

Investigation of relationship between social responsibility and customers' loyalty (case study: Abadan City Banks)

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ABSTRACT

This study aims to investigate relationship between social responsibility and customers' loyalty in Abadan City Banks and provide appropriate solutions in this regard. In terms of goal, this is an applied study and in terms of data gathering, it is a descriptive correlation study. Two questionnaires were used in this research. One of them evaluated social responsibility based upon four dimensions of Carol's model and based on Geremi Gilbert's questionnaire (2010). The other questionnaire evaluated customer loyalty based on Moghimi's questionnaire. Validity of the questionnaires was confirmed by scholars. Reliability of the questionnaires as also confirmed by Cronbach's alpha. Research sample included 410 customers of Abadan banks who had bank accounts for at least five years in a bank. They were selected randomly and finally 362 questionnaires entered analysis. SPSS18 and Pearson correlation test were used for testing research hypotheses. According to the results, relationship between social responsibility and customers' loyalty is positive and significant.

KEYWORDS: social responsibility, customers' loyalty

INTRODUCTION

In strategic management texts, social responsibility in general and moralities in particular have been mentioned as inseparable elements of strategy formulation. Social responsibility experts are placed in two categories of supporters and opponents. Some supporters of market economy like Milton Friedman turn against social responsibility and consider it as being in contradiction with mechanisms of free market economy. In contrast, Carol who is one of the supporters of social responsibility believes that managers of a firm have four types of responsibilities: economic, legal, moral and dedication. Carol ranks these four responsibilities and believes that moral responsibility and dedication may turn into legal and ethical responsibilities in future, respectively. Both Friedman and Carol believe that they have developed their own theories considering the impact of social responsibilities on corporate profit. Friedman says: actions which are responsible socially may harm corporate efficiency.

Carol Believes that ignorance of social responsibilities may lead to government interventions and consequently result in efficiency reduction. Today, marketers do not purely look for new customers and satisfaction of customers is no longer enough and they should not be pleased so much with customers' satisfaction but they should make sure that satisfied customers are also loyal. This study tries to investigate the influence of social responsibility on customers' loyalty. The author(s) try to answer this question: whether social responsibility of an organization influences its customers' loyalty or not?

Research literature and background

Social responsibility

Social responsibility have received a lot of attention parallel to development of NGOs, protesting movements against powerfulness of companies, increases in social awareness, development of capital markets, development of public stock companies and financial and moral scandals of giants. Therefore, corporate social responsibility is nowadays an important issue for managers in all levels and is a subject of study in management. Today, corporate social responsibility has a wider concept than before. Social responsibility generally refers to activities which are done by capital owners and firms voluntarily as an effective and useful member of a society.

Griffin and Barney define social responsibility as follows: social responsibility is a collection of duties and commitments which should be done by an organization in order to care for and help the society they are active in." Dreck French and HinerSaverd (1998) in his famous book Management Culture writes about social responsibility: "social responsibility is a duty of private enterprises which means they should not have adverse impacts on social life in their society. This duty usually includes duties like not polluting, not using discrimination in employment, not doing immoral acts and alerting consumers about quality of their products. Furthermore, it is a duty based upon positive participation in individuals' lives.

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Social responsibility: social responsibility is a collection of duties and obligations which should be done by an organization in a society in order to care for and help the society (Fleming, 2002). Corporate social responsibility: it is a duty of private enterprises and means they should not harm their society. This duty usually includes duties like not polluting, not using discrimination in employment, not doing immoral acts and alerting consumers about quality of their products. Furthermore, it is a duty based upon positive participation in individuals' lives (Fleming, 2002). Social responsibility has four dimensions as follows:

- Economic responsibility: for producing benefits, provision of employment and creation of jobs and products needed by customers (Galbreath, Jeremy, 2010).
- Legal responsibility: in order to comply with local, federal and international laws (Galbreath, Jeremy, 2010).
- Ethical responsibility: it is aimed to satisfy social expectations which have not been written as rules and avoiding it may result in social loss and it requires commitment to ethical rights and principles (Galbreath, Jeremy, 2010).
- Precautionary responsibility: (which embraces other corporate responsibilities like voluntary responsibilities) aimed at doing socially acceptable activities, participation in distribution of resources for different social and cultural conditions in relation to institutes, provision of possibility for using employees in internship courses and improvement of salaries and wages (Galbreath, Jeremy, 2010).

Customer loyalty

Loyalty is a positive word and in most cases it is attributed to people, companies and products. Loyalty is mutual and based upon cooperation but when propounded in regard with customer the traditional definition is no longer valid. Customer loyalty theory is relatively new in international management literature. Richard Oliver defined loyalty as follows: "loyalty refers to a strong obligation to re-purchase a particular product or service regardless of fierce marketing attempts of competitors." Real commitment of a customer forms when a customer is stimulated to repeat a purchase without any promotion and encouragement. (Oliver, 1977).

Within the past 10 years, customer loyalty has received a lot of attention and has become a guideline for increasing income and is considered as vital for a business success (Stinly, 1999). Customer loyalty is aimed at managing relationship with customers and it is believed that a customer makes a purchase not only due to a differentiated product which complies with his or her needs but also due to his or her belonging and attachment to suppliers of services or products. That is to say, having products and services compatible with customers' needs is a necessary condition but it is not necessarily enough for continuing customer loyalty. Adequate precondition is to have long-term relationship with customers (Safari, 2008). Customer loyalty: loyalty is creation of commitment in a customer for doing transaction with a particular organization and repeating purchases (Larson and Susanna, 2004).

Research background

Moshabbaki and Khalili conducted a research titled: "investigation of relationship between organizational culture and social responsibility in Ministry of Energy". They found that there is a strong positive correlation between corporate social responsibility and that employees' mental model is the main component influencing corporate social responsibility (Moshabbaki et al, 2010). Mortazavi et al (2010) conducted a research titled: "investigation of mediating role of social responsibility importance on relationship between social responsibility and organizational commitment. "they used food industry as target population and their sample had 105 members. Process of data using hierarchical regression model indicated that mediating role of the social responsibility on relationship between the four dimensions of social responsibility (employees, customers, government and social and non-social beneficiaries) is supported. This showed that emphasis on social responsibility and its observation by organizations can have positive functions on organizational performance such that it significantly influences organizational commitment of employees (Mortazavi et al, 2010). Samadi et al (2011) conducted a research titled: investigation of relationship between CRS and agility capabilities. They found that there is a positive and significant relationship between social responsibility and organizational agility and this relationship is direct (Samadi et al, 2011).

Pejouh et al (2013) conducted a research titled: "influence of salespersons' behaviors and organizational justice on customers' loyalty: an empirical study on B-to-B relations". They investigated the influence of salespeople's behavior towards customers on customers' loyalty. They found that customers' loyalty to an organization considerably depends on the quality of their inter-individual relations (Pejouh et al, 2013). Segrou (2013) conducted a research titled: "investigation of the influence of perceived service quality and relationship quality on customer satisfaction and loyalty". They found that service quality, communications quality and customer satisfaction have direct and positive impacts on loyalty (Segrou, 2013). Tezerliv et al (2011) conducted a research titled "impacts of quality and switching of relationship barriers on customers' loyalty". They found that service providers should increase quality of their relationships with customers in order to increase customer loyalty (Tezerliv et al, 2011).

RESEARCH METHODOLOGY

This study is an applied research. In terms of classification, it is of descriptive nature and in terms of control type, it is a field study. Furthermore, in terms of the types of relationships between variables, it is a correlation study. Statistical population of the research included all customers of banks in Abadan City who had bank accounts above 5 years in a bank and used the services of the bank account continuously. Sample method was random and Morgan Table was used for achieving sample size. Considering the unlimited size of statistical population, sample size was equal to 384 people. They were selected randomly. Questionnaire was used as data gathering instrument. These questionnaires were standard and their validity and reliability were supported in advance. We used social responsibility questionnaire (developed by Jeremi Gilbert, 2010) and customer's loyalty questionnaire (developed by Doctor Moghimi). Finally, the questionnaire contained 27 questions based on Carol's model on social responsibility dimensions and 12 questions on customers' loyalty. Intent validity was used for investigation of validity. We used scholars opinions to adjust and confirm validity of the questionnaire. Further, KMO and Bartlett's sphere city tests were also used (table 1). Cronbach's alpha was used for testing reliability. 30 people received questionnaires for testing reliability. The results of Cronbach's alpha have been summarized in table 2. After distribution of questionnaires, they were asked to answer the questions as well as mentioning their ideas about clarity of the questions. After investigation of the ideas, odd questions were eliminated and some were added. Finally, the results proved that different aspects of the questionnaire are approved by scholars. Finally, 342 complete questionnaires were gathered for final analysis.

Table 1.results of KMO test for measurement of validity

questionnaire	KMO	Bartlett'ssphericity tests	Sig
Social responsibility variable	0.813	323.645	0.000
Social loyalty variable	0.724	415.286	0.000

Table 2.Cronbach's alpha as separated by questionnaires

questionnaire	Numberof questions	Cronbach's alpha
Social responsibility	27 questions	0.879
Economic responsibility dimension	7 questions	0.762
Legal responsibility dimension	7 questions	0.789
Ethical responsibility dimension	7 questions	0.892
Precautionary responsibility dimension	7 questions	0.796
Social loyalty variable	16 questions	0.851

Descriptive and inferential analyses were used for data evaluation (especially Pearson Correlation test was used due to normality of data distribution). Considering research goals, the hypotheses are as follows:

- Main hypothesis: there is a relationship between social responsibility and customer loyalty.
- First subsidiary hypothesis there is a relationship between economic responsibility and customer loyalty.
- Second subsidiary hypothesis: there is a relationship between legal responsibility and customer loyalty.
- Third subsidiary hypothesis: there is a relationship between legal responsibility and customer loyalty.
- Fourth subsidiary hypothesis: there is a relationship between precautionary responsibility and customer loyalty.

Figure 1 indicates conceptual model of the research.

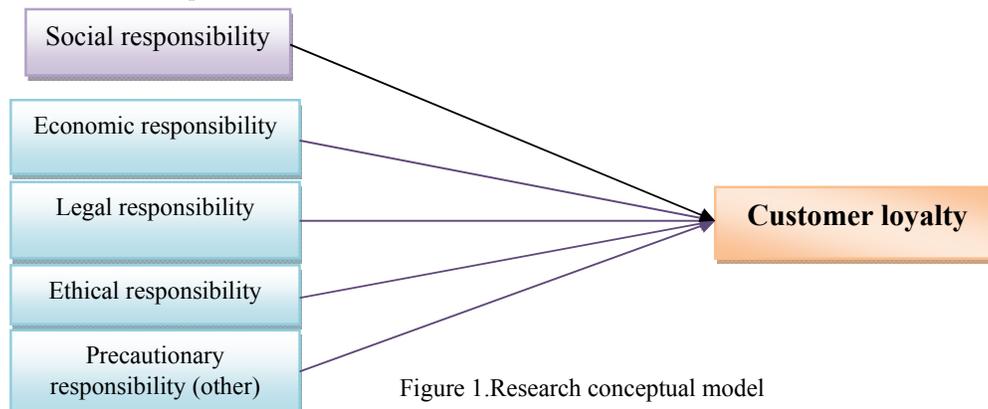


Figure 1.Research conceptual model

Data analysis

Results of descriptive test for demographic variables of the research

The following results were obtained in demographic analysis on 342 questionnaires:

60.53% of respondents were male and 39.47% were female. 37.42% were single and 62.58% were married. Furthermore, 7.6% had high school degree, 28.65% had associate's degree, 57.02% had bachelor degree, and 6.73% had master degree. Finally, 9.07% were aged 20-30 years old, 37.42% were aged 31-40 years, 46.49% were aged 41-50 years old and 7.02% were above 51 years.

Results of descriptive test for research variables

Descriptive indices of research variables like maximum/minimum, standard deviation, variance and mean value have been mentioned in table 3.

Table 3.description of research variables

Descriptive statistic	number	minimum	maximum	mean	SD	variance
Social responsibility	342	1	5	3.1534	0.58621	0.345
Economic responsibility	342	1	5	4.1709	0.79773	0.636
Legal responsibility	342	1	5	3.5353	0.62373	0.389
Ethical responsibility	342	1	5	3.8020	0.71513	0.511
Precautionary responsibility	342	1	5	4.2019	0.66293	0.439
Customer loyalty	342	1	5	4.2308	0.71627	0.513

Results of inferential test

In this section, we deal with the results of hypotheses tests. Therefore, we mention each hypothesis and then discuss reasons for supporting or rejecting the hypothesis.

- Main hypothesis: there is a relationship between social responsibilities and customer loyalty.

Considering table 4, it can be observed that the calculated significance value for Pearson correlation test of the main hypothesis is smaller than 0.05 (Sig=0.000<0.05). Therefore, H₀ is rejected with 95% of certainty and H₁ is verified and the relationship is significant. Furthermore, it can be said that correlation value is equal to +0.782 for these two variables and this indicates direct relationship between the two variables.

- First subsidiary hypothesis: there is a significant and positive relationship between economic responsibility and customer loyalty.

Considering table 4, it can be observed that the calculated significance value for Pearson correlation test of the first hypothesis is smaller than 0.05 (Sig=0.000<0.05). therefore, H₀ is rejected with 95% of certainty and H₁ is verified and the relationship is significant. Furthermore, it can be said that correlation value is equal to +0.875 for these two variables and this indicates direct relationship between the two variables.

- Second subsidiary hypothesis: there is a significant and positive relationship between legal responsibility and customer loyalty.

Considering table 4, it can be observed that the calculated significance value for Pearson correlation test of the second hypothesis is smaller than 0.05 (Sig=0.000<0.05). therefore, H₀ is rejected with 95% of certainty and H₁ is verified and the relationship is significant. Furthermore, it can be said that correlation value is equal to +0.774 for these two variables and this indicates direct relationship between the two variables.

- Third subsidiary hypothesis: there is a significant and positive relationship between ethical responsibility and customer loyalty.

Considering table 4, it can be observed that the calculated significance value for Pearson correlation test of the third hypothesis is smaller than 0.05 (Sig=0.000<0.05). therefore, H₀ is rejected with 95% of certainty and H₁ is verified and the relationship is significant. Furthermore, it can be said that correlation value is equal to +0.685 for these two variables and this indicates direct relationship between the two variables.

- Fourth subsidiary hypothesis: there is a significant and positive relationship between precautionary responsibility and customer loyalty.

Considering table 4, it can be observed that the calculated significance value for Pearson correlation test of the fourth hypothesis is smaller than 0.05 (Sig=0.000<0.05). therefore, H₀ is rejected with 95% of certainty and H₁ is verified and the relationship is significant. Furthermore, it can be said that correlation value is equal to +0.639 for these two variables and this indicates direct relationship between the two variables.

Table 4.results of correlation coefficient test for research hypotheses

	sample	Correlation coefficient	Significance level	Test result
Main hypothesis	342	0.782	0.000	supported
First subsidiary hypothesis	342	0.875	0.000	supported
Second subsidiary hypothesis	342	0.774	0.000	supported
Third subsidiary hypothesis	342	0.685	0.000	supported
Fourth subsidiary hypothesis	342	0.639	0.000	supported

Research findings summation

Every research has some restrictions considering its domain and cannot cover all aspects of a subject. Therefore, it is necessary to conduct similar studies on other organizations and in larger populations and in other parts of the country in order to acquire more comprehensive results.

The main hypothesis of the research was supported. In other words, observation of social responsibilities by organizations leads to customer loyalty because social responsibilities have become important for customers within the past few years and are fundamentals of business to customer relationships. At present, we can observe that large international companies pay special attention to observation of rights and even consider a slogan for more adherences to social responsibilities because they see development and success in taking social responsibilities. Even global communities and institutes have rated companies with respect to observation of social responsibilities. Banks in particular have been paying attention to social responsibilities. This is why we observe social banking growth and building schools by banks.

In the past, customer loyalty and customer maintenance were considered as being the same but we should be able to differentiate these two concepts in order to become aware of customers behaviors. As it was mentioned, loyalty means creation of loyalty within the framework of business in the form of "creation of commitment in customer for doing transaction with a particular organization and repetitive purchase of products and services", which is an internal affair. Therefore, loyalty cannot be purchased. Maintenance is the result of an event during which an individual remains a permanent customer of a firm and can be purchased by a stimulant and forms as a result of two factors. One is intensity of loyalty and the other is external stimulant like special service provision and valuable service offering. Therefore, loyalty improvement is actually the same as customer maintenance increase. Another issue is the complete satisfaction cannot be created for all customers. Instead, win-win relationship should be established between organization and customer in which income and costs are calculated traditionally and acquisition or maintenance of every customer or customer groups are considered based upon their internal loyalty.

Commercial companies are proposed to provide more statistics and info on social responsibilities they take on considering the novelty and importance of this subject such that customers become more loyal. Furthermore, it is proposed that questionnaires be distributed among different groups of people with different income and social levels and the results be compared. Other successful international companies are also proposed to be studied in this regard so that the influence of doing such responsibilities in economic strategic plans is clarified. Similar studies are recommended in other cities of Iran. a comparison of internal and foreign producers which pay attention to social responsibility should be conducted.

The present study investigated relationship between social responsibility and customer loyalty. We recommend investigation of the influence of other parameters on customer loyalty. This study can be studied in other industrial markets. since it is a cross sectional study, we recommend conduction of longitudinal studies and a comparison of the results. We investigated four dimensions of social responsibility and their impacts on customer loyalty. Other dimensions of social responsibility are also proposed to be studied.

Research restrictions are factors which set barriers ahead of data gathering and acquisition of results. We had to ask permissions and receive different licenses for distributing questionnaires among respondents. This slowed down research stages. Because of the relative novelty of the research subject and absence of books and similar studies in Persian regarding social responsibility and customer loyalty, we had some difficulties with gathering data. Filling questionnaires has some worries and distribution of questionnaires in Arvand Free Region required official permissions. Furthermore, colleagues filled out the questionnaires hardly and it required physical presence of the author(s) and explaining survey nature. Finally all questionnaires were gathered and it should be noticed that because this is a cross sectional study, the results might undergo changes as time goes by and the results cannot be generalized.

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