



MEDIATING ROLE OF CUSTOMERS TRUST IN CONNECTING SOCIAL RESPONSIBILITY AND CUSTOMER LOYALTY

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ABSTRACT- The customers trust is an important concept that has been widely explored in connection to various research phenomena however, in this study, it has been explored in connection to CSR dimension of social responsibility and customers' loyalty. The customers loyalty is significant forecaster of various individuals and organizational outcomes which further depends upon various factors wherein the corporate social responsibility has been widely researched as most significant factor in this regard.

This study aimed at exploring the relationships among the research variables like customers' trust, social responsibility and customers loyalty in the context of banking sector. The relationships as expected and extracted from the main theme of this study is related with the association through correlation mediation over process model. The data was collected through structured questionnaire and was analyzed through different statistical procedures like correlation and mediation. The results provide significant information about the relationships which may be helpful for the policy-makers and management of banks in considering the research phenomena under consideration in present research study. Some recommendations have also been offered as extracted from the conclusion of this study.

Keywords: Social Responsibilities, Customers Loyalty, Customers Trust & Islamic Banks

I. INTRODUCTION

The banking sector is considered as the pivot around the financial standing of the countries as strong banking system is measured as the nucleus for strong financial position for both the developed as well as the developing countries. The main function of the banking sector is to hold financial assets for the stakeholders thereby investing these assets to generate more assets by sharing profits among concerned stakeholders (Margaret & Hannah, 2001). The banking sector perform these activities under the direction and regulation of the state bank of concerned country. There is different type of banks (commercial, conventional & Islamic) who performs the same functions like holding of money, investing of money and sharing of interests among stakeholders (Henderson & Tom, 2005). The banks perform core function (receiving deposits, offering loan, investing assets) as per mutual trust of banks and stakeholders. The social responsibility brings organizations to socially responsible to the society with regard to their business operations. The social responsibility recognized new facet of responsibility on the part of organizations towards expectations of stakeholders to become source of acceptability and social values (Kolk & Tulder, 2010).

The social responsibility denotes toward distinctive, far-reaching and interrelated change where the organization are more focused on social responsibility regarding ethical behavior and self-actualization to validate their business reputation. Social responsibility restricted organizations to focus more on social values of society along with prioritizing stakeholders' interests instead of motive of profit-maximization (Kim & Park, 2011). The stakeholders, in turn, will show utmost dedication, trust and loyalty toward organization due to their vital role in community development. The stakeholders trust is the most significant phenomenon in contemporary competitive environment as organizational survival and its development is contingent upon the trust level of their customers. The literature reveals that higher the trust level of customers, higher will be the chances of success of concerned organization (Goyal & Chanda, 2017). Trust is basically willingness of individuals on organizational activities towards their expectations in fulfilling their needs concerning products and services. Trust is confidence of individuals through the transaction which denotes to the integrity and reliability of both the parties.

The CSR is vital in shaping the attitude and behavior of customers which further leads to higher trust and commitment (Raza, Bhutta, Iqbal & Faraz, 2018). Consequently, corporate responsibilities are vital in determining organizational aims towards customers' respect, market-share and reputation. The foremost aim of this study is to examine the conceptual/ theoretical framework which calculates the relationships of corporate social responsibility measures the customers' loyalty and trust in the Islamic banking context thereby aimed at producing certain valued theoretical and empirical information. This information might

be helpful in filling the gaps as exists in the literature to provide some support over the findings this study to the existing database of knowledge. This study is expected to provide recommendations to management of the banking sector, the policy makers and customers to get certain valuable information about significances of the corporate social responsibility measures to get them aware about the basic functions of the concepts (corporate social responsibility, reputation, trust & loyalty) and their roles in the development of the societies in the developing countries like Pakistan.

Problem Statement

This study aims to examine the connection between social responsibility, customers' loyalty and customers' trust in Islamic banks which are considered as backbone for the national economy as well as significant contributor towards the national exchequer. The 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 social responsibility, customers' loyalty and customers' trust in Islamic banks (hypothesis # 1).
2. To examine the mediating role of customers' trust in connecting social responsibility and customers' loyalty in Islamic banks (hypothesis # 2).

II. LITERATURE REVIEW

The banking sector is considered as the backbone for strong financial position of developing countries. The main responsibility hold by state bank is to acts as regulatory body in framing the policies for both public and private banks. These banks perform their financial activities under the supervision and guidance of state bank of each country (Ghoul, Guedhami, Kwok & Mishra, 2011). Along with, there are certain risks associated with deposits and investment of capitals of the stakeholders which directly falls on shoulders of concerned banks. In this regard, when bank invests capitals of stakeholder in futures market due to vested interests then it might prevent simply risks associated with interests (Fiordelisi, Soana & Schwizer, 2013). When the concerned banks fail to deal with the risks then it might have knock-back magnitude on banking industry which ultimately affect stakeholders' sensitivity about banks credibility. The Islamic financing sector around globe are functional as financial institutions and there is ongoing trend of merging industry of Islamic banking, with massive acquisitions and mergers going on in most of developed and developing countries. Similarly, the digital revolution and technological change establishing change in Islamic banking sector which results in the emergence of various new Islamic banks (Djojosedjito, 2008). There is growing trend as witnessed in the developed countries and revolution is evident as large scale thereby providing open Islamic windows at the commercial markets.

The extent of Islamic banking system in developed countries shadows effective inductions of numerous Islamic banks (Ahmad, Rehman & Safwan, 2010). The net profits and growing assets transverse markets have attracted sufficient clientele is significant contribution in riches the Islamic financial institutions. For this purpose, this study is attempts to examine corporate social responsibility measures as predicting variables in determining customers' loyalty with mediating role of customers trust in context of Islamic banks in Khyber Pakhtunkhwa, Pakistan. Thus, secondary data was collected from various online databases (journals, books & reports) while primary data has been collected from customers hailing from Islamic banks in KP, Pakistan. First hand data was collected through adapted version of questionnaire which was extracted from previous research studies about research issues. The said data (primary) was analyzed by using different statistical procedures to answer research questions (hypotheses) as emerged from theoretical framework of study. This study is expected to provide certain valuable information to fill the existing gaps in the research as mentioned in the problem statement.

Social Responsibility

The organizations, in order to be socially responsible, need to be primarily responsible to stakeholders. The successful organizations have additional responsibility to become socially responsible to their stakeholders (Greening & Turban, 2000). The norms and values of the organizations transmit CSR principles into actions to facilitate stakeholders (Bhattacharya & Sen, 2004). Organizations who are taking to social responsibility are engaged continuously in social and environmental support of the societies. The desired social support of organization plays the facilitating role in shaping the attitude and behavior of customer to become committed and loyal customer of the organizations (Kim & Park, 2011). The socially responsible

organizations are expected to be committed to required excellence which further increases trust of customers on concerned organizations and trust level therefore help customers to become loyal towards organizations (González & Vilela, 2016). The social responsibilities help the organizations to benefit the societies by using resources in order to act and manage as charitable fundraisers (Rafay & Farid, 2019). The social responsibility bridges organizations and societies towards common interests which are interconnected with welfare of both as both of them have certain vested interests which aims at proving and obtaining the desired assistances and advantages.

Customers Loyalty

In economic development, the banks are playing important role in increasing the customers' values and thus defining economic growth of concerned country. The main responsibility of the banks is to contribute in the economic development thereby converting savings into investments (Chakravarty, Feinberg & Rhee, 2004). These investments are measured as major contributions towards the economic development. In this regard, customers are considered as the nucleus around which these economic activities are surrounded (Alam, & Khokhar, 2007). The customers are the most precious asset of the banking sector and most of the economic shares are possible due to customers. Therefore, the customers' loyalty is an important factor for economic credibility of banking sector (Kocoglu & Kirmaci, 2012). The banking sector along with customers are considered as main phenomena around which economic development is encircled (Afridi, Gul & Haider, 2018). The customers' loyalty for banking sector is as important as for other organizations with the fact that the customers are considered as nucleus around which the banking activities are hinged. The customers are the precious asset of the banks and this can be strengthened more when the banks have loyalties of their customers

Customers Trust

The banking sector is more exposed to the phenomenon of trust as around the world, the banks are operating their activities on the mutual trust between the customers and the banks. The banking activities are related with the provision of quality services and goods to their customers in the way as the customers' desires (McKnight & Chervany, 2002). The banks are the foremost financial entities and their operational activities needs the additional competencies from the banks to obtain the desired reputation through increased loyalties (Ennew & Sekhon, 2007). The banking system is more concerned with the provision of different services related with financial perspectives as the economic touch is essential in all the banking activities. Thus, reliability and trust are key gears of banking activities and all banks are focused on ensuring main concerns in real manners to maintain trustworthiness in markets (Fatima & Razzaque, 2014). The banking sector has confronted different challenges due to increased economic changes and in this scenario, it becomes difficult for them to maintain customer trust (Haroon & Qureshi, 2019). In this scenario, it is the foremost responsibility of the concerned banks to maintain the trust level of customers and sustaining their needed as per their demands. Thus, trust is effective tool in increasing the customer satisfaction and loyalty.

III. RESEARCH METHODOLOGY

The methodological requirements of this study related with philosophy of positivism which explains that how predictions can be made towards the existing realities along with inter-relationships by applying different statistical tools and techniques (Mackenzie & Knipe, 2006). The positivists take responsibility that the social phenomena might be approached through the systematic research procedures, over building assumptions, perceiving and computing in order to make predictions and draw conclusion (Cohen & Antonio, 2007). In fact, under some conditions (longitudinal research/cross-sectional), both deductive and inductive methods in research might be used interchangeably to benefit the problem identification and phenomena understanding (Gray, 2014). As per recommendations of various researchers in existing studies, survey has been widely used in social research for primary data collection from population through sample thereby generalizing findings obtained through sample towards population (Saunders, Lewis & Thornhill, 2012). Thus, the approach of mixed method allows triangulations which recognizes data collection with different sources at different times as it helps in balancing the possible weaknesses in single method and possible biasness in data collection (Kumar, 2014). The population of this study comprises the customers of selected banks wherein a sample (340) was drawn through statistical formula. The collected data was thus analyzed through different statistical tools to find the answers of research questions and to reach the conclusion.

IV. DATA ANALYSIS

The information obtained through statistical procedures about the relationships among the research variables have been presented in this section in order to chase the objectives and to reach the conclusion.

Table 1 Reliability Statistics

Variables	Items	Cronbach's Alpha
Social Responsibility	10	0.864
Customers Trust	10	0.825
Customers Loyalty	10	0.888

Table 2 Descriptive Statistics

	N	Minimum	Maximum	Mean	SD
Social Responsibility	340	1.17	4.67	3.0363	.77415
Customers Trust	340	1.50	4.60	3.2347	.58836
Customers Loyalty	340	1.70	4.80	3.5600	.67735
Valid N (List-wise)	340				

H1: Association between social responsibility, customer loyalty & customers trust.

Table 3 Correlation Analysis

		Social Responsibility	Customers Trust
Social Responsibility	Pearson Correlation	1	.521**
	Sig. (2-tailed)		.000
	N	340	340
Customers Trust	Pearson Correlation	.521**	1
	Sig. (2-tailed)	.000	
	N	340	340
Customers Loyalty	Pearson Correlation	.686**	.480**
	Sig. (2-tailed)	.000	.000
	N	340	340

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 social responsibility (.686 & .000), and the customers trust (.480 & .000). The results show that the association among predicting variables and criterion variables is higher as compared to independent variables themselves, therefore, there exists nominal chances of the collinearity and multicollinearity issues. Thus, from the results, the hypothesis 1 as about the association among the research variables is hence accepted.

H2: Relationship association between social responsibility and customer loyalty is mediated by customers' trust.

A. First Mediation Step (a)

Table 4 Model Summary

R	R-square	MSE	F	df1	df2	p
.5215	.2720	.2528	121.9513	1.0000	338.0000	.0000

Table 5 Coefficient of Regression

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	2.0313	.1115	18.2154	.0000	1.8120	2.2507
Social Responsibility	.3963	.0359	11.0432	.0000	.3257	.4669

Independent Variable: Social Responsibility

Dependent Variable: Customers' Trust

In the fifth mediation model, the customers trust was used as mediator in connecting social responsibility and customer loyalty. The first mediation step (a) provides substantial details by showing 27% variation in customers trust due to the social responsibility while the Beta (.40) and the p-value provide the significance of the social responsibility towards customers' trust. This information fulfills first condition of mediation wherein regression is pragmatic to examine effect of independent variable on mediating variable by applying first step in mediation.

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

Table 6 Model Summary

R	R-square	MSE	F	df1	df2	p
.7013	.4918	.2345	147.7403	2.0000	337.0000	.0000

Independent Variable: Social Responsibility and Customers' Trust

Dependent Variable: Customer Loyalty

Table 7 Coefficient of Regression

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	1.3431	.1534	8.7552	.0000	1.0414	1.6449
Customers' Trust	.1936	.0543	3.5650	.0004	.0868	.3004
Social Responsibility	.5239	.0451	11.6279	.0000	.4353	.6125

The third and second steps of mediation offers the details about the paths (b & c) which are the requirements of the mediation procedure. The results show that both customers trust and social responsibility are responsible in bringing 49% variation in the customers' loyalty and the coefficient of regression further confirmed this relationship by providing the significant information ($\beta = 0.19$ & $p = .000$) and ($\beta = 0.52$ & $p = .000$) respectively. Therefore, second and third steps also fulfilled the other conditions for the mediation in confirming the role of mediator.

C. Fourth Mediation Step (c)

Table 8 Model Summary

R	R-square	MSE	F	df1	df2	p
.6865	.4712	.2433	251.1324	1.0000	338.0000	.0000

Table 9 Coefficient of Regression

Model	Coefficient	se	t	p	LLCI	ULCI
Constant	1.7363	.1249	13.8971	.0000	1.4906	1.9821
Social Responsibility	.6006	.0379	15.8472	.0000	.5261	.6752

Independent Variable: Social Responsibility

Dependent Variable: Customer Loyalty

The third step (c) of mediation is helpful and required condition for mediation by examining the direct relationship between the predictor and criterion variables. The results show that the social responsibility is responsible in bringing 47% change in the customers' loyalty by showing the significance through statistical values ($\beta = 0.60$ & $p = .000$). As the Beta in the indirect relationship has been reduced to (.52) with the arrival of customers trust as mediator as appeared in direct relationship (.60) while all the paths in mediation procedure still remained the significant which confirmed the partial mediating role of customers trust in the connection between social responsibility (predictor) and customers' loyalty (criterion) variables. This association between the customers trust and customers' loyalty has also been validated through existing research studies by confirming results of this study (Harris & Goode, 2004; Hoq, Sultana & Amin, 2010; Jan & Abdullah, 2014; Haroon & Qureshi, 2019). These results have been further validated through the results of the existing research studies by providing the significant statistical relationships among the research variables under study (Flavian, Guinaliu & Torres, 2005; Swaen & Chumpitaz, 2008; Ercis, Unal, Candan & Yildirim, 2012; Saleem & Gopinath, 2015; Haroon & Qureshi, 2019).

V. CONCLUSION

Consequently, present study provides significant information in deciding the relationships between predictors, mediators and criterion variables. The current study shows significant association between predictors and criterion variables, between predictors and mediators and between the mediators and criterion variables. The results of this study also provide the significant information about the significant impact of the predictors and criterion variables through direct and indirect relationships thereby applying regression procedure. The results of this study have been validated through the results of the existing research studies on the similar issues to make clear the position of current study that where the present study stands in existing literature. Thus, the study significantly confirmed the position of current research study. The first hypothesis was about association among social responsibility, customers trust, and customers' loyalty. Therefore, from results, the expectations about the potential association were sustained thereby obtaining the significant information about the association customer loyalty with social responsibility (.686 & .000), and trust (.480 & .000). The mediation (H2) was about the customers trust as mediator in connecting social responsibility and customers' loyalty. The results show partial mediation by changing the values of Beta from (.60) to (.52) while all the other paths in the mediation procedure remained the significant which are the basic condition for mediation. Therefore, the results of this study provide significant information in reaching the conclusion.

VI. RECOMMENDATIONS

1. The Islamic banks are required to participate in the local issues like the provision of educational and healthcare facilities to attract stakeholders towards the values of the banks. The Islamic banks are required to introduce the projects for environmental protection to save environment from pollution and related dilemmas to grip viable markets.
2. The Islamic banks are required to upgrade knowledge and skills of their workforces in dealing the customers which may be helpful in nurturing the positive behavior of customers. Some additional efforts are required on part of government in ensuring the contributory role of Islamic banks to become the socially responsible towards community.
3. The Islamic banks are required to focus on those measures which are helpful in increasing the customers trust as this trust further helps the banks in nurturing the attitude and behavior of their customers towards the undaunted loyalties towards the banks.

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