio, 2009). The economic measurement of CSR helps societies in terms of economic contributions for the benefits and welfares of community. This helps in determining social responsibility of organizations towards the community.

The corporate reputation is also considered as effective tool in gauging the trend and growth of the organizations. The corporate reputation is affected by diverse factors which can affect corporate image of organization positively and negatively. Similarly, corporate reputation is explored by various researchers as facilitating and intervening phenomenon in relationships among the different variables (Aramburu & Pescador, 2019). The reputation is considered as effective tool toward organization development and nurturing stakeholders' behavior. Customer loyalty is influenced positively by corporate reputation of organizations. Corporate reputation is effective phenomenon which affect connection between corporate social responsibility and customers' loyalty and trust which are explored by researchers in similar as well

as different contexts. The customers' loyalty is vital for all organizations and for this drive, many organizations are offering loyalty programs thereby keeping in view customers values over appreciation and rewards to make them committed to organizations (Bartikowski, Walsh & Beatty, 2011). The customers are thus considered as the real owners of the organizations as organization make incomes over interactions with customers in competitive markets.

Problem Statement
The current study foremost objective is to explore the relationships between the economic responsibility, customers' loyalty and corporate reputation in context of Islamic banks in KP, Pakistan. The Islamic banks are considered as vital contributor towards the national exchequer and thus considered as the backbone of national economy. The economic responsibility is dynamic for financial institution and to what extent it is significant in Islamic banking system in shaping the stakeholders' attitude and heavier that is the main theme of current study.

Objectives & Hypotheses
1.   To examine the association between economic responsibility, customers' loyalty and corporate reputation in context of Islamic banks (hypothesis # 1).
2.   To examine the mediating role of corporate reputation in relationship between economic responsibility and customers' loyalty in Islamic banks (hypothesis # 2).

II.   LITERATURE REVIEW

In reshaping customer loyalty, customers' management toward the experiences in blending emotional, physical and value features towards cohesive experiences. In this connection, retaining customers requires distinctive concentration from the part of the organizations due to vitality of customers' values as without customers organizational existence might be questionable (Ailawadi, Neslin, Luan & Taylor, 2014). The loyal customers always put their emphasis on quality products and services offered by organizations and remains committed with products offered by organizations. There are certain dynamic factors which drives customer loyalty whenever customers are involved over spiritual intellectual and emotional levels with services and products in persistent experiences (González & Vilela, 2016). Thus, management of customers experiences are vital for long-term survival of the organizations. In this connection, economic responsibility, customers loyalty and corporate reputation are the leading factors in the organizational context that have significant impact on the survival and development of the organizations.

Economic Responsibility
The organizations, as socio-economic actors, are endlessly required to address economic constraints by considering all together social and the environmental necessities addressed by the customers. This responsibility denotes to commitments of organization to contribute in economic sustainable development by working together with workforces, local society and community to improve quality life of individuals (Williams & Siegel, 2000). The main objective of organizations is to maximize wealth and economic growth which are reliant on diverse dynamic factors (Simpson & Kohers, 2002). These organizations are providing diverse products and services to their customer with the aim to gain an acceptable portion of earnings from their operations (Becker, Cudmore & Hill, 2006). The proper income generation policy of organization helps them in making customers committed and loyal to organizations and show trust on product and services (Ali & Rizwan, 2013). The Islamic banks are required in maintaining competitive lead in financial industries to develop productivities and to eliminate their weaknesses by focusing on the CSR measures in the effective manners (Aramburu & Pescador, 2019).

Customer Loyalty
The customers' loyalty is the strong predictor towards the success of organizations as the increase in the organizational productivity is only due to increase in customers' values and satisfaction. The loyal and satisfied customer are considered as the backbone for the success of organizations in the competitive environment (Iwasaki & Havitz, 2004). The organizations who have perceived customers' values are expected to survive in prolonged manners in the competitive markets (Jones & Taylor, 2007). The organizations are also vital in achieving their desired values when there are the persistent increasing trends in the customers. Thus, customers are measured as building block for long-term organizational development. Likewise, customers' preferences towards particular brands and particular organizations are vital in determining the long-term realization where there exists dissimilar nature of the market's competitors (González & Vilela, 2016). Similarly, customer willingness towards particular organization is

important as without customers' willingness (Aramburu & Pescador, 2019), organizations might not be able to attract and retain the customers in prolonged manners.

Corporate Reputation

The corporate reputation is vital phenomenon which become the leading issue for the public and private organizations to survive in competitive environment. It is the utmost and leading responsibility of the organizations to maintain their corporate image in competitive markets to sustain their positive image in eyes of their stakeholders (Fombrun, Gardberh & Sever, 2000). Thus, image is an importance concept which is aligned with the reputation to sustain the goodwill of organizations (Brammer & Pavelin, 2004). The corporate image is considered by researchers as bridging phenomenon in linking corporate social responsibility and the customers trust and loyalty in different organizations including banking sector (Lee & Roh, 2012). The corporate image is shaped over prolonged evolution by interconnecting things that provide optimistic worth to customers to keep positive image of organization by focusing on customers' needs (Aramburu & Pescador, 2019). The corporate reputation is considered as outcome of successful implementation of CSR along with its measures to improve the credibility and success of Islamic banks in the modern banking system wherein each bank is trying to lead through excellence.

III. RESEARCH METHODOLOGY

The positivism philosophy is bringing into line with the deductive method or confirmatory approach wherein researchers set forth theories about under study phenomena, create assumptions and develop hypotheses that are aimed to be tested through the empirical examinations (Saunders, Lewis & Thornhill, 2012). The approach is generally related with procedural plan towards methods for data collection, analysis/reasoning and explanation/ interpretation based on nature of study together with and aligned with problem statement (Ader, Mellenbergh & Hand, 2008). Population of present study comprises all customers of Islamic Banks in KP, Pakistan. There are total 210 functional Islamic Banks in all the districts of KP, Pakistan. Therefore, sample of 355 was selected and questionnaires were distributed among sample size wherein 340 questionnaires have been recollected with response rate of 96%. Both the primary and secondary sources have been used for data collection and analyzed by using different statistical tools. Similarly, for corporate social responsibility, researcher has adapted questionnaire presented by Kolk & Tulder (2010); for customer loyalty, measure presented by Dick and Basu (1994) has been used while for the corporate reputation, the measure of Fombrun and Shanley (1990) has been adapted/used. Thus, questionnaire includes personal features as well as research variables which are used to measure variables by using 5-point Liker Scale.

DATA ANALYSIS

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

Table 1 Normality Distribution

	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Economic Responsibility	-.282	.132	-.659	.264
Corporate Reputation	-.099	.132	-.244	.264
Customers Loyalty	-.552	.132	-.296	.264

The normality is used to examine the outlier detection which helps in making data normal which is considered as general thumb rule. The distribution is very skewed, when skewness is greater than 1 or less than -1. When skewness is between 0.5 and 1 or between -1 and -0.5, then it is measured as moderately distribution skewed. The distribution is approximately symmetric, when the skewness is between -0.5 and 0.5. however, the Kurtosis tells upon the sharpness and height of central peak, virtual to the standard bell curve. In present case, both the Skewness and Kurtosis values are within the required range, which shows that data is normal.

Table 2 Collinearity Statistics

Model	Collinearity	Durbin-Watson

(Constant)	Tolerance	VIF	1.125
Economic Responsibility	.534	1.771	
Corporate Reputation	.724	1.881	
Customers Loyalty	.588	1.599	

The collinearity is condition wherein some research variables are correlated higher which thus creates problems in analyzing the data and attaining the desired outcomes. According to researchers (Hill & Adkins, 2001; Maddala & Lahiri, 2009), if VIF values exceeding 4.0, or by tolerance less than 0.2 then there is a problem with collinearity and multi-collinearity. In present case, as per the collinearity statistics, concerning the variables, the tolerance and VIF values are in required range thus there are limited chances of collinearity and multi-collinearity.

H1: There is significant association between economic responsibility, customer loyalty & corporate reputation.

Table 3 Correlation Analysis

		Economic Responsibility	Corporate Reputation
Corporate Reputation	Pearson Correlation	.456**	1
	Sig. (2-tailed)	.000	
	N	340	340
Customers' Loyalty	Pearson Correlation	.574**	.493**
	Sig. (2-tailed)	.000	.000
	N	340	340

*. 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), and corporate reputation (.493 & .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 the collinearity and multi-collinearity issues. Thus, from results, the hypothesis is accepted.

H2: The relationship between economic responsibility and customer loyalty is mediated by corporate reputation.

A.   First Mediation Step (a)

Table 4 Model Summary

R	R-square	MSE	F	df1	df2	p
.4564	.2083	.2000	88.8595	1.0000	338.0000	.0000

Table 5 Coefficient of Regression

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	2.3110	.1019	22.6787	.0000	2.1106	2.5115
Economic Responsibility	.2848	.0302	9.4265	.0000	.2254	.3442

Independent Variable: Economic Responsibility
Dependent Variable: Corporate Reputation

The mediation offers four steps wherein the first step in mediation analysis provide path (a) is to examine the impact of the predictor (economic responsibility) on corporate reputation (mediator). Results show that economic responsibility brings 21% variation in the corporate reputation. The coefficient table also shows significant impact of economic responsibility on the corporate reputation by providing the substantial outcomes (β = 0.28 & p = .000). Though, the effect is somehow pathetic however, it is still

significant by fulfilling the first condition for mediation that the path (a) should be significant in the mediation four step procedure.

B.   Second & Third Mediation Steps (b & ć)

Table 6 Model Summary

R	R-square	MSE	F	df1	df2	p
.6227	.3877	.2826	125.1059	2.0000	337.0000	.0000

Table 7 Coefficient of Regression

Model	Coefficient	se	t	p	LLCI	ULCI
constant	1.1027	.1765	6.2481	.0000	.7555	1.4499
Corporate Reputation	.4014	.0627	6.4044	.0000	.2781	.5247
Economic Responsibility	.3604	.0438	8.2349	.0000	.2743	.4464

Independent Variable: Economic Responsibility and Corporate Reputation
Dependent Variable: Customer Loyalty

The second and third step of mediation (b & ć) provide statistics about impact of predictors (corporate reputation & economic responsibility) on criterion variable (customers loyalty). The results show that there is 39% (R^2) change in dependent variable (customers' loyalty) is due to the predictors (corporate reputation & economic responsibility). The results further reveals that the both the predictors have significant impact on criterion variable (β = 0.40 & .36 while & p = .000 & respectively). Thus, results confirmed the second and third steps of mediation.

C.   Fourth Mediation Step (c)

Table 8 Model Summary

R	R-square	MSE	F	df1	df2	p
.5636	.3177	.3140	158.1829	1.0000	338.0000	.0000

Table 9 Coefficient of Regression

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	2.0303	.1313	15.4658	.0000	1.7721	2.2885
Economic Responsibility	.4747	.0377	12.5771	.0000	.4004	.5489

Independent Variable: Economic Responsibility
Dependent Variable: Customer Loyalty

The fourth step of mediation provide information about path (c) to examine the direct effect of predictor (economic responsibility) on customer loyalty). The results show that there is 32% variation in the customers' loyalty is due to economic responsibility by further offering the significant statistics (β = 0.47 & p = .000). The mediation procedure offered valuable information in deciding the mediation. Therefore, all the paths in mediation four steps are significant wherein the increase in β from .36 in the indirect relationship (paths = b & ć) to .47 in direct relationships (path = c) after the arrival of mediator confirmed partial mediating role of corporate reputation in relationship between economic responsibility and customers' loyalty. Consequently, from the mediations results, hypothesis No. 2 is accepted. The results have been validated through results of previous (Hillenbrand & Money, 2007; Vlachos et al., 2009; Ailawadi, Neslin, Luan & Taylor, 2014; Aramburu & Pescador, 2019).

IV.   CONCLUSION

The relationships were mainly concerned with the association, cause-&-effect, mediation, multiple-mediation and group mean differences in responses of the respondents about the research variables. Thus, the researcher presented the key findings in this section to conclude the research study and to reach the conclusion systematically by presenting the key findings about the relationships of the research variables

through the data collected in particular context thereby generalizing results. Thus, researcher presented the key points systematically to understand nature of relationships. First hypothesis was about association among economic responsibility, corporate reputation and customers' loyalty. From hints of existing literature, it was expected that economic responsibility has significant association with customer loyalty, and corporate reputation. Thus, from results, these expectations were sustained thereby obtaining significant information about the association customer loyalty with economic responsibility (.574 & .000), and corporate reputation (.493 & .000). The mediation model (H2) was about mediating role of corporate reputation in relationship between economic responsibility and customers' loyalty. The results show partial mediating role of corporate reputation thereby reducing Beta from (.47) to (.36) while showing all the paths as significant in mediation procedure.

V. RECOMMENDATIONS

1.   The Islamic banks are required in increase and ensure their participation in corporate responsibilities to develop customers trust and loyalties to augment their reputations. The Islamic banks are required to put their emphasis on the economic responsibility to contribute the society like arrangement of training programs for individuals and students.
2.   The Islamic banks are required to initiate different social projects for the wellbeing of individuals which thus help banks in developing corporate image in societies. The Islamic banks are required to plan for the environmental protection of society from different environmental problems which may help them in reshaping the attitude of stakeholders.
3.   The Islamic banks are required to prioritize the customers' needs which may help them in increasing the customers trust towards the concerned banks in competitive environments. The Islamic banks are required to focus upon the ethical values of the individuals in society by ensuring that bank goals are aligned with development of societies.

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