Business & Social Science
IJRBS

Research in Business and Social Science

IJRBS Vol 8 No 4, ISSN: 2147-4478

Contents available at www.ssbfn.net.com/ojs

<https://doi.org/10.20525/ijrbs.v8i4.302>

The Impact of CSR Reputation and Customer Loyalty: The Intervening Influence of Perceived Service Quality and Trust

William Suley Menges

Corresponding Author: Ph.D. Candidate, School of Management, Department of Business Management, Huazhong University of Science & Technology, Wuhan, P.R. China.

He Yuanqiong

Professor, School of Management, Department of Business Management, Huazhong University of Science & Technology, Wuhan, P.R. China.

Abstract

Intense competition has in many markets decreased the prospects for differentiation in terms of technology and product/service quality. For this reason, CSR becomes an important attribute that can enhance a company's image. To win customers' loyalty in today's markets, companies have to focus on building and sustaining customer loyalty. Nowadays, organizations looking forward to achieving a sustainable competitive improvement based on focusing on a customer-oriented concept which will lead to customer satisfaction, trust and finally to customer loyalty. In this regard, CSR has become a valuable tool. This research, therefore, aims to investigate the direct effect of CSR on customer loyalty by observing the intervening influence of Perceived service quality and trust. In this research, it is proved CSR aspects namely business practice CSR which is related to primary stakeholders, such as customers and employees, and philanthropic CSR, which is related to secondary stakeholders, such as the community has a positive and significant effect on the customer loyalty. Moreover, perceived service quality and trust also serve as an intervener between CSR and Loyalty. Data collected from account holders of three main banks in Kenya. Structural equation modeling is examined by using PLS software. The findings of this study would help scholars in developing more CSR based loyalty models. These findings can also aid the service industry such as commercial banks in Kenya to better incorporate CSR initiatives in their strategic planning process

Key words: Corporate Social Responsibility, Perceived Service Quality, Trust, Customer Loyalty

JEL classification: M31, M14

Submitted: 02.05.2019 - Accepted: 28.06.2019

Introduction

Corporate Social Responsibility (CSR) has recently been a buzzword in business, politics, academia, non-governmental organizations (NGOs) and other stakeholders (Frynas, 2009; Kathryn et al., 2013). CSR is “the commitment of business to contribute to sustainable economic development, working with employees, customers, the local community and society at large to improve quality of life, in ways that are both good for business and good for development” (The World Bank (WB), 2003). It is an undertaking by companies and wealthy individuals that aim to improve the well-being of stakeholders, and not just pay attention to making profits only (Fredrick, 2006). The issues around corporate social responsibility are varied and mainly focus on four areas of company operations namely the workplace, the market place, the community and the general environment. Kreitner (2002) defines CSR as the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law. He argues that the action must be voluntary in order to qualify as a socially responsible action. CSR refers to managers' duty or obligation to make decisions that nurture protect enhance and promote the wellbeing and welfare of its stockholders and society at large.

Social responsibility is the conscious efforts to operate in a manner that creates a win- win situation for all stakeholders; for the customers, provide safe products and services with customer value; the society improve the quality of life or at least not destroy the environment; the company must compete fairly with competitors and through technology, develop new ways of increasing customer value and quality of life. It must work with suppliers in a cooperative manner; abide by the laws and regulations of government. It must strive to provide equal employment opportunities for the labor force and be financially responsible in relation to the economy, provide the shareholder with a reasonable profit; and employees with safe working conditional with adequate pay and benefits (Lussier et al, 2002). Social responsibility includes community relations, employee relations, product development and liability, policies to support women and minorities and not doing business in countries that abuse human rights sensitivity to environment. Businesses must reassess the forms of packaging; recyclability of products, environmental safety practices and idea of being environmental friendly all of which have an impact on the business.

Because of companies' important impacts on society, corporate social responsibility (CSR) is a phenomenon that has become increasingly significant to companies, consumers, and academics (Dzupina, 2018). Currently, firms are becoming increasingly aware of CSR's importance in terms of global competitiveness. Thus, they understand the need to focus not only on making profit but also on making decisions that are ethically and socially acceptable to all parties involved, including communities, the environment, and shareholders. Bowen Howard (1953), the “Father of corporate social responsibility”, first coined the term CSR in the 1950s, because he believed that many large corporations have gained significant powers and their decisions have a great influence on people's livelihoods, and they should therefore have certain obligations to society (Bowen, 1953; Carroll, 1999). Bowen (1953) defined CSR as “The obligations of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953). Some scholars, like Frederick (1960), who are influential in the field, echoed Bowen's view, believing that corporations should manage their business operations in order to fulfil the public's expectations and improve socio-economic welfare (Frederick, 1960). Freeman (1984) integrated stakeholder concept into strategic management (Schwartz and Carroll, 2008). The importance of stakeholders in CSR began to be recognized by researchers, who stated that CSR should be beneficial to corporate stakeholders, CSR was believed to be of greater concern to society, and companies were expected to balance the investors' need for good financial performance with the needs of other stakeholders like employees and the community (Reich, 1998).

For the purpose of this paper, we have adopted the stakeholder theory perspective in understanding the CSR concept, and CSR was classified into two major aspects: business practice and philanthropic (Homburg et al., 2013). Stakeholder theory has tried to distinguish primary and secondary stakeholders (Freeman, 1984). The term primary stakeholders refer to people who engage in market exchange with a company and exert the greatest influence on a company's performance (Maignan and Ferrell, 2004). Amongst these primary stakeholders, perhaps the most influential ones are customers who purchase goods and services from a

company, and employees who sell their labour to the company (Maignan and Ferrell, 2004). The CSR aspect for these groups of stakeholders was classified as business practice CSR (Homburg et al., 2013). Business practice CSR reputation was used to refer to a company's core business operation, which impacts its primary stakeholders, namely customers and employees, and it was shown to have a positive relationship with the building of trust in a company (Homburg et al., 2013). The community and non-profit organisations were regarded as the company's secondary stakeholders (Carroll, 1991). The company's behaviours in fostering the welfare of people in the society were reflected in the societal, ethical and philanthropic aspects of CSR (Carroll, 1991). Philanthropic CSR was used to refer to a firm's voluntary actions, aiming to contribute to society's betterment and improving the overall quality of life of people in that society (Carroll, 1991; Homburg et al., 2013). While customers may not directly benefit from a company's philanthropic actions, most think highly of a company that has committed financial and other resources to people's welfare and the betterment of society (Morales, 2005).

The intended contribution of this paper is to determine if CSR has a positive influence on loyalty. Also, we distinguish the level of contribution to loyalty between business practice CSR which is related to primary stakeholders, such as customers and employees, and philanthropic CSR, which is related to secondary stakeholders, such as the community. The knowledge of such a distinction will help businesses better allocate their resources. Research has shown that perceived quality has an influence on trust (Aurier and Lanauze, 2012; Poolthong and Mandhachitara, 2009), and trust has a direct impact on loyalty (Aurier and Lanauze, 2012; Caceres and Paparoidamis, 2007; Choi and La, 2013; Homburg et al., 2013). This study therefore aims to verify such relationships and add to previous studies that have confirmed only part of the relationship as shown in the research framework in the upcoming sections. This is the gap that this research addresses in a service industry context in Kenya, and hopefully clarifies the importance of the different aspects of CSR. Banks can refer to the research results in prioritizing their investment in monetary and human resources in the various areas of CSR, and also determine how to integrate CSR into their corporate strategy in order to contribute to building their competitive advantages.

Literature Review

The concept of CSR

With this research, some questions are perhaps also worth pondering. Is CSR a must for an organization, or is it just PR window dressing and image building in disguise? Is CSR contributing to loyalty and value creation? If CSR is a must for corporations, then does it mean we should agree with Edward Freeman's (1984) stakeholder theory, which says that organizations must fulfil the expectations of various stakeholders such as investors, customers and employees (Freeman, 1984)? Or does it mean that, ultimately, it is Milton Friedman's (1970) utilitarian view that counts, because businesses only need to fulfil their economic responsibilities, and CSR is a strategic management tool that does just that, and therefore the criteria of prioritising and selecting CSR activities should be the ability to contribute to the financial performance of an organisation, and hence management should only be held accountable to investors, but not other stakeholders (Friedman, 1970)? Therefore, in navigating around the CSR literature there are at least three main approaches namely the old that consists of four aspects of CSR (Carroll, 1979). These aspects include Ethical, Legal, Economic and Philanthropic. The second point of view relates the concept of CSR to the social responsibility of sustainable development. From this point of view, CSR comprises of three dimensions economic, environment and social. A third approach regarding CSR is related to stakeholder's approach which comprises several dimensions of CSR. These dimensions include customers, employees, ethical-legal, and shareholder, environment and society (Parmar et al., 2010). Based on these three scales scholars have different scales to measure the customer perceptions of CSR (Maignan, 2001; Salmones, Perez, & Bosque, 2009). In this paper, stakeholders-based approach is used given by (Freeman, 1984).

It is evident that corporate social responsibility is important for organisations, and the previous discussion showed that CSR, if done properly, could result in a good reputation (e.g. reducing idiosyncratic risk, improving stakeholders' perceptions of corporate reputation, etc) and positive financial performance (e.g. competitive advantage, financial benefits, etc) (Hart and Saunders, 1997; Hart, 1997; Hart et al., 2003; Luo and Bhattacharya, 2009). Hence, after some 60 years of discussion and 40 years of empirical research,

CSR has become a more mature topic and an important strategic management tool, which companies and scholars are keen to find out how to use it to fulfil both reputational and financial objectives. While there have been quite a number of research studies and discussions about the influence of CSR on customers' quality perception, brand trust, and even loyalty, there has been little discussion on the moderating impact of these factors on loyalty. Moreover, most analyses that tried to link CSR to trust, quality and loyalty did not distinguish between the different aspects of CSR, while some may divide CSR into too many aspects, like ethical and philanthropic aspects, where it may be hard to draw a clear line or where there might be a duplicate meaning (Park et al., 2013). Therefore, refining CSR into two major aspects, namely business practices relating to primary stakeholders, and philanthropic relating to secondary stakeholders seemed more appropriate (Homburg et al., 2013).

It is reasonable to postulate that loyalty may form a feedback loop to reputation, because loyal customers may spread positive word-of-mouth, which may contribute to better reputation. Empirical research on loyalty has found that loyalty has an influence on repurchasing intent, satisfaction (Broyles, 2009; Hur, Kim, and Park, 2012), and profitability (Chen, Cheng, and Hsiao, 2016). Other research also found that reputation has an impact on loyalty (Bontis, Booker, and Serenko, 2007). As research study on the influence of loyalty on reputation is lacking, such relationship was not incorporated in this research framework, so the survey questionnaire focused on investigating the impact of the two types of CSR reputation on loyalty. Realizing there are such gaps in research, the author would like to contribute to the field of study by exploring the impact level of different aspects of CSR on trust and loyalty, and hence companies' financial and reputational performance.

Research Model and Hypothesis Development

By splitting CSR into its two aspects, namely business practice and philanthropic, targeting primary and secondary stakeholders, a suggested research framework is constructed, and is shown in the following diagram

Figure 1: Research Model

The Direct Impact of Business Practice CSR Reputation and Customer Loyalty

Those companies who have made corporate social responsibility an important part of their businesses are achieving the benefits in the form of reducing liabilities, insurance cost and increased sustainability as well as improved brand image of the company (Saunders, 2006). Nowadays, companies came to know that corporate social responsibility is closely connected with their reputation and also the tool of their brand identity (Bhattacharya 2010).

Good corporate social activity can improve customer support, and then create benefits for the company (Lichtenstein et al., 2004). Consumers have been shown to be more willing to buy products from companies involved in social causes for example donations, energy programs, sponsorships etc (Bhattacharya & Sen, 2004). Consumers prefer products and services from the responsible companies to those from irresponsible companies. CSR can also affect response of consumers to the product by creating associations. A positive association CSR led to a positive evaluation of the company and therefore has a positive impact. Negative associations will lead to negative estimates of the company and product satisfaction. Bhattacharya (2001) found that a positive assessment of the CSR is only triggered if a person strongly identifies with the company

Scholars have proposed that CSR directly generates more customer loyalty, without requiring the intervention of mediating variables (e.g., Martínez and del Bosque 2013). They claimed that corporate ability and CSR act as evaluative criteria for determining consumer purchase intentions. An assessment of a customer's positive perception of CA leads to favorable customer behavioral outcomes (Zeithaml et al. 1996). Based on these findings, we posit the following hypotheses

Hypothesis 1: H1: There is a positive relationship between business practice CSR reputation and customer loyalty.

Business Practice CSR Reputation and Perceived Service Quality

Over the past two decades, the theory and practice of service quality has received considerable attention from academics and practitioners as a means of gaining competitive advantage within service providers (Parasuraman et al., 1988). The assessment of service quality is largely based upon the SERVQUAL scale proposed by Parasuraman et al. (1985; 1988). One of the key research interests on service quality has been the relationship between service quality and customer satisfaction. Even if some researchers claim that satisfaction represents an antecedent of perceived service quality (Rust and Oliver, 1994) strongly contradict this claim and argue perception of service quality has a positive effect on the level of customer satisfaction, this study hypothesizes:

Hypothesis 2: H2: There is a positive relationship between business practice CSR reputation and perceived service quality.

The Role of Perceived Service Quality and Trust

Relationship between perceived service quality and customer Trust plays a crucial role in shaping customers' views on the level of service quality. Customer trust is related to the assessment of a provided service, as it was demonstrated that when customers perceive high service quality, their trust of the service provider is deepened as well (Garbarino and Johnson, 1999, Yieh, K et al 2007). In other words, when customers have a better perception of service quality (Morgan and Hunt, 1999) they are more likely to trust the service provider. As perceived service quality is the discrepancy between customer expectations and actual perception of service performance, in order to meet customer expectations of service, corporations will strive to reduce perceived uncertainties, fluctuations, and risk in the relationship between service providers and customers and win customer trust over time (Boersma and Ghauri, 2004). Building on the research above, this paper intends to analyze the impact of perceived service quality on customer trust towards airlines. Hence, we hypothesize the following:

Hypothesis 3: H3: There is a positive relationship between perceived service quality and trust.

Business Practice CSR Reputation and Trust

The effect of CSR reputation on, customer trust and loyalty is of strategic importance to companies and has been shown to influence the level of corporate commitment to social responsibility (Stanaland et al. 2011). Lacey et al. (2015) show that CSR functions not only as a motivator, but also as a hygiene factor in influencing customer relationships and referral behavior. The firm's reputation as an important antecedent of consumer trust as an important prerequisite of consumer trust towards firm/product/brand is that the firm should have a good reputation in the eyes of the consumer. Firm reputation is treated as an antecedent of consumer trust in several studies (Ganesan, 1994; Bennet and Gabriel, 2001; McKnight, Choudhury and Kacmar, 2002). The mechanism through which CSR activities help in building corporate reputation among employees. Researchers have identified a positive relationship between the development of trust among employees and a firm's CSR activities (Berry, 1999).

Trust and corporate reputation can be studied from the viewpoint of internal stakeholders, that is, employees and external stakeholders, that is, customers. A survey of literature suggests that the existing literature on trust and corporate reputation has focused on external stakeholders, or customers. Some studies have suggested that corporate reputation among customers precedes and leads to an increase in customer trust in the organization (Keh & Xie, 2009), while other studies have identified customer trust as an antecedent of corporate reputation (Walsh, 2009). Hence:

Hypothesis 4: H4: There is a positive relationship between business practice CSR reputation and Trust.

Philanthropic CSR Reputation and Trust

The latest studies show that the organizations who undertaken the community development activities and make the generous contributions are positively related to the customer's loyalty which leads towards the higher profit growth as well as the customer retention. Further the voluntary activities of the workers and managers who paid for the society and spent time for community development and support can establish good relationships with customers which increase the customer retention. That particular act of the company's staff can help in building trust which increases the demand of the firm's products (Lev et al., 2010). Philanthropic initiatives of the company had more positive approach of the company and gain the largest acquisition of the brand and increase the investment intentions of the investors (Korschun et al., 2006). Initiatives of the CSR, especially in the field of education, balanced growth life, environment and health can affect the customer satisfaction. This customer satisfaction is considered as the key determinant of the consumer attitude in the long term (Cooil, 2007). Therefore, following hypothesis has been formulated:

Hypothesis 5: H5: There is a positive relationship between philanthropic CSR reputation and trust.

Trust and Customer Loyalty

Trust is logically and experientially a critical variable in relationships, as has been hypothesized and borne out in the marketing literature (Ailawadi, K.L., et al., (2013)). Those who are not willing to trust a vendor in a competitive marketplace are unlikely to be loyal. The importance of trust in explaining loyalty is also supported by authors as Lim et al., (1997). According to Laroche (2013) a major antecedent of loyalty is trust. With the shift of emphasis in academic literature and practice towards relationship marketing, more attention has been directed towards understanding how trust serves as an antecedent of loyalty. It has been shown that trust leads to higher commitment especially when the customer involvement is high. Therefore, following hypothesis has been formulated:

Hypothesis 6: H6: There is a positive relationship between trust and customer loyalty.

Research and Methodology

Instrument

An online survey was conducted, using a structured questionnaire, with a convenience sample of 352 respondents who patronized three major banks in Kenya for over one year and had used its services most frequently in the previous six months. The questionnaire was designed based on literature in relation to the constructs in the proposed research framework and with a total of 29 questions for the five constructs, and four questions for demographics were designed. For each variable relating to the constructs, respondents were asked to indicate their agreement for each statement using the five-point Likert scale ranging from “1-strongly disagree” to “5-strongly agree”. the questionnaire was posted on online research channel qualtrics.com and the web-link was sent to fellow colleagues and other professional connections. Data from the valid questionnaires were collected for analysis. The questionnaires were screened for completeness and those which were not completed were discarded.

Data Collection

Data was collected by survey method from 352 respondents who were patronized customers of at least one of the three major banks in Kenya. Proportional stratified and random sampling was applied to sample respondents (customers) to the bank to give rise to 352 respondents. This method was selected because, each consumer was given an equal opportunity of being selected into the sample and in equal proportion (Cooper et al., 2006).

Measurement

Established scales were used to measure all key constructs. The measurement items were modified in terms of wording to fit the research context and changed to a five point Likert scale. The CSR activities was measured by dividing them into two dimensions which are Business practice CSR reputation and Philanthropic CSR reputation with four measurement items each adopted from Homburg et al. (2013) and Chung et al. (2015). Customer Loyalty was measured with six items adopted from Homburg et al. (2013) and Perceived service quality and Trust used four measurement items as by Aurier & Lanauze (2012).

Data analysis and findings

The research uses partial-least-square based structural equation modeling (PLS-based SEM) with the statistic program Warp-PLS 5, and so the further steps are measurement model and structural model assessment. PLS-SEM was selected because of its relative robustness in working with smaller and larger samples, a flexibility that is achieved by having few limiting assumptions regarding model specifications and data and provision of parameter estimates that maximize the explained variance of the dependent construct (thus supporting prediction or theory). Its ability to be used for confirmatory theory testing and model comparison was also taken into account.

Measurement Models

Measurement models were used to confirm the effectiveness and suitability of the model using numerous standards. This stage validated that all latent variables would be proceeded with the help of the observed variables. The model should be tested for indicator reliability, internal consistency, discriminant and convergent validity (Straub et al., 2004). Indicator reliability were evaluated through combined and cross loadings, results indicate that the measurement items were satisfied as they exceeded 0.50 (Hair et al., 2011). Also, internal consistency reliability was achieved by Cronbach's alpha values which all are around 0.8 as threshold values for confirmative research should be more than 0.8 (Cronbach, 1951). Composite reliability values are all above 0.8, which is required in advanced stages of research (Nunnally & Bernstein, 1994). Convergent validity was achieved as all AVE values are above 0.5 as proposed by Fornell & Larcker (1981) as in Table 2. Table 3 assures the discriminant validity using the Fornell-Larcker criterion where each AVE value of each latent variable is greater than the latent variable's highest squared correlation with any other latent variable.

Table 2: Measurement items, validity and reliability analyses

construct	Measurement item	Factor Loading	Cronbach Alpha	Composite Reliability	AVE
Business Practice CSR Reputation	The bank follows high ethical standards	.842	.882	.914	.681
	The bank respect customer rights	.883			
	The bank provides full accurate information	.849			
	The bank behaves honestly with customers	.753			
Philanthropic CSR Reputation	The bank give back to the charities	.792	.837	.885	.609
	The bank helps the communities	.660			
	Locals benefit from the bank	.832			
	The bank is involved in corporate giving	.840			
Perceived Service Quality	The bank perform promised services	.843	.865	.903	.651
	The bank is willing to help customers	.835			
	The bank has courtesy of employees	.753			
	The bank provides caring attention to customers	.789			
Trust	In general I trust the bank	.854	.881	.944	.894
	The bank is honest	.897			
	I believe the information provided by the bank	.768			
	The bank is trustworthy	.967			
Customer Loyalty	I am a loyal customer of this bank	.786	.795	.907	.830
	I say positive things about this bank	.769			
	I recommend the bank to other people	.897			
	I will patronize the bank when I need similar services	.867			
	I will always patronize the bank	.789			
	I do more business with the bank	.769			

Table 3: Correlations among latent variables with AVE's square roots

	Business Practice CSR Reputation	Philanthropic CSR Reputation	Perceived Service Quality	Trust	Customer Loyalty
Business Practice CSR Reputation	0.825	0.610	0.506	0.518	0.452
Philanthropic CSR Reputation	0.610	0.780	0.492	0.479	0.412
Perceived Service Quality	0.506	0.492	0.807	0.782	0.681
Trust	0.518	0.479	0.782	0.945	0.775
Customer Loyalty	0.452	0.412	0.681	0.775	0.911

Structural Model Assessment

As proposed by Hair et al. (2013) several criteria are needed to check the validity of the structural model. 2.3.3. Model fit assessment. The overall fit of the model was based on the measures in Table 4.

Table 4: Model fit and quality indices

Fit measure	actual	p-values	Accepted fit
Average path coefficient (APC)	0.247	$p < 0.001$	$p < 0.05$
Average R-squared (ARS)	0.628	$p < 0.001$	$p < 0.05$
Average adjusted R-squared	0.624	$p < 0.001$	$p < 0.05$
Average block VIF (AVIF)	1.952	acceptable if ≤ 5 , ideally ≤ 3.3	
Average full collinearity VIF	2.529	acceptable if ≤ 5 , ideally ≤ 3.3	
Tenenhaus GoF (GoF)	0.678	small ≥ 0.1 , medium ≥ 0.36 , large ≥ 0.65	
R-squared contribution ratio (RSCR)	1.000	acceptable if ≥ 0.9 , ideally = 1	

As seen in Table 4, all values are within the accepted fit range, and therefore the model has a good fit.

Model Validity

Coefficient of determination (R^2) and predictive relevance (Q^2) are measured, and as seen in Table 5, values as substantial for R^2 as values are around (0.67) (Chin, 1998) and Q^2 is relevant as it exceeds 0 and is more predictive as higher (Fornell and Cha, 1994).

Table 5: Model validity

Construct	R^2	Adjusted R^2	Conclusion
Trust	.734	.731	Substantial
Customer Loyalty	.721	.717	Substantial
Construct	Q^2		Conclusion
Trust	.736		Relevant
Customer Loyalty	.722		Relevant

Structural Model and Hypotheses Testing

The structural model was evaluated by examining the structural paths. Path significances were determined by running the model using the AMOS statistical package and the path coefficients for the research model as presented in Table 6. The six hypotheses presented in this study were tested using AMOS techniques. The path significance of each hypothesised association in the research model in this study, a two-tailed t-test was used because independent variables may either show a positive or a negative effect on the dependent variables (Helm, Eggert, and Garnefeld, 2010).

Positive and significant relationships were found between business practice CSR reputation and perceived service quality p -value < 0.001 , and between business practice CSR reputation and trust p -value 0.010^* , therefore supporting H2 and H4 respectively. Positive and significant effects were found for perceived service quality on trust p -value $< 0.001^{**}$, and also for trust on customer loyalty p -value $< 0.001^*$, hence supporting H3 and H6 respectively.

Trust was predicted by perceived service quality, which explained 57% ($R^2 = 0.567$) of the variance in trust, indicating a moderate R-squared value. Therefore, H3 was supported. Customer loyalty was predicted by trust, which explained 68.8% ($R^2 = 0.648$) of the variance in customer loyalty, indicating a moderate R-

squared value. Therefore, H6 was supported. However, the relationship between business practice CSR reputation and customer loyalty $\beta = 0.130$ and the relationship between philanthropic CSR reputation and trust $\beta = 0.451$ were found significant at $p\text{-value} > 0.05$, which did not support H1 and H5.

Table 6: Evaluation of path coefficients

H	Exogenous variable	Mediator	Endogenous variable	Path coefficient	p-value	R2	Result
H1	Business Practice CSR Reputation	-	Customer Loyalty	0.046	0.130		Reject
H2	Business Practice CSR Reputation	Trust	Customer Loyalty	0.084	0.010*		Accept
H3	Business Practice CSR Reputation	Perceived service quality	Customer Loyalty	0.681	< 0.001**	0.567	Accept
H4	Perceived Service Quality	Trust	Customer Loyalty	0.597	< 0.001**		Accept
H5	Philanthropic CSR Reputation	Trust	Customer Loyalty	0.005	0.451		Reject
H6	Trust	-	Customer Loyalty	0.198	< 0.001*	0.648	Accept

**Significant at < 0.001, *significant at < 0.05.

Relationship between Business Practice CSR Reputation, Perceived Service Quality and Trust

In this paper business practice CSR reputation was shown to have a positive relationship with perceived service quality and trust, which is consistent with many different empirical research studies (Berg et al., 2012; Choi and La, 2013; Homburg et al., 2013 and Mandhachitara and Poolthong, 2011). So, the building of trust was not conclusive, as the relationship between business practice CSR reputation and trust was relatively weak, and the relationship between philanthropic CSR reputation and trust was even weaker and non-significant.

Relationships between Perceived Service Quality, Trust and Customer Loyalty

Perceived service quality was shown to have influenced trust, which then contributed to customer loyalty, and these relationships were well researched, and the results of this study were consistent with findings from other studies (Aurier and Lanauze, 2012; Berg et al., 2012; Homburg et al., 2013). The research findings reinforced results from other researchers in various contexts and countries, indicating strong relationships between the constructs, regardless of culture or product nature. Trust is sometimes regarded as having an inconclusive relationship with quality, satisfaction and loyalty (Butt and Aftab, 2013). As consumers, it is not hard to find ourselves being skeptical about certain companies, yet continue to patronise them on a regular basis due to many contextual factors such as nonexistence of better alternatives, inertia, and high switching cost, etc.

Business Practice CSR Reputation did not Contribute to Customer Loyalty

The insignificant relationship of business practice CSR reputation and customer loyalty indicated a clear lack of a significant relationship between these two constructs in the proposed research model. Business practice CSR reputation was shown to contribute to customer loyalty through the mediating effect of perceived service quality and trust, instead of having a direct relationship with loyalty. This seemed to have

contradicted results from previous research (Choi and La, 2013; Chung, Yu, Choi, and Shin, 2015; Mandhachitara and Poolthong, 2011).

One possible explanation is that it may be difficult for CSR alone to contribute directly to customer loyalty for products like banking services which are high involvement products with recurring fee payments. Customers tend to have higher incentives to switch to another company for better deals, which will mean a long-term and significant revenue gain or cost saving.

Philanthropic CSR Reputation did not Contribute to Trust

The literature has suggested that organisations that engage in interaction with secondary stakeholders (e.g. community and non-profit organisations) through practices like philanthropic CSR will gain a philanthropic CSR reputation (Homburg et al., 2013). The relationship between philanthropic CSR reputation and trust was established by previous researchers, but was rejected by in this study (Homburg et al., 2013, Park et al., 2013). An insignificant relationship between philanthropy and trust was supported by other research, and could be related to consumers' scepticism of philanthropy by corporations (BBC News, 2012)

Conclusions

This research was set out to investigate the importance of building up a CSR reputation, and how different CSR initiatives can contribute to the development of sustainable competitive advantage, loyalty and profitability of corporations in established and highly competitive markets. The study concluded that business practice CSR reputation can make a significant contribution to customer loyalty through the mediating factors of perceived service quality and trust. Together with the confirmation of a relationship between perceived service quality, trust and customer loyalty, the research has confirmed the positive contribution of business practice CSR reputation towards profitability, which is developed by establishing customer loyalty through building better perceived service quality and trust. Also this study has informed researchers that CSR has contributed to loyalty through its influence on perceived service quality and trust that have a direct impact on loyalty. This paper therefore confirms that the interests of primary stakeholders like customers are more important, which reinforced the significance of "business practice CSR reputation" of the model in the study. However, despite the fact that many studies have confirmed the importance of CSR in building competitive advantage and corporate reputation, we can comfortably regard shareholders as the most important stakeholders, and hence, the need to achieve economic performance.

The study has helped close various gaps in practice. The research data revealed that strategic efforts should be exerted on CSR, due to its value in contributing positively to service quality, trust and loyalty, which are regarded as important in bringing about sustainable competitive advantages and profitability for an organization. However, as in any other research, this study has some limitations, the first limitation is related to the study context. This research only focused on the banking industry, with a study of three selected banks and only in the Kenyan context and secondly the research was conducted on a voluntary self-administered basis and through an online platform. While it has the benefits of higher efficiency and cost savings, it also has limitations, as a lack of interaction has prevented respondents from asking questions and clarifying misunderstandings during the process. Moreover, it is unclear whether respondents were paying full attention and considering the questions carefully when answering them, thus affecting the quality of their answers.

Future researchers may want further enrich the business practice CSR engagement that targets primary stakeholders in the business-to-consumer context. Efforts should be exerted to explore practices that would maximize the financial results. This will direct companies to more effective use of resources and better development of CSR plans for the medium to long run. The role of stakeholder relationship is perhaps worth exploring as a supplementary study to this framework. Further research should continue to explore and compare the importance of various aspects of CSR reputation, including those targeting primary stakeholders such as customers (e.g. business practice CSR), shareholders (e.g. economic responsibility) and also those targeting secondary stakeholders like the local community (e.g. philanthropic CSR).

References

- Ailawadi, K.L., et al.,(2013) Does retailer CSR enhance behavioral loyalty? A case for benefit segmentation, *International Journal of Research in Marketing*, <http://dx.doi.org/10.1016/j.ijresmar.2013.09.003>
- Aurier, P., and Lanauze, G.S. (2012). Impacts of perceived brand relationship orientation on attitudinal loyalty. *European Journal of Marketing*, 46(11/12), 1602- 1627, <https://doi.org/10.1108/03090561211260004>.
- Berens, G., Riel, C.B.M., and Bruggen, G.H. (2005). Corporate Associations and Consumer Product Responses: The Moderating Role of Corporate Brand Dominance. *Journal of Marketing*, 69, 35-48
- Berman, S.L., Wicks, A.C., Kotha, S., and Jones, T.M. (1999). Does Stakeholder Orientation Matter? The Relationship between Stakeholder Management Models and Firm Financial Performance. *Academy of Management journal*, 42(5), 488506.
- Beurden, P., and Gossling, T. (2008). The Worth of Values – A Literature Review on the Relation Between Corporate Social and Financial Performance. *Journal of Business Ethics*, 82(2), 407-424. doi:10.1007/s10551-008-9894-x Wang.
- Boersma, M.F.; Ghauri, P.N. 2004 Trust in international joint venture relationships. In *The Challenge of International Business*; Springer: Palgrave Macmillan, London; pp. 101–123
- Bontis, N., Booker, L.D., and Serenko, A. (2007). The mediating effect of organizational reputation on customer loyalty and service recommendation in the banking industry. *Management Decision*, 45(9), 1426-1445.
- Bowen, H.R. (1953). *Social responsibilities of businessmen*. New York: Harper & Brothers.
- Broyles, S.A. (2009). Loyalty's influence on satisfaction in cross-cultural settings. *Journal of Product & Brand Management*, 18(6), 414-424.
- Caceres, R. C., and Paparoidamis, N. G. (2007). Service quality, relationship satisfaction, trust, commitment and business-to-business loyalty. *European Journal of Marketing*, 41(7), 836-867.
- Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*, 34(4), 39-48.
- Carroll, A. B. (1999). Corporate Social Responsibility: Evolution of a Definitional Construct. *Business and Society*, 38(3), 268-295,
- Chen, J.V., Cheng, H.K., and Hsiao, H.J.V. (2016). Loyalty and Profitability of VIP and Non-VIP Customers in the Banking Service Industry. *Service Science*, 8(1), 19-36.
- Choi, B., and La, S. (2013). The impact of corporate social responsibility (CSR) and customer trust on the restoration of loyalty after service failure and recovery. *Journal of Services Marketing*, 27(3), 223-233, <https://doi.org/10.1108/08876041311330717>.
- Du, S., Bhattacharya, C.B., and Sen, S. (2011). Corporate Social Responsibility and Competitive Advantage: Overcoming the Trust Barrier. *Management Science*, 57(9), 1528-1545.
- Džupina, M. (2012). Corporation with a Charitable Event Through Sponsorship: Measuring the Effects on Corporate Community Relations. *Journal of Advertising*, 31(4), 77-87. <https://doi.org/10.1080/00913367.2002.10673687>
- Dzupina, M., 2016. A theoretical study on cross-national differences on corporate social responsibility orientation (CSRO). *European Journal of Science and Theology*, 12 (1), 163e169.
- Epstein, E.M. (1987). The corporate social policy process: beyond business ethics, corporate social responsibility, and corporate social responsiveness. *California Management Review*, 29(3), 99-114.
- Folse, J.A.G., Niedrich, R.W., and Grau, S.L. (2010). Cause-Relating Marketing: The Effects of Purchase Quantity and Firm Donation Amount on Consumer Inferences and Participation Intentions. *Journal of Retailing*, 86(4), 295-309.
- Frederick, W.C. (1960). The growing concern over business responsibility. *Carlifornia Management Review*, 2(4), 54-61.
- Fredrick, W.C. (2006). *Corporations, Be Good: The Story of Corporate Social Responsibility*, Dog Year Publishing: Indianapolis

- Freeman, R.E. (1984). *Strategic management: A Stakeholder Approach*. Boston: Pitman.
- Friedman, M. (1970). The Social Responsibility of Business is to Increase its Profits. *The New York Times Magazine*, 211-227.
- Frooman, J. (1997). Socially irresponsible and illegal behavior and shareholder wealth. *Business & Society*, 36(3), 221-249.
- Frynas, J.G. (2009). *Beyond Corporate Social Responsibility Oil Multinationals and Social Challenges*, Cambridge University Press, Cambridge.
- Garbarino, E. and Johnson, M.S. (1999) *The Different Roles of Satisfaction, Trust, and Commitment in Customer Relationships*. *J. Mark.* 63, 70–87.
- Hart, P., and Saunders, C. (1997). Power and trust: critical factors in the adoption and use of electronic data interchange. *Organizational Science*, 8(1), 23-42.
- Hart, S. L. (1997). Beyond Greening: Strategies for a Sustainable World. *Harvard Business Review*, 75(1), 66-76.
- Hart, S. L., Milstein, M. B., and Caggiano, J. (2003). Creating Sustainable Value. *The Academy of Management Executive*, 17(2), 56-69.
- Homburg, C., Stierl, M., and Bornemann, T. (2013). Corporate Social Responsibility in Business-to-Business Markets: How Organizational Customer Account for Supplier Corporate Social Responsibility Engagement. *Journal of Marketing*, 7(5), 54-72.
- Hsu, F.J., and Chen, Y.C. (2015). Is a firm's financial risk associated with corporate social responsibility? *Management Decision*, 53(9), 2175-2199.
- Hur, W.M., Kim, Y., and Park, K. (2012). Assessing the Effects of Perceived Value and Satisfaction on Customer Loyalty: A 'Green' perspective. *Corporate Social Responsibility and Environmental Management*, 20(3), 146-156.
- Kathryn, H; Murray, A. and Dillard, J. (2013). *Corporate Social Responsibility: A Research Handbook*, Routledge, London
- Kreitner, R. and Kinicki, A. (2002). *Organizational Behaviour*. 2nd Edition, Mcgraw Hill, London, 206-220. Review, 84(12), 78-90
- Liedekerke, L., and Dubbink, W. (2008). Twenty Years of European Business Ethics - Past Developments and Future Concerns. *Journal of Business Ethics*, 82(2), 273-280.
- Luo, X., and Bhattacharya, C.B. (2009). The Debate over Doing Good: Corporate Social Performance, Strategic Marketing Levers, and Firm-Idiosyncratic Risk. *Journal of Marketing*, 73(6), 198-213.
- Lussier, M., & Rinfret, N. (2002). The Proportion of Women Managers: Where Is the Critical Mass? *Journal of Applied Social Psychology*, 32(9), 1974–1991. doi:10.1111/j.1559-1816.2002.tb00268.x
- Maignan, I., and Ferrell, O.C. (2004). Corporate Social Responsibility and Marketing: An Integrative Framework. *Academy of Marketing Science*, 32(1), 3-19
- Morales, A.C. (2005). Giving Firms an "E" for Effort: Consumer Responses to High Effort Firms. *Journal of Consumer Research*, 31(4), 806- 812. <https://doi.org/10.1086/426615>.
- Morgan, R.M.; Hunt, S.D. (1999). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58, 20–38
- Nakamura, E. (2015). The bidirectional CSR investment – economic performance relationship. *Journal of Global Responsibility*, 6(1), 128- 144, <https://doi.org/10.1108/JGR-05-2014-0021>.
- Pepe, M.S., Abratt, R., and Dion, P. (2011). The impact of private label brands on customer loyalty and product category profitability. *Journal of Product & Brand Management*, 20(1), 27-36, <https://doi.org/10.1108/10610421111107996>.
- Poolthong, Y., and Mandhachitara, R. (2009). Customer expectations of CSR, perceived service quality and brand effect in Thai retail banking. *International Journal of Bank Marketing*, 27(6), 408-427. 10.1108/02652320910988302
- Porter, M.E., and Kramer, M.R. (2006). *Strategy and society: the link between competitive advantage and corporate social responsibility*. (HBR Spotlight: Making a Real Difference). Harvard Business

- Reich, R.B. (1998). The new meaning of Corporate Social Responsibility. *California Management Review*, 40(2), 8-17.
- Reich, R.B. (1998). The new meaning of Corporate Social Responsibility. *California Management Review*, 40(2), 8-17.
- Schwartz, M.S., and Carroll, A.B. (2008). Integrating and unifying competing and complementary frameworks: the search for a common core in the business and society field. *Business and Society*, 47(2), 148-186.
- Sen, S., and Bhattacharya, C.B. (2001). Does Doing Good Always Lead to Doing Better? Consumer Reactions to Corporate Social Responsibility. *Journal of Marketing Research*, 38(2): 225-243.
- Taghian, M, D'Souza, C and Polonsky, MJ 2015, A stakeholder approach to corporate social responsibility, reputation and business performance, *Social Responsibility Journal*, 11(2): 340-363, doi: 10.1108/SRJ-06-2012-0068.
- Tench, R., and Jones, B. (2015). Social media: The Wild West of CSR communications. *Social Responsibility Journal*, 11(2), 290-305. <https://doi.org/10.1108/SRJ-12-2012-015>
- Tschopp, D., and Nastanski, M. (2014). The Harmonization and Convergence of Corporate Social Responsibility Reporting Standards. *Journal of Business Ethics*, 125(1), 147-162.
- WB (2003) Public Policy for Corporate Social Responsibility, World Bank Institute; at http://info.worldbank.org/etools/57434/publicpolicy_econference.pdf [15.09.2014]
- Yeh, Y.P. (2015). Corporate social responsibility and service innovation on customer loyalty. *International Journal of Bank Marketing*, 33(6), 823-839.
- Yieh, K.; Chiao, Y.; Chiu, Y. (2007). Understanding the Antecedents to Customer Loyalty by Applying Structural Equation Modeling. *Total Qual. Manag. Bus. Excell.*, 18, 267–284