Mediating Effect of Customers’ Trust between the Association of Corporate Social Responsibility and Customers’ Loyalty: An Empirical Investigation from Telecom Sector

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Abstract
Corporate social responsibility plays a significant role in getting sustainable edge over competitors, gaining profits and enhancing business affairs with customers. The purpose of the study is to analyze the perception of consumers regarding the CSR and its impact on customers’ loyalty while trust mediates the link in the telecom context of Pakistan. The adopted questionnaire circulated among customers’ of different telecom companies through non probability sampling technique. The model was validated by confirmatory factor analysis through AMOS and hypotheses were investigated via path analysis. Findings revealed that CSR has a positive impact on customers’ loyalty and confirmed the mediating impact of trust between the association of CSR and customers’ loyalty. The current study provides literature regarding CSR, customer’s loyalty and trust that would be very useful for the marketing personnel of telecom companies in enhancing customers’ loyalty and trust by improving CSR practices. Additionally, the findings confirm the role of customers’ trust as a mediator between the link of CSR and customers’ loyalty. This study has also interesting implications for management of telecom companies in suggesting ways to enhance loyalty through corporate social responsibility.

Keywords: CSR, customer loyalty, customer trust, attitudinal loyalty, behavioral loyalty telecom communication sector.
1. Introduction

Corporate Social Responsibility (CSR) is “An idea through which companies integrate public and eco-friendly distresses in their business operations and as a volunteer, they interact with their stakeholders as well. World Business Council for Sustainable Development (WBCSD) describes CSR as “the obligation of an organization for the development of local community and the quality of life for the sustainability of their businesses through management commitment” (WBCSD, 2000). Maignan & Ferrell, (1999) stated that Corporate Social Responsibility of firms is deliberated as a community initially recommended and therefore considered as a strong predictor of customers’ loyalty (Bediako, 2017).

Customers’ loyalty can be defined as “a person who purchases frequently the same product, talk well about the company and recommend it to others (Ajzen & Fishbein, 1980; Smith & Swinyard, 2011). For Oliver (2011) it is “a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior”. Corporate Social Responsibility significantly impacts customers’ loyalty (García, Salmones et al., 2005). However, it is not easy to produce loyal customers promptly and according to Bhattacharya & Sen (2004) companies can make customers loyal by satisfying their needs. Furthermore, a good corporate image can be created through CSR that further attract more customers (Brown & Dacin, 1997; Sen & Bhattacharya, 2011). Company’s effort towards CSR will improve the trust level in customers that will lead to customer’s loyalty. Similarly, Castaldo et al. (2015) confirmed that trust is the key factor in long lasting relationship by making customers’ loyal.

Trust of consumer is defined as a self-reliance, whereas the services or products supplier can be approved on to act in a way that customer’s interest will be presented (Crosby et al., 2010). Similarly, Mayar et al. (2010) defined trust as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trust or, regardless of the ability to monitor or control that other party”. Likewise, Morgan and Hunt (1994) conceptualized trust in Commitment-trust theory as “existing one party has confidence in an exchange partner’s reliability and integrity.

Although the CSR field in the search for consumer transactions is scarce, but recently there has been an increase in interest in the relationship between the CSR and its impact on sale and customers’ behavior. Nowadays, consumers are looking for companies to perform the functions of the CSR (Creyer and Ross, 2011). Consequently, the leaders increase CSR as an affair to assist in competing (Pohle, 2008). One study revealed that corporate leadership should use CSR’s marketing advice, since it has a positive impact on marketing companies, respect for consumers, market share and business image (Bhattacharya et al., 2014).

The competitive environment for telecom sector in Pakistan is very challenging. Getting and retaining customers for telecom companies in particular is very hard. Customers easily switch from one company to other with low or no switching cost, for instance “Mobile
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Number Portability” service. In such challenging environment it is very hard for companies to retain their existing customers. Telecom companies are spending a huge budget on customers’ services and promotional activities to get and retain customers. Hence, it is necessary for companies to search new and efficient ways to improve customers’ base. Keeping in mind the growing importance of CSR, customers’ loyalty and trust, the author is trying to figure it out that how corporate social responsibility influences customers’ loyalty when trust mediates?

How CSR does influences customer loyalty in telecommunication sector of Pakistan? What is the impact of CSR on customers’ trust? Whether trust has any impact on customers’ loyalty? Does trust mediates the association of CSR & customer loyalty?

The objectives of the study are to investigate the perception regarding CSR and its impact on customer loyalty and to determine how trust mediates the association of CSR & customer loyalty

2. Literature Review

2.1 Corporate Social Responsibility

Corporate social responsibility plays a significant role in getting sustainable edge over competitors, gaining profits and enhancing business affairs with customers. Numerous scholars defined CSR with different dimensions such as Carroll (1979) defined CSR through economic, legal, ethical and philanthropic dimensions; Ailwadi et al. (2014) added “environmental friendliness, community support, the sale of local products and fair treatment with employees”. Whereas Srivastava, (2012) proposed “employees, environment, customers, society and stockholders” which are deliberated as “stakeholders” of the organization.

Consequently, Fasanya & Onakoya (2013) defined CSR as “a firm’s responsibility towards its stakeholders and its commitments towards its overall firm’s activities and processes”. The current study measures CSR through environmental, customers, employees and community activities which are discussed subsequently;

2.1.1 Environmental

This cluster includes the integration of environmental issues into strategies, operational and reporting, risk management and compliance control systems. Currently, companies use green technologies and renewable energy sources. There are other activities included in the cluster seventh by air pollution and waste management, the reconstruction process and reusable and reclamation materials (Berg, & Lidfors, 2012).

2.1.2 Community

Community is one of the important determinants of CSR, it includes the health and well-being of the local community in the enterprise. For instance the activities regarding charitable organizations or community organizations, partnerships for social investment, sponsors for sports and sports clubs for valuable reasons (Berg, & Lidfors, 2012).

2.1.3 Customer

Consequently, customer is one of the most important shareholders, as confirmed by Creer and Ross et al. (1992) Customers expect corporations to behave responsibly. The more
attractive customers are willing to appreciate this behavior. Customers nowadays are actively looking for companies with “sustainable” products and manufacturing methods and these new type of consumers are considered 'sophisticated' and 'environmentally friendly and socially conscious' subject to research by social scientists and economists (Flammer, 2015).

2.1.4 Employees

Another component of the effective role for HR professionals is the centrality of the employees to achieve organizational objectives. Indeed, without exception, each party is nominated by each of the four major stakeholders in the mapping process, designated as partners, customers and communities by other stakeholders. As a key factor in any organization, its employees should be involved in the merger of CSR in accordance with its policies in line with its strategic Business Guidance, to achieve its Corporate Social Responsibility. Above all, grabbing cynicism and leading ridiculous problems can be disconnected between rhetoric and practice. Business value is an improvement of the functionality of the business model, reputation, confidence, skills and intellectual capital. Trend of labor market trends for improving relationships (van den Berg, & Lidfors, 2012).

2.1.5 Customer Loyalty

Loyalty of customers described as “a deeply held commitment to rebuy or patronize a preferred product or service consistently in the future, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1997:392). Likewise, Pan et al. (2011) described loyalty as “the strength of a customer’s dispositional attachment to a brand (or service) and his/her intent to rebuy the brand (or patronize the service) in the future”.

Different perspectives are given about the customer loyalty. For instance, Sharma and Mittal (1995) and Kumar and Shah (2004) documented the following two sorts of customer loyalty, to be specific:

2.1.6 Behavioral Loyalty

Behavioral loyalty is important for businesses to increase profits, on the contrary the loyalty attitude is important for the company in overcoming the obstacles that occur in customers. Loyalty behavior depending on the purchase, a Function of the frequency of buying or buying patterns, the function of the possibility of purchase (Kuusik, 2007).

2.1.7 Attitudinal Loyalty

It is defined as “the level of customer’s psychological attachments, willingness to recommend the service provider and engage in positive WOM communications” Griffin (2005). Correspondingly, Chaudhuri and Holbrook, (2001) propose attitudinal loyalty as “the degree of dispositional commitment associated with the repeat purchase behavior of customers is called attitudinal loyalty”.

2.2 Customer Trust

Trust is defined as expectations in a transaction of any institution within the work experience, which is associated with the risks associated with the assumption and
implementation of such expectations by the organization. If he or she expects a person to believe that an incident has occurred, he or she is willing to rely on another party at the time of risk. It is expected that this effort will produce a positive result for the other party without seeming to be a negative result. (Worchel, 1979). Venture is an expectation of parameters and constraints with specific contexts. Lewis and Weegerth (1985) argued that confidence is not only a prophetic range, but also a belief in the risk.

Trust is “an expectancy of positive outcomes, outcomes that one can receive based on the expected action of another party” (Thomas 2009). Customer Relationship is a key factor in marketing and plays a vital role in increasing customer loyalty whereas, trust is a key factor for relationship marketing (Morgan & Hunt, 1994). Research Collaboration establishes a pre-requisite for the construction of customer relations and considered as a prerequisite for commitment to consumer needs (Garbarino & Johnson, 1998). While, Morgan & Hunt (1994) proposed that trust in one-party exchange partner is the trust in credibility and integrity. Theoretically, it is based on social cognitive learning, assuming individuals learn from the past. "Use this notion of relationships, experiences, and relationships in the partner's work (experience, responsibility, or honesty) to experience and observe the idea of how the partner will behave in the future in their organization Confidence (MacMillan et al., 2005).

Trust remained the point of concern for numerous author for the past years. For instance, Thaichon and Quach, (2015) investigated the association of “service quality, satisfaction, trust value, commitment and loyalty of internet service providers”. They found an optimistic influence of service quality on customers’ satisfaction, trust, value and commitment. However, their results did not confirm the link of trust and behavioral loyalty. Similarly, Devece et al. (2015) examined the trust and attitudinal loyalty relationship and confirmed a positive significant effect of trust in achieving attitudinal loyalty. Consequently, Castaldo, et al., (2015) conducted a qualitative research for identifying the ways to gain loyalty in pharmacy and confirmed the role of trust in building long lasting relationships.

As discussed earlier, trust is one of the key factors for long lasting relationship (Morgan and Hunt 1994). The current study will examine how trust intervene the association of CSR and customers’ loyalty in telecom sector of Pakistan.
3. Conceptual Framework

![Conceptual Framework](image)

3.1 Hypotheses

- **H1**: There is a significant impact of CSR with all its attributes on customers’ loyalty
- **H2**: Corporate social responsibility with its aspects and customers’ trust are positively and significantly associated
- **H3**: Customers’ trust has an optimistic and significant relationship with customers’ loyalty
- **H4**: Customers’ trust significantly mediates the association of CSR with its attributes and customers’ loyalty

4. Methodology

The current study is a descriptive and quantitative in nature, while the deductive approach is used to calculate the impact of variables. Primary source used for data collection which is done through adopted questionnaire from the customers’ of telecommunication sector of Pakistan. Telecommunication sector has taken as a population in which Zong, Moblink, Warid, Telenor and U-fone subscribers of Peshawar has taken as a sample size in Pakistan by using convenient sampling technique. The measurement scale for CSR containing 21 items adopted from (Cronin et al., 2000; Oberseder et al., 2014; Wagner et al., 2008; Rosenbaum, 2006; Salomones et al., 2005; Sloot et al., 2005; Turker, 2009; Perez and Bosque, 2013; Martínez and Bosque, 2013). Whereas, measurement scale comprised of Alrubai & Alkoaida, (2011) used to measure trust which consists of 9 items. On the other
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hand, the measurement scale for customer loyalty adopted from Foster & Cadogan, (2000) that comprises of 6 questions. The questionnaires were distributed to 150 respondents in various telecommunications networks. The reliability of the tools calculated through Cronbach’s alpha. The results of this study checked through AMOS software.

4.1 Descriptive Statistics and Reliability

Descriptive statistics and reliability of the data analyzed in SPSS. The Cronbach’s alpha values for CSR, Trust and Customers’ Loyalty (Behavioral and Altitudinal Loyalty) are mentioned in Table 1.

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>S. D</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>.84</td>
<td>6.00</td>
<td>70.00</td>
<td>23.30</td>
<td>5.637</td>
</tr>
<tr>
<td>Employees</td>
<td>.84</td>
<td>6.00</td>
<td>75.00</td>
<td>23.94</td>
<td>6.743</td>
</tr>
<tr>
<td>Environment</td>
<td>.85</td>
<td>4.00</td>
<td>217.00</td>
<td>16.64</td>
<td>17.51</td>
</tr>
<tr>
<td>Community</td>
<td>.89</td>
<td>5.00</td>
<td>25.00</td>
<td>19.52</td>
<td>3.28</td>
</tr>
<tr>
<td>Trust</td>
<td>.78</td>
<td>9.00</td>
<td>45.00</td>
<td>27.96</td>
<td>6.09</td>
</tr>
<tr>
<td>Al</td>
<td>.84</td>
<td>3.00</td>
<td>15.00</td>
<td>9.88</td>
<td>2.40</td>
</tr>
<tr>
<td>Bhl</td>
<td>.84</td>
<td>3.00</td>
<td>15.00</td>
<td>9.22</td>
<td>2.25</td>
</tr>
<tr>
<td>Valid N (List wise)</td>
<td></td>
<td></td>
<td></td>
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</table>

4.2 Confirmatory Factor Analysis for CSR

It is very important to validate the model before processing the data any further. Confirmatory factor analysis run for the validation of CSR, customers’ trust and customers’ loyalty instruments. Confirmatory factor analysis confirms the instruments of CSR by getting chi square value of 0.754 with 2 degree of freedom, CFI 0.97 and RMSEA 0.03 within acceptable zone (see table 2).

4.3 Confirmatory Factor Analysis for Customers’ Loyalty

Likewise, CFA performed for customer loyalty to examine the validity of the instrument. The researcher got the values of fit indices in reasonably fit zone such as; chi square 19.6 with 9 degree of freedom, CFI 0.92 and RMSEA 0.08 (see table no 2).

4.4 Confirmatory Factor Analysis of Trust

Consequently, the researcher performed CFA for trust in AMOS to investigate the validity of the said instrument. The results illustrate that all the relevant fit indices lies in the acceptance zone such as; Chi-square 54.67 with 27 DF, CFI 0.92 and RMSEA 0.08 (see and table 2).

4.5 Validity of Structural Model

The overall Structural model validity was examined by performing CFA. The relevant fit
indices found inside the acceptable zones such as chi square value 225.712 with 149 degree of freedom, CMIN/DF 1.575, CFI 0.90 and REMSEA 0.059 indicate that the model is a good-fit.

4.6 Validity of Measurement Model

Similarly, CFA performed for the measurement model to examine how closely it fits with the empirical model. After performing CFA, the researcher got the value of chi square 225.7 with 149 DF, CFI 0.91 and RMSEA 0.05 that illustrate that the measurement model fits the empirical model, therefore can be used for further process (see table 2).

<table>
<thead>
<tr>
<th></th>
<th>CSR</th>
<th>Trust</th>
<th>Loyalty</th>
<th>Measurement Model</th>
<th>Structural Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi. Square</td>
<td>0.754</td>
<td>54.67</td>
<td>19.607</td>
<td>225.712</td>
<td>225.712</td>
</tr>
<tr>
<td>DF</td>
<td>2</td>
<td>27</td>
<td>9</td>
<td>149</td>
<td>149</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>0.377</td>
<td>2.05</td>
<td>2.179</td>
<td>1.575</td>
<td>1.5</td>
</tr>
<tr>
<td>CFI</td>
<td>0.97</td>
<td>0.924</td>
<td>0.926</td>
<td>0.90</td>
<td>0.91</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.03</td>
<td>0.083</td>
<td>0.089</td>
<td>0.059</td>
<td>0.059</td>
</tr>
</tbody>
</table>

Note: CSR= “Corporate social Responsibility”

➢ **H1**: There is a significant impact of CSR with all its attributes on customer loyalty

The first proposition of the study was to investigate how CSR influences customer loyalty. For such purpose the researcher performed path analysis in AMOS. The results indicate that CSR positively and significantly influences customer loyalty in telecommunication sector of Khyber Pakhtunkhwa (KPK) by getting the standardized beta value (0.05) significant at p< 0.01. Though the findings are similar to the results of Bediako (2017) but the CSR attributes he analyzed were different from the current study.

**Figure 2: First Hypothesis**

➢ **H2**: There is a significant impact of CSR on customer trust

The second hypothesis of the study was to investigate the association of CSR and Trust. Result specifies an optimistic and significant impact of CSR on customer trust by getting standardized beta (0.07) significant p< 0.01. The findings are similar to the study of Valerie, Ruben and Chumpitaz, (2008) and Choi and La, (2013).
Figure 3: Second Proposition

- **H3**: customers’ trust significantly influences customers’ loyalty

Consequently, path analysis used for investigating the link of trust and customers’ loyalty. Findings suggest an optimistic and statistically substantial connection between trust and customer loyalty by getting the standardized beta value (0.56) significant at p< 0.01. Empirically, the findings support the results of previous research Everson, et al., (2013). Hence, the finding justifies that trust is one of the key factors for any relationship (Morgan & Hunt, 1994).

Figure 4: Third Hypothesis

- **H4**: customers’ trust significantly mediates the association of CSR and customers’ loyalty.

The forth hypothesis of the current study determines the mediating impact of trust between the association of CSR & customer loyalty. After performing path analysis, the author got that trust fully mediates the association by getting beta 0.56 significant at p<0.01. The result of the fourth hypothesis of the current study is supported by “commitment-trust” theory presented by Morgan and Hunt, (1994). Empirically, the findings support the preceding research conducted by Devece et al. (2015); Thaichon and Quach, (2015)
5. Discussion and Conclusion

The current study investigated the mediating influence of trust in the relationship between CSR and customer loyalty. Primary data were collected from the 150 subscribers of telecommunication sector of KPK in Pakistan with the help of adopted questionnaire. Structural Equation Model used to identify the validity of the model. Consequently, Path analysis were performed for investigating the propositions of the study. Empirical data indicate that there is a strong and positive relationship between CSR and customer loyalty that supports the findings of Bediako (2017). Additionally, the results confirmed customers’ trust intervenes the link between CSR and customers’ loyalty which is backed by Everson, et al, (2013); Devece et al. (2015); Thaichon and Quach, (2015). The empirical findings regarding the mediating effect also confirmed by the “commitment-trust” theory proposed by Morgan and Hunt (1994) that suggests trust is imperative for long lasting relationship.

Note: N/S = “Non-significant, *** = p<0.01”

Table 3: Regression

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Straight Effect</th>
<th>Mediating Effect</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>0.05***</td>
<td>N/A</td>
<td>Significant</td>
</tr>
<tr>
<td>H₂</td>
<td>0.07***</td>
<td>N/A</td>
<td>Significant</td>
</tr>
<tr>
<td>H₃</td>
<td>0.56***</td>
<td>N/A</td>
<td>Significant</td>
</tr>
<tr>
<td>H₄</td>
<td>0.01(N/S)</td>
<td>0.56(***)</td>
<td>Fully Mediates</td>
</tr>
</tbody>
</table>

Figure 5: Fourth proposition
6. Contribution of the Study
The current study contributed theoretically by proposing a conceptual model with new combination such as, CSR, customers’ trust and loyalty. Moreover, the current study empirically verified the intervention of customers’ trust between CSR and customers’ loyalty. Practically, the current study contributed in verifying the role and importance of CSR in imparting trust in customers that further lead to long lasting relationship. The findings of the current study would also be useful for the marketing personnel of telecom sector in identifying effective and efficient ways to build long lasting relationship with customers and gain a sustainable competitive advantage.

7. Limitations / Future Perspectives
The current study was restricted to telecommunication sector in Pakistan by selecting the Peshawar subscribers. Adding more regions may get some different results. Similarly, in telecom sector Zong, U-fone, Warid, Moblink and Telenor networks were taken in the observation of 150 respondents. However, adding Landline service in the observation may bring changers in customers’ perception. Moreover, only four dimensions (Customers, Employees, Environment and Community) selected for the measurement of CSR, while CSR has many dimensions. By adding more dimensions of CSR can be a valuable addition for future research work. Trust used as a mediator in the current study, however can be investigated as a moderator. The data was collected from the customers only, however, observing employees’ point of view would bring some new insights to the findings and may be considered for future research.

REFERENCES
Afridi et al.


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