



GSJ: Volume 10, Issue 8, August 2022, Online: ISSN 2320-9186
www.globalscientificjournal.com

THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER LOYALTY OF THE BANKING SERVICES

Rathnayake M.R.M.C.J.K

BBA Graduate

Department of Management

Faculty of Management of University of Peradeniya

Sri Lanka

075 - 6105931

chamitha.rathnayake@gmail.com

ABSTRACT

This study aims to examine the impact of Corporate Social Responsibility (CSR) on Customer loyalty; specially, the banking sector's corporate social responsibility activities and its effectiveness will be focused on during this research. The objective of the study is to examine the level of customer awareness of CSR activities and also to ascertain the impact of CSR on the loyalty of customers. Here, the customer-view of CSR initiatives is will be evaluated.

The literature review focuses on the evolution of CSR and customer loyalty concepts up to modern era. With the help of this study, Banks would be able to redefine their stakeholder's view by placing customers at the center of a network of stakeholders. Moreover, this gives the ability to evaluate and consider further improvements of CSR practices towards customers and it will allow reducing customer moves and hence, it increases market share and profits.

This research is based on the quantitative data obtained through a question survey, using a manageable sample size of thirty customers on random basis and other secondary sources. The variables used to measure the impact of CSR on customer loyalty were taken from the theoretical framework of CSR and customer loyalty.

The findings from the survey indicated that customers were aware of the CSR activities that their bank engages in. However, the findings showed CSR has an effect on their loyalty to a bank though the respondents did not deal with a particular bank because of its engagement in CSR.

Key recommendations such as developing well-structured CSR and communicating CSR activities via an annual report were given to increase customer loyalty and brand equity. The conclusion drawn from the study affirmed that CSR has an impact on customer loyalty.

Table of Contents

ABSTRACT

1.Introduction.....	5
1.1 Impact of CSR on Customer Loyalty of banking services.....	6
1.2 Background of Banking service.....	6
2.Significance of the Study.....	7
3.Research Problem.....	7
4.Review of Literature.....	8
4.1 Corporate Social Responsibility.....	8
4.2 Customer Loyalty.....	10
5.Research Objectives and Research Question.....	11
6.Research Methodology.....	12
6.1 Conceptual Framework.....	12
7.Hypothesis.....	13
8.Research Design.....	14
1.Purpose of the study.....	14
2.Types of investigation.....	14
3.Extent of research interference.....	14
4.Study setting.....	14
5.Unit of Analysis.....	14
6.Time horizon.....	14
8.1Sampling design.....	14
8.2Data Collection Methods.....	15
8.2.1 Primary Data.....	15
8.2.2 Secondary Data.....	15
8.3 Questionnaire design.....	16
8.4 Operationalization.....	16
8.5 Data analysis.....	17
8.5.1 Population and Sample Size.....	18
8.5.2 Validity and Reliability.....	18.
8.5.3 Measurement.....	18

9. Empirical findings	18
9.1 Primary Data Analysis.....	19
9.1.1 Response Rate	19
9.1.2 Gender Distribution of respondents	20
9.1.3 Age Distribution of Respondents	20
9.1.4 Name of the Bank of choice.....	21
9.1.5 Number of years of relationship with the bank.....	22
9.1.6 Customer CSR Awareness	22
9.1.7 Customer attitude towards green environmental concern.....	23
9.1.8 Customer centric culture.....	24
9.1.9 Economic Component of CSR and customer loyalty	25
9.1.10 Legal Component of CSR and Customer loyalty	26
9.1.11 Ethical Component of CSR and Customer loyalty	27
9.1.12 Philanthropic component of CSR on customer loyalty	28
9.1.13 Customer loyalty.....	29
9.2 Secondary Data Analysis.....	30
9.3 The impact of Corporate Social Responsibility on Customer loyalty.....	31
10. Conclusion and discussion	32
11. Theoretical and Practical Implication of the Study.....	35
12. Suggestions for further research	35
13. Scope and the Limitations of the study.....	36
14. Ethical considerations.....	37
15. References.....	37
Appendix - survey questionnaire.....	39

1.Introduction

This study focuses on investigating situational factors which affects the banks under a competitive business environment. The main problem that some banks have confronted is that the switching of the profitable customers for other competitive banks. Therefore banks should have the ability to manage their customers by developing strong relationships with them. This helps banks in defend the attractiveness of competitive offers while making a good image and confidence. Since the increasing competition among private and public banks , it can cause threats for the survival in the market. So that, banks as corporations must comply with code of ethics and CSR practices to overcome this competition.

This study guides in making strong bonds with customers and investors and secure the market portion by understanding customers attitudes toward CSR practices of banks. Also this is useful for identifying the banks on the top of the list who practicing CSR.

According to Library.iugaza.edu.ps, (2018) ; “(Alam & Rubel, 2014) has asserted that there is no significant relationship between awareness of CSR and purchase intention (loyalty).” Because of that, main gap that caught my attention was the lack of awareness of customers on the CSR practices of banks. Therefore, researcher thinks that, banks should have the ability to grab the customers attention and engagement toward CSR programs by promoting them in an effective manner. This applied research which aims to solve a current problem based on the quantitative data obtained through a question survey, using a manageable sample size of 30 customers, who live in Kandy on random basis

This study aims on inductive reasoning which specifically examines the customer awareness and attitudes toward CSR . This study begins with the introduction of the concept of corporate social responsibility and customer loyalty. Secondly, the background of banking services are highlighted. Sequentially, significance of the study, the research problem and purpose of the research, research methodology, scope, limitation and structure of the study are outlined in that order respectively.

1.1 Impact of CSR on Customer Loyalty of Banking Services

As financial institutions, they should adopt to sustainable reporting practices to overcome the risk management issues which is crucial for banking services. Since, banks' main income source is customer deposits, they should be liable to pay it back to the customers. Thus, the customers are the most valuable party which determines the future success of the bank.

“Companies use different ways to show their corporate social responsibility practices which are related to employee welfare, environment, community, charities and so on. Companies dedicating themselves into a serious of CSR practices because they believed that customers provide more support to the responsible companies.” (Library.iugaza.edu.ps, 2018)

CSR act as a strategy which builds an open and honest culture that attracts customers toward a bank while improving the competitive advantage. In order to win customers minds, banks should focus on building and sustaining customer loyalty through a customer oriented culture. In this regard CSR has become a valuable tool.

1.2 Background of banking service

With reference to the Cbsl.gov.lk (2017), there are around twenty six licensed commercial banks under the banking Act no 30 of 1988. After considering the banks contribution to the economy of Sri Lanka, it has identified that, there are six systematically important domestic banks by the central bank of Sri Lanka. They are, Bank of Ceylon, Commercial bank, Hatton national bank, Peoples' bank, and Sampath bank and Seylan bank.

According to the central bank report (2017), Banks engage in many banking services. such as; maintaining accounts, pay and collect Cheques, custody services, investment advices and provide loans. Therefore the confidentiality is fundamental to the banker-customer relationship. Today the banks have extended their services to add value to the customers by maintaining the sustainable bottom line which integrates environmental and social considerations in to day to day business decision making and operational practices. The ultimate purpose of this practice is to reduce risks, improve operational efficiency, enhance service excellence and create a good image in the minds of their stakeholders. Therefore, this is an important area to be investigated.

2. Significance of the Study

The aim of this study is to help banks in defend the attractiveness of competitive offers while making a good image and confidence through making strong bonds with customers and investors and secure the market portion by understanding customers attitudes toward CSR practices of banks. Also this is useful for identifying the banks on the top of the list of practicing CSR and benchmarking.

The main gap address here is the lack of awareness of customers about the CSR practices of banks and ineffective communication of CSR practices. Therefore, I think that, banks should have the ability to grab the customer's attention and engagement toward CSR programs by promoting them in an effective manner. Final aim of this study is to do an inductive reasoning which specifically attempts to examine the customer attitudes toward CSR of banks and customer prioritization of expected values from banks.

3. Research Problem

This research attempts to aid the banks in Kandy area to identify the level of customer satisfaction, attitude, and awareness toward their CSR practices and benchmark their results with the competitors and also to build the awareness of CSR initiatives of banks.

There were no studies have been carried out to assess CSR in relation customer loyalty of banks in Kandy area and there is a lack of awareness of customers about the CSR practices of banks.

Some banks do not actively engage in promoting those CSR in an effective manner while others promote them well. Especially government banks do not engage in that much promotion as private banks. This lack of promotion of CSR can cause wastages since the main objective of CSR is to build a good perception about the business in consumers' minds. Because of that, in this research I would like to evaluate the effectiveness of CSR expenditure which were incurred by the banks in 2017 and measure its impact on the customer attitude toward the banks.

4.Review of Literature

Survival of the businesses depends on how well they could delight the society in return. In order to break the perception that, “businesses are users only” , it is essential to perform as a contributor in order to build a proper image in the minds of people, which will ultimately leads to the sustainability of the businesses. In this study, the main intention is to examine, how well CSR can be an effective strategy to occupy a positive image in stakeholders’ minds in banking services.

4.1 Corporate Social Responsibility

The importance of incorporation corporate social responsibility (CSR)has been emerged largely during 20thcentury.According to (Mpra.ub.uni-muenchen.de, 2018)it has mentioned that; the most earliest and prominent definitions ascribed to CSR is the one given by Howard Bowen who (Carroll, 1999) refer to as the father of Corporate social responsibility “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953). Also it has stated that, “Frederick (2006) summarizes what CSR stands for in the 50s under three basic issues; First, Corporate managers are appointed as public trustees. Second, There is need to balance competing stakeholders claims with corporate resources; and third, The acceptance of philanthropy as a humane philosophy and discretionary principle of the organization.”

According to a research conducted by Mpra.ub.uni-muenchen.de (2018)they have mentioned that , “In the new millennium corporations are increasingly receiving more pressures on compliance with regulations on environmental protection, transparency, and the market is saturated with competitors thereby necessitating the introduction of CSR as a strategy to survive and be more efficient (Glan, 2006) and the essence of engaging in CSR in the new millennium is tagged as ‘doing good to do well’ (Rosamaria & Robert, 2011) and the institutional pressure for CSR improvement has increased necessitating introduction of CSR initiatives that focus beyond shareholders wealth maximization (Waddock, 2008).” Also, “ Business corporations are expected to engage in; Sustainable development practices, Transparency and accountability, Maintain good stakeholder relationship management,

Advocacy on different aspects of human rights, justice and democratic principles, Compliance with accepted international standards on CSR, Ethical business practice” (Mpra.ub.uni-muenchen.de, 2018). The Pyramid of social responsibility (Carroll, 1991) displays the major areas in CSR initiatives and its priority level. According to this theory, the ultimate aim of CSR is to be a good corporate citizen.

According to the research which was conducted by Benjamin Ohene Bediako (2017); Theseus.fi, (2017), has stated that based on Carroll’s (1991) perspective on CSR the concept of the CSR pyramid was established to evaluate their relationship and responsibility to customers and the business environment. the CSR pyramid is classified according to the following obligation of the business:

1. Economic Responsibility – “The economic responsibility of firms translates into the supply of goods and services by a business to members of the society with profit as an incentive... It is worth noting that the economic responsibility is the bedrock for which all other responsibilities rest on.” (Theseus.fi, 2017)

2. Legal Responsibility- “ *The primary* motive of a business is to generate profit, as a requirement business activities have to be conducted within the stipulated the established federal and local government laws in pursuit of their economic mission. Such laws includes, but not limited to tax laws, certificate of incorporation amongst others.” (Theseus.fi, 2017)

3. Ethical Responsibility- “ Operating in a fair and justifiable business conduct is what ethical responsibility is about. Hence, although not often a law unto itself, ethical responsibility encourages practices that society approves and expects businesses to align itself it whilst inhibiting the norms that society frowns upon in order to protect the moral rights of stakeholders such as consumers, shareholders and employees.” (Theseus.fi, 2017)

4. Philanthropic Responsibilities – “ Businesses are expected by society as good corporate citizens to be involved in engagements that promotes human welfare and goodwill of the society in which the business is located. Such example of philanthropy includes beneficence of financial resources in either cash or kind as well as infrastructural development such as building of schools, hospitals, provision of text books amongst others for the betterment of the community.” (Theseus.fi, 2017)

Pyramid of CSR



Source: Carroll (1996)

However, today this model has evolved further by adding an environmental aspect. Because of that, the businesses have to consider about the green concept under the sustainability reporting initiative to be shown as an environment friendly citizen.

Moreover, CSR has been defined as “the responsibility of enterprises for their impacts on society” (European Commission, 2011). Thus, It can be concluded that, CSR is being accountable for the whole society, economy and environment as the businesses that are highly depend on the society.

4.2 Customer Loyalty

This is a wide area that discussed under marketing which emphasizes that “ it is more economically prudent in retaining existing customers than it is to win new ones” (Kumah & Shah, 2004). Thus, long term relationships created through customer loyalty are more powerful source in marketing as it helps to spread positive word of mouth, provide recommendations, introduce new products and secure the income.

Theseus.fi, (2017) has quoted that; Pan, Sheng & Xie (2011) has defined customer loyalty as, “the strength of a customer’s dispositional attachment to a brand and his/her intent to rebuy the brand in the future.” This implies that , the emotional attachment towards a brand is difficult to brake by other competitive offers, since the long term trust and confidence is more influential than small price discounts or small increase in interest rates.

With reference to the (Theseus.fi, 2017),Bagram and Khan (2012) explains further that customer satisfaction and customer retention are two major attributes that results in customer loyalty. I think that customer satisfaction is the major factor that affect for customer retention. Thus, customer satisfaction is the mediating factor for customer loyalty. Customer satisfaction indicates the ability of the businesses to meet customer expectations. Therefore, this research aims to discover the most valued expectations of the customers, in order to become a brand loyal customer of a certain bank.

Gap Identification

According to (Library.iugaza.edu.ps, 2018) ; “Khan, Ferguson & Pérez (2015) stated that, CSR has an effect on customer attitudes in the banking industry such as repurchase and word of mouth (loyalty), Further, it has mentioned that, (Martínez, Pérez & Del Bosque, 2014) confirms that there is a positive and direct effect of CSR on brand loyalty and other studies represent an indirect relationship between CSR and loyalty as (Chung, Yu ,Choi & Shin, 2015) who represented that satisfaction play as mediator role in a relationship between CSR and customer loyalty.

Moreover, (Library.iugaza.edu.ps, 2018) has emphasized that ,(Alam & Rubel, 2014) has asserted that there is no significant relationship between awareness of CSR and purchase intention (loyalty).” Because of that, the main gap that captured my attention was the “awareness” of customers about the CSR practices of businesses and identifies the “main causes” for the customer loyalty under CSR initiatives.

Nowadays, the banks have given extra attention toward this consideration under the sustainable reporting. Most of the banks have a separate report in their annual report to showcase those CSR activities which they have contributed. Since there were no studies related to the banks’ CSR initiatives in Kandy area, I wanted to do a further investigation to identify the effectiveness of those banks’ CSR projects’ expenses which were incurred by banks and measure its impact on the customer loyalty by taking the sample of consumers of banks in Kandy area. The study expresses the need for both quantitative and qualitative analysis to examine CSR and its effects on customer loyalty.

5. Research Objectives and Research Question

- **The objectives of this study are:**
 - 1) To establish the extent of customer awareness of CSR activities.
 - 2) To determine the impact of CSR activities on customer loyalty of banks in Kandy area.
 - 3) To identify the banks on the top of the list which complies with CSR guidelines and their annual expenditure on CSR?

- **The research question:**
 - ✓ Do CSR initiatives of banks have considerable impact on customer loyalty?
 - ✓ Do the CSR practices have enough customer awareness?
 - ✓ Do the expenditure on CSR reflects the positive customer perception towards a bank?

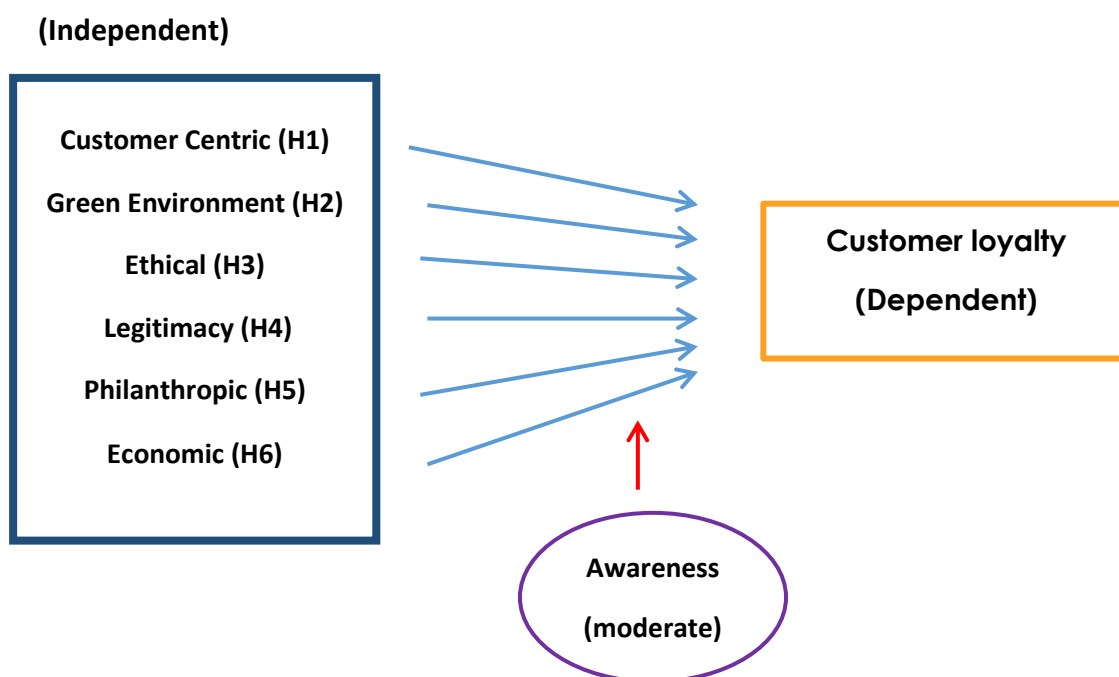
6. Research Methodology

The quality of the research depends on the accuracy of the data collection methods, research design, the purpose of the study and the sampling and sampling techniques. The data related to study is collected through structured questionnaire from the customer who transacts with different banks. The data was collected from 30 social media users based on the convenience sampling technique. The data was analyzed by the descriptive method and other statistical tools like median, mode, mean, standard deviation, charts, tables and graphs. The hypotheses were tested by using analyzing tools such as SPSS and Microsoft excel.

6.1 Conceptual Framework

In this study, The main two variables that associate with each other are the CSR initiatives and customer loyalty. Here, the independent variable that can be controlled by the bank is the banks' commitment toward CSR initiatives. Then, the dependent variable which cannot be controlled is the customer loyalty. Also, the customer awareness can be a mediate for this.

This study will attempt to examine, whether there is a strong relationship between these two variables as supported by the theoretical framework. The below diagram shows how theoretical background supports this research.



Source: Developed using available literature; Carroll, 1991, Benjamin, 2017

7.Hypothesis tested

H_{A1} Greater the awareness of CSR initiatives leads to a greater Loyalty.

H_{A2} Customer centric approach leads to customer loyalty.

H_{A3} Concern on green environment causes for greater customer loyalty and involvement..

H_{A4} Higher the ethical consideration will lead to higher confidence and customer loyalty.

H_{A5} Higher the legitimacy Higher the customer loyalty and the trust.

H_{A6} Philanthropic work builds the corporate image and increase the customer awareness.

H_{A7} More economic benefits will lead to more customer satisfaction.

These hypothesis have been successfully tested under the conclusion chapter.

8.Research Design

Research design indicates the identification of the purpose of the study, gathering and analyzing data, evaluating the practicability, operationalizing the variables, determining samples and crafting procedures in order to establish a clear path for the research. The main purpose of this research was to test the hypothesis. Thus, the relationship of CSR initiatives with customer loyalty was evaluated.

1.Purpose of the study – This study identifies the impact or the relationship of corporate social responsibility on customer loyalty of banks in Kandy area. Therefore, this belongs to both descriptive and hypothesis testing. This is a descriptive study because the research has taken annual report data in year 2017 and the variables have been developed using the theoretical review. However; as mentioned above, the main aim of this research is to investigate the relationship between the two variables and test the accuracy of the hypothesis.

2.Type of investigation – This is a causal study which identifies the relationship between two variables ; how CSR effect on customer loyalty. Here the CSR initiatives are the independent variables while the customer loyalty is the dependent.

3.The extent of researcher interference – Researcher had to select the sample using convenience sampling technique and the research was conducted without any interference.

4.Study setting - This is a non-contrived study, since this was conducted through a questionnaire which aimed at investigating the psychographics of the consumers' mind. The researcher have chosen Kandy area because it is the second largest city which includes all the bank branches. Also, customer themselves filled the online form without the influence of the researcher. So the individual customers were taken as the samples. The research strategy was the survey method. Here the representative samples were taken based on the convenience.

5.Unit of analysis – Main unit of analysis was the individual customers in Kandy area. In this study the banks individually considered to assess their CSR contribution. Customer loyalty has measured by the survey while the CSR initiatives were identified through the annual reports.

6.Time horizon –This was a cross sectional study as this was evaluated using a representative sample and this was conducted at a single point in time.

8.1 Sampling Design

This causal study was undertaken in a non-contrived environment in a using the convenience sampling method using a survey. on-probability sampling techniques such as Convenience sampling & Judgmental sampling techniques will use to select the sample elements. The population of the study was the customers of banks in Kandy area. The unit of analysis was the individual customer. Kandy area was selected as the selective sample. Also, this will be a cross-sectional study which will use representative samples at a single point of time

8.2 Data Collection Methods

8.2.1 Primary Data

I have conducted this data gathering process through a web survey rather using a printed questionnaire because the Google forms are providing free services for researchers today. By sending that Google form link to (30) individual respondents, I have collected their personnel details and psychological insights using the convenience sampling method. Psychological insights of individuals were gathered through a likert scale questionnaire to measure them quantitatively.

According to the research which was conducted by Benjamin Ohene Bediako (2017);Theseus.fi, (2017), has cited that “web based survey has two distinctions namely; target web survey and self-selected web survey. Target web survey refers to where the researcher determines who is allowed to participate in the survey by either sending a direct web-link to the survey participants or via email. Self-selected web survey on the contrary refers to where participants to the web survey are not directly invited by researcher and as such invited to participate in web survey through pop-up windows from a webpage. Web based survey are important because it allows the researcher to gather data from a broad geographical location in as little time as possible. Secondly the anonymity of the respondents increases the likelihood of gathering more responses to the questionnaire. However, it is important to note that when using web based surveys, questionnaires have to be as concise as possible without ambiguity so as respondents can answer with relative ease because researcher is not accessible during the period the respondent answers the questionnaire (Blumberg et al., 2011).”

8.2.2 Secondary Data

This data was gathered by referring books, web pages, previous researchers’ reports, Annual reports of banks and the Central bank report. Here, the CSR contribution of major banks also be assessed using annual reports to determine the effectiveness of CSR expenditure and the awareness.

8.3 Questionnaire design

The questionnaire of the research was developed based on theories, concept, and information from previous researchers. The questionnaire was designed to collect the personal, demographic and psychographic factors of the respondents. The likert scales were applied to ask respondents about their opinions and attitudes about the bank. They had to choose a position on the five-point scale between strongly agree and strongly disagree. This scale is highly reliable when it comes to the ordering of people with regard to a particular attitude.

8.4 Operationalization

The below graph has been developed based on the available literature review.

Concept	Variable	Item/indicator	Measure	Question no	Define variable
CSR	Customer Centric (H1)	Strong relationships with the customers.	5 point Likert Scale	12	I have an interest on that bank, because its employee behave very well and builds strong relationships with the customers.
		Customer friendly service scape.		13	I would like to work there as an employee as a long term engagement because of its sound work conditions.
		Effective complaint handling process		14	Customer friendly service scape, effective complaint handling process which responds CSR related problems and very comfortable
	Green Environment (H2)	Environmental sustainability	5 point Likert Scale	6	I feel proud to be a customer of that bank, because of its contribution towards environmental sustainability
	Ethical (H3)	Ethical practices	5 point Likert Scale	3	The bank which I have associated , does not engage in unfair and unethical practices in its business activities and I have a very good image in my mind

	Legitimacy (H4)	Safety principles Sustainable reporting	5 point Likert Scale	5 11	I feel safe and to deposit and invest in that bank because of its corporate social responsibility Know about the Bank’s sustainable reporting and CSR practices and awards they have won for that.
	Philanthropic (H5)	Charitable activities Education, entrepreneurial assistance and health programs	5 point Likert Scale	4 7	I support my banking service provider’s CSR activities because I am aware that, part of their profits goes to charitable activities I am aware of education, entrepreneurial assistance and health programs of the banker.
	Economic (H6)	Maximize my benefits Rewards for the loyalty	5 point Likert Scale	8 15	I have never felt to shift to another banking service provider since that bank/banks maximize my benefits. My loyalty is rewarded by them than other competitive banks.(Interest, loans, profit, special offers)
Customer loyalty	Awareness	Awareness about the CSR projects	5 point Likert Scale	2	I am aware about the CSR projects of the bank and I am satisfied.
	Brand Association	Positive word-of-mouth Willingness for long term engagement	5 point Likert Scale	10	I recommend that bank’s services to my relatives or friends and I have a positive word-of-mouth on that bank because of their CSR initiatives. Number of years of relationship with that bank
	Loyalty	Avoid switching to a competitor because of CSR	5 point Likert Scale	9	Even if the other company offers attractive services and promotions, I will continue to buy this company’s products because of their CSR initiatives.

8.5 Data Analysis

Statistical tools were used to analyze the data collected through the questionnaire. Quantitative data was collected through the close ended questions of the online questionnaire. The analysis is mainly divided into two parts according to the questionnaire it is descriptive analysis (Demographic factors, psychographic factors, and retail format and the consumer behavior) and hypothesis testing.

This hypothesis has been tested through deviation, charts, tables and graphs. The main analyzing tool was Microsoft excel.

Quantitative Analysis

Questions were placed in the questionnaire to generate statistical analysis. Data collected using a questionnaire to test the hypothesis and according to the results conclusions have been drawn to solve the research questions. Analytical tools were Mean, Median, Mode, Correlation and regression analysis and this was conducted using SPSS. Also this results have been compared with the actual expenditure of banks which were mentioned in the annual reports in the year 2017.

Qualitative Analysis

This approach helped to arrive at the conclusion of the study and to find the research problem and justify it using theoretical basis. This research belongs to the deductive approach which has arrived at reasoned conclusions using the known theoretical background.

Descriptive Analysis

- **Demographic Factors**

Demographic factors were gender and age. Demographic data of the respondents obtained from questionnaires was analyzed and presented in the following tables and graphs.

- **Personal Factors**

These were the customers' most favorite bank and the number of years of relationship with that.

- **Psychographic factors**

In this section of the analysis mainly discussed the nature of the consumer perception and the attitudes regarding the CSR initiatives.

8.5.1 Population and Sample Size

Populations for this study are the customers of banks in Kandy area. Sample of 30 people was selected from the social media by using convenience sampling. This study is a quantitative design and data were analyzed by the descriptive analysis method.

8.5.2 Validity and Reliability

Validity and the reliability is ensured as this research was based on the theoretical framework and quantitative evidences. There were no influence on the respondents when filling the forms and accuracy is evident.

8.5.3 Measurement

Based on the theoretical framework of the studies, the following variables are chosen to measure the impact of CSR on customer loyalty.

- Economic Component of CSR
- Legal Component of CSR
- Ethical component of CSR
- Philanthropic Component of CSR
- Customer Loyalty

9. Empirical findings

This chapter discusses the data results verified through the web survey. The main objective of the study is to determine the level of customer CSR awareness and the effect to which CSR affects customer loyalty. In order to simplify the analysis, the data is explained with illustration of charts and tables.

9.1 Primary Data Analysis

Demographic data of the respondents obtained from web survey have been presented in the following tables and graphs by the Google form itself.

9.1.1 Response Rate

The targeted sample size for the web survey is 30 respondents and all the 30 respondents filled the web survey by making a 100% response rate.

9.1.2 Gender Distribution of respondents

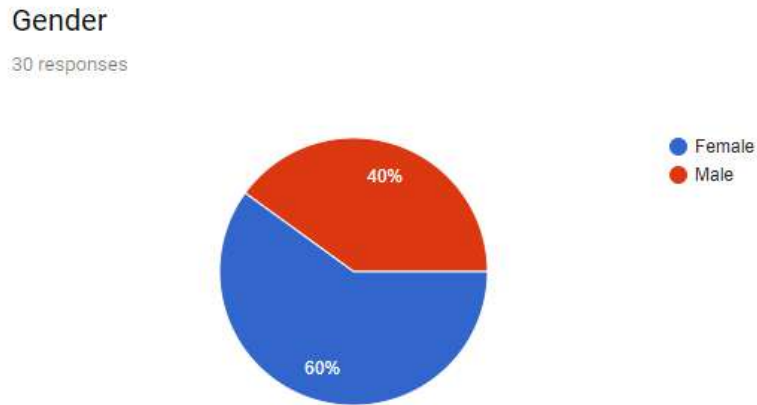


Figure 1. Respondents by Gender

Source: Web survey

All the 30 respondents who filled the web survey indicated their gender. The findings reveals that 40% (12) respondents indicated to be male, whereas 60% (18) respondents indicated to be female making a total of 100% (30) of total respondents.

9.1.3 Age Distribution of Respondents

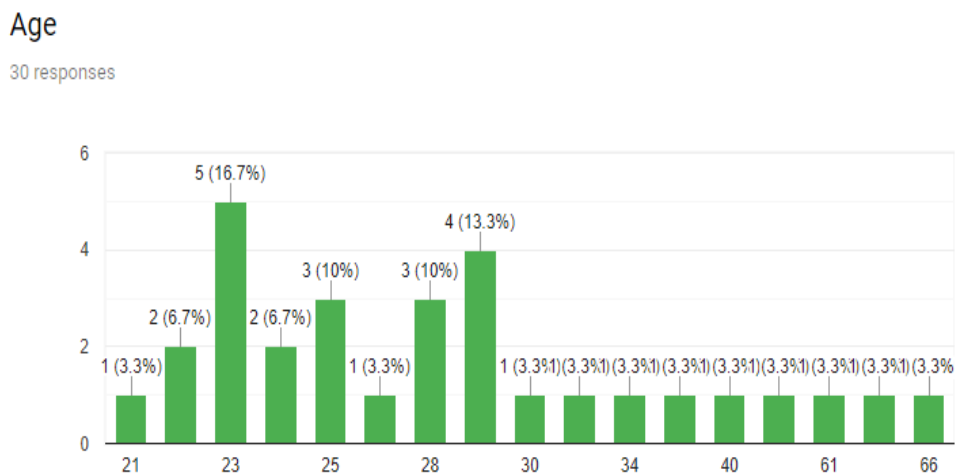


Figure 2. Age of Respondents

Source: Web survey

The web survey revealed the largest age group of respondents to be in the range of 21-25 years which accounted for 43.3% (13) of total respondents. The second largest age group was 26-31 years, which accounted for 30% (9) of total respondents. In addition, eight respondents were between the age ranges of 32-66 years who were the smallest age group of respondents recorded.

9.1.4 Name of the bank of the choice

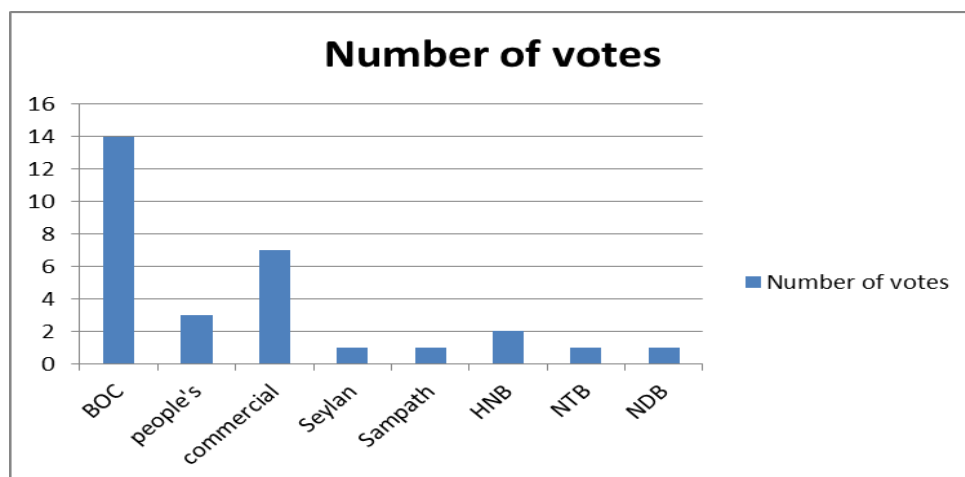
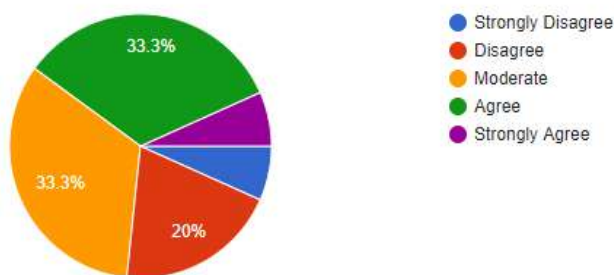


Figure 3. Name of the bank of the choice Source: Web survey

As shown on the above graph BOC is the bank that has achieved the highest votes. There were 14 respondents (46.6%) who prefer BOC. Commercial bank is the next best bank according to the individual respondents' assessment. There were 7 (23.3%) votes for that bank. People's bank was the third best bank which was achieved 3(10%) votes out of 30 responses.

2. I am aware about the CSR projects of the bank and I am satisfied

30 responses



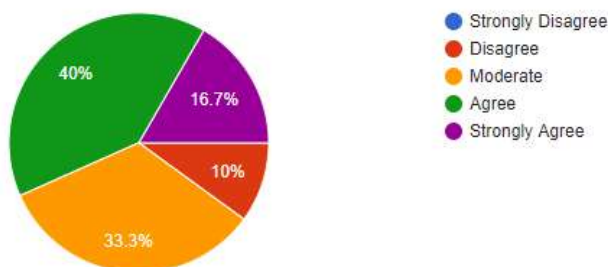
Source: Author web survey,2018

Majority of the respondents (33.3%) aware of their bank’s CSR projects and satisfied about them. Also there is a majority (33.3%) who are moderately aware of CSR and moderately satisfied.

9.1.7 Customer attitude towards green environmental concern

6. I feel proud to be a customer of that bank, because of its contribution towards environmental sustainability

30 responses



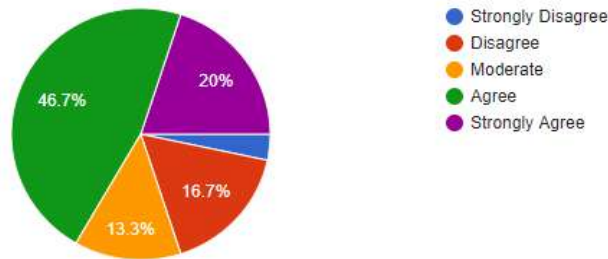
Source: Author web survey,2018

This shows 40% preference for green concept and respondents feel proud of that though there are 33% responses who moderately perceive that.

9.1.8 Customer Centric culture

12. I have an interest on that bank, because its employee behave very well and builds strong relationships with the customers

30 responses

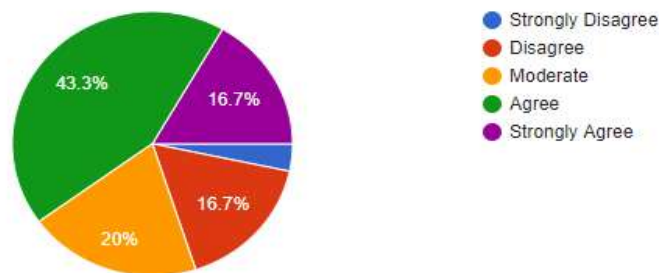


Source: Author web survey,2018

The 46.7% respondents prefer to have strong relationships with the bank when they get the bank services. Also there is a 20% who strongly agree with that. So the majority of the respondents expects that customer friendly behavior of the employees.

13. I would like to work there as an employee as a long term engagement because of its sound work conditions

30 responses

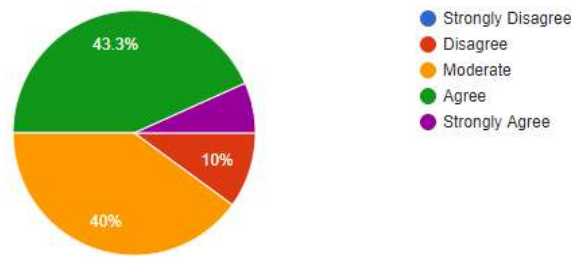


Source: Author web survey,2018

Most of the respondents (60%) are willing to have long-term bonds with the bank as that banks have sound work conditions while some are moderate (20%).

14. Customer friendly service scape, effective complaint handling process which responds CSR related problems and very comfortable

30 responses



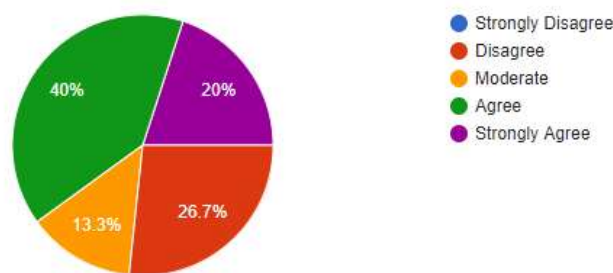
Source: Author web survey,2018

Majority 50% agree with the effectiveness of the complaint handling process of the banks while others are moderate (40%) about that.

9.1. 9 Economic Component of CSR and customer loyalty

8. I have never felt to shift to another banking service provider since that bank/banks maximize my benefits

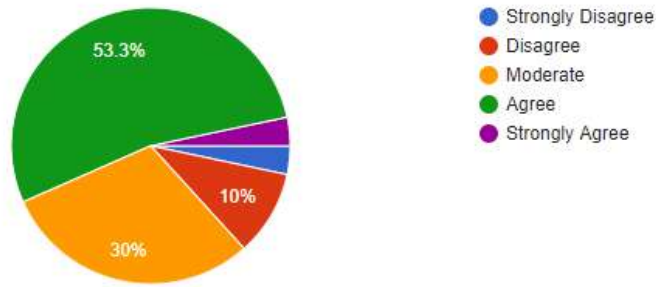
30 responses



There were 60% of customers who satisfy with the gain and never felt to shift. However there is a 26.7% who felt to shift as they are getting low gain.

15. My loyalty is rewarded by them than other competitive banks.
(Interest, loans, profit, special offers)

30 responses



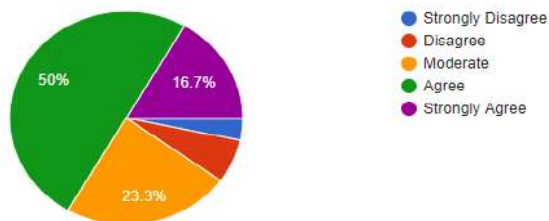
Source: Author web survey,2018

As shown in the above graph, majority of the respondents (53.3%) are satisfied with the rewards gained by their bank

9.1.10 Legal Component of CSR and Customer loyalty

5. I feel safe and to deposit and invest in that bank because of its corporate social responsibility

30 responses

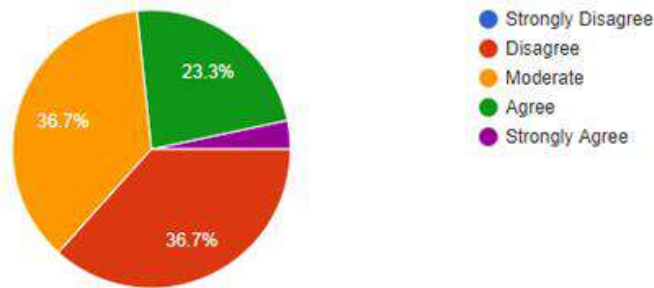


Source: Author web survey,2018

There were 66.7% respondents who feel safe as the banks provide secured services for them by complying with CSR.

11. Know about the Bank's sustainable reporting and CSR practices and awards they have won for that

30 responses



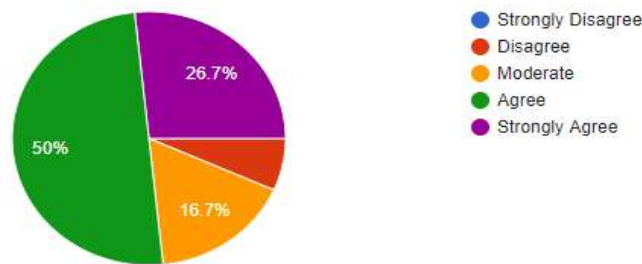
Source: Author web survey,2018

36.7% respondents are moderate about bank's sustainable reporting practices while 23.3% are satisfied.

9.1.11 Ethical Component of CSR and Customer loyalty

3. The bank which I have associated, does not engage in unfair and unethical practices in its business activities and I have a very good image in my mind

30 responses



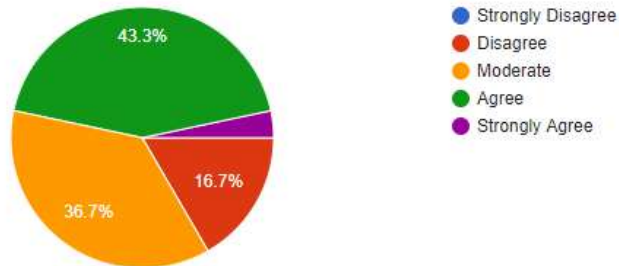
Source: Author web survey,2018

Almost 76.7% believe that their bank do not engage in unethical practices and they have a good image about it.

9.1.12 Philanthropic component of CSR on customer loyalty

4. I support my banking service provider's CSR activities because I am aware that, part of their profits goes to charitable activities

30 responses

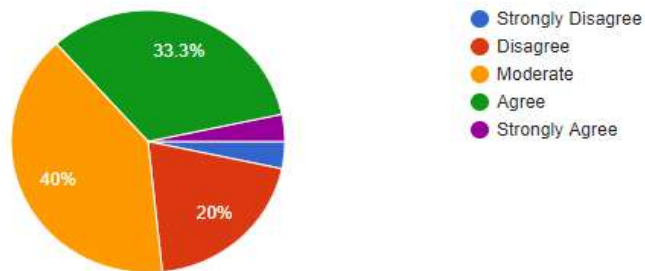


Source: Author web survey,2018

There were 43.3% respondents who prefer to contribute to CS activities while 36.7% were moderate about that.

7. I am aware of education, entrepreneurial assistance and health programs of the banker

30 responses



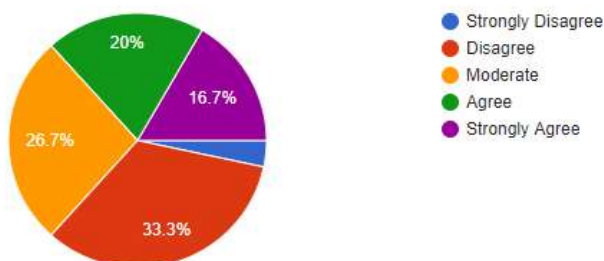
Source: Author web survey,2018

Most of the people do not aware (moderate) of the charitable activities that their bank has engaged in and there were only 33.3% respondents who agreed with that statement.

9.1.13 Customer loyalty

9. Even if the other company offers attractive services and promotions, I will continue to buy this company's products because of their CSR initiatives

30 responses

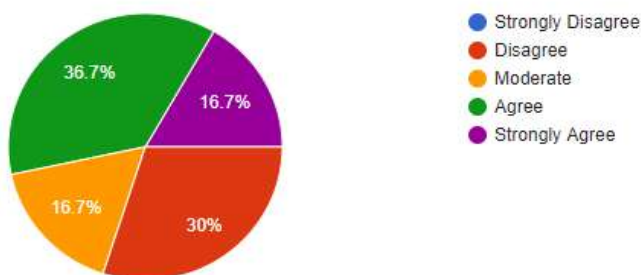


Source: Author web survey,2018

There were 20% respondents who do not want to shift to a competitive bank as their banks engage in CSR initiatives. The majority is seeking the economic initiative of CSR as they prefer financial benefits.

10. I recommend that bank's services to my relatives or friends and I have a positive word-of-mouth on that bank because of their CSR initiatives

30 responses



Source: Author web survey,2018

There were 36.7% respondents who accepted this statement while there were 30% respondents who opposed this.

9.2 Secondary Data Analysis

The secondary data sources were used to arrive at most accurate results which can be used to facilitate the research findings. Each and every bank have mentioned their financial contribution to CSR in their annual reports. The research results have shown that there is a positive relationship with CSR expenditure and customer perspectives too. In 2017 following banks have mentioned their contribution to CSR in their annual reports as follows.

- BOC - LKR 127.5 Mn
- People's Bank - LKR 56.3 Mn.
- Commercial Bank - LKR. 43.4 Mn.
- NSB - LKR .20 Mn
- Seylan - KR 15 Mn

As shown above, BOC is the bank which contributes to the CSR the most. The research results also indicated that there is a good customer attitude and a loyalty for BOC. Though people's bank spend a considerable amount on CSR their customer attitude and loyalty had not got highlighted over the survey. By considering above figures we can conclude that BOC have achieved their goal of CSR. Both primary and secondary data have been interpreted their success. Thus, banks have to properly manage their financial contribution to CSR to gain a long lasting consumer loyalty.

9.3 The impact of Corporate Social Responsibility on Customer loyalty

After considering all the data generated through the web survey, the following statistics were developed using excel worksheets to identify the median and the average of the responses for each statements. Then the standard deviation was calculated to identify the variance from the mean and there were small variations (1% or less than 1%) from the mean values.

	Median	Average	Standard Deviation
1) I do not think about Banks' CSR activities and I am not aware about them.	3	3.1666	1.0199
2) I am aware about the CSR projects of the bank and I am satisfied.	3	3.1333	1.0417
3) The bank which I have associated , does not engage in unfair and unethical practices in its business activities and I have a very good image in my mind	4	3.9666	0.8503
4) I support my banking service provider's CSR activities because I am aware that, part of their profits goes to charitable activities.	3	3.3333	0.8023
5) I feel safe and to deposit and invest in that bank because of its corporate social responsibility.	4	3.7	0.9523
6) I feel proud to be a customer of that bank, because of its contribution towards environmental sustainability.	4	3.6333	0.8899
7) I am aware of education, entrepreneurial assistance and health programs of the banker.	3	3.1333	0.8996
8) I have never felt to shift to another banking service provider since that bank/banks maximize my benefits.	4	3.5333	1.1059

9) Even if the other company offers attractive services and promotions, I will continue to buy this company's products because of their CSR initiatives.	3	3.1333	1.1666
10) I recommend that bank's services to my relatives or friends and I have a positive word-of-mouth on that bank because of their CSR initiatives.	4	3.4	1.1017
11) Know about the Bank's sustainable reporting and CSR practices and awards they have won for that.	3	2.9333	0.8683
12) I have an interest on that bank, because its employee behave very well and builds strong relationships with the customers.	4	3.6333	1.0981
13) I would like to work there as an employee as a long term engagement because of its sound work conditions.	4	3.5333	1.0743
14) Customer friendly service scape, effective complaint handling process which responds CSR related problems and very comfortable.	3.5	3.466	0.7761
15) My loyalty is rewarded by them than other competitive banks.(Interest, loans, profit, special offers)	4	3.4333	0.8584

10. Conclusion and discussion

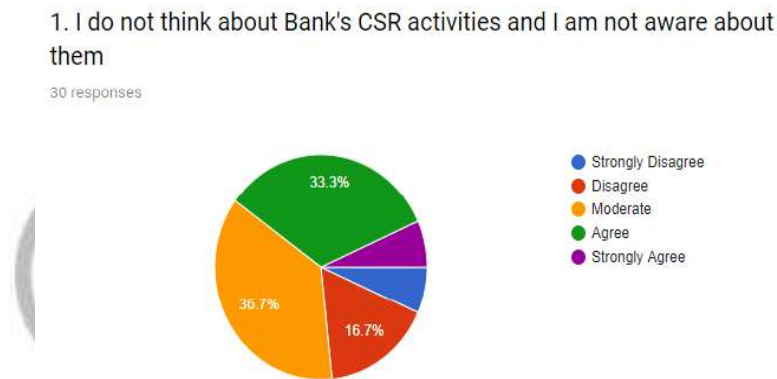
This study was aimed at fulfilling the following three objectives.

1. To examine the extent of customer awareness of CSR activities.
2. To determine the impact of CSR activities on customer loyalty of banks in Kandy area.
3. To identify the banks on the top of the list which complies with CSR guidelines and their annual expenditure on CSR.

Based on the above objectives the following questions can be solved as follows.

1) Did the CSR practices have enough customer awareness?

Respondents had moderate awareness about CSR activities though researcher had provided the description of CSR on the web survey. However there were 33.3% respondents who think about banks CSR activities and aware of CSR activities. However it is evident that there were 36.7% respondents who might be not aware or not concern about CSR. Therefore it can be concluded that there is a considerable awareness and a concern about CSR among 33.3% customers.



Source: Author web survey,2018

2) Did CSR initiatives of banks have considerable impact on customer loyalty?

In order to identify the impact of CSR on the customer loyalty, the following correlation calculations have been done using excel worksheets as follows. This was developed by placing loyalty determinants in to rows and CSR determinants in to columns.

	Q3	Q4	Q5	Q6	Q7	Q8	Q11	Q12	Q13	Q14	15
Q2	0.355582	0.48138	0.285043	0.054558	0.053973	0.265415	0.315147	0.225099	0.488938	0.346927	0.164549
Q9	0.421794	0.245618	0.595948	0.580157	0.311069	0.557735	0.553722	0.57786	0.326518	0.652562	0.078056
Q10	0.530062	0.156047	0.545581	0.541627	0.222681	0.41321	0.353235	0.524468	0.483649	0.661405	0.029171

Source: Author Survey,2018

Correlation of CSR and Loyalty

CSR	Item/indicator	Customer loyalty		
		Awareness	Brand Association	Loyalty
		2.Awareness about the CSR projects	10.Positive word-of-mouth	9.Avoid switching to a competitor because of CSR
Customer Centric (H1)	12.Strong relationships with the customers.	0.225099	0.524468	0.57786
	13.Customer friendly service scape.	0.488938	0.483649	0.326518
	14. Effective complaint handling process	0.346927	0.661405	0.652562
Ethical (H3)	3.Ethical practices	0.355582	0.530062	0.421794
Green Environment (H2)	6.Environmental sustainability	0.054558	0.541627	0.580157
Legitimacy (H4)	5.Safety principles	0.285043	0.545581	0.595948
	11.Sustainable reporting	0.315147	0.353235	0.553722
Philanthropic (H5)	4.Charitable activities	0.48138	0.156047	0.245618
	7.Education, entrepreneurial assistance and health programs	0.053973	0.222681	0.311069
Economic (H6)	8.Maximize my benefits	0.265415	0.41321	0.557735
	15.Rewards for the loyalty	0.164549	0.029171	0.078056

Source: Author Survey,2018

- As depicted above, respondents have a strong awareness about the green environment determinant which is under ethical initiative and the educational and entrepreneurial assistance and health programs their banks have involved in.
- Respondents tended to spread positive word of mouth and associate with the brand as their banks maintains a strong relationships with the customers, practicing effective complaint handling process and legal and safety principles, ensure ethical practices and behavior while contributing to the environmental sustainability.

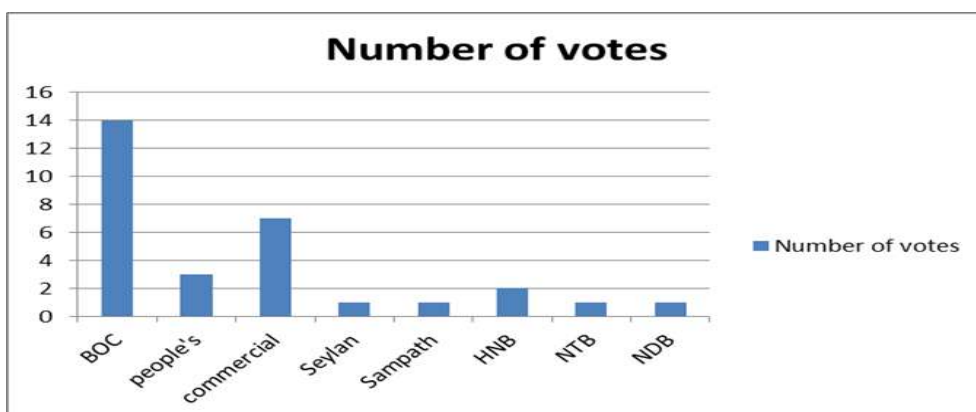
- Respondents have their loyalty to their bank and never felt to shift to a competitive bank because their banks making strong relationships with them, using an effective complaint handling process, contributing to environmental sustainability, practicing safety principles, maximizing benefits of them while adhering to sustainable reporting.

By considering above proven hypothesis it can be concluded that ethical, environmental and legal initiatives have a higher influence on customer attitude shaping.

3) Do the expenditure on CSR reflects the positive customer perception towards a bank?

- BOC - LKR 127.5 Mn
- People’s Bank - LKR 56.3 Mn.
- Commercial Bank - LKR. 43.4 Mn.
- NSB - LKR .20 Mn
- Seylan - KR 15 Mn

Source: Annual reports of Banks,2017



Source: Author Survey,2018

The contribution to the CSR of the banks has reflected the customer positive attitudes towards the banks as displayed above.

12. Theoretical and Practical Implication of the Study

From a theoretical perspective, these findings will be contributed to the banking industry to identify the importance of CSR in gaining customer loyalty. Though CSR has become a topic of discussion in several fields, CSR in the banking industry have grown in a broader view. Today some banks are maintaining a separate report for this CSR work. Even though this is considered as a strategy, as a business it is important to be a valuable citizen to the society. As this is a win-win approach, both the customer and the bank can gain benefits. By giving benefits to the

customer it automatically increases the brand image and the loyalty. Therefore, contributing to CSR is not a loss. However the current awareness of CSR remains inadequate. Thus, the companies should be able to build the awareness by promoting them.

Although, there has been a number of current research that has explored under the concepts of CSR and loyalty, this study has responded to the research gap by investigating the impact of CSR on loyalty of the banks in Kandy area.

13. Suggestions for further research

The study was done with a concentration on commercial banks in Kandy area and found that CSR is an important variable to be considered in customer loyalty. It is therefore recommended that studies are carried out in other districts which can be compared with this study. This study can also be used and extended by future researcher in examining the relationship between CSR and customer perception and its effects on a company's brand.

9.Scope and the Limitations of the Study

The limitation of this study was the broad applicability or generalization of the findings. The scope of the study was limited to self-selected people in Kandy. Even though the people were selected in a random basis based on the convenience, the sample size was limited to thirty respondents, because of the limited time and the budget. The lack of geographic variation may mean these results may not be reflective of values of customers in other areas. Therefore, this research is descriptive for all the banks in the industry.

This research was conducted on limited budget. Since the advanced technological opportunities are freely available today, researcher decided to conduct this research through a web survey. Even though the researcher mentioned that "this survey will be done using photocopied questionnaire", researcher believes that the online survey have improved the convenience of both the responder and the researcher. Here, researcher has used the convenience sampling method to overcome the time barriers and for easy access.

10.Ethical considerations

This project conformed with the requirements of ethical conduct of research as outlined in the subject learning materials. Participants have been treated in an ethical manner and due care have been taken to manage the potential discomfort. Data was stored safely and that have used for the research purpose only.

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Appendix

survey questionnaire

This research undertakes as a part of graduate thesis project of BBA program of faculty of management, university of Peradeniya. This questionnaire aims to investigate the influence of bank's corporate social responsibility initiatives and its impact on customer loyalty. Your response is of great value for our research. Thank you for your cooperation!

Before start, please note for Corporate Social Responsibility (CSR) initiatives we mean all the activities held by a bank on protecting environment (e.g.: low-carbon operation; reduce energy consumption); contributing communities (e.g.: sponsor a charity fund; caring about the children without proper education); maintaining economical sustainability (e.g. provide fair traded; guarantee stakeholders' benefits) ,sustainable reporting and taking actions for maximizing your benefits and offers of loyalty.

Personal Details

1. Age:

2. Gender:

Male

Female

3. Name of the bank of your choice:

4. Number of years of relationship with that bank :

By considering the bank that you regularly deal with, please score the following statements based on the degree of return, you get from your bank by its Corporate Social Responsibilities that enhance your loyalty for your bank. (Tick on the appropriate cell)

	Strongly disagree 1	Disagree 2	Moderate 3	Agree 4	Strongly agree 5
16) I do not think about Banks' CSR activities and I am not aware about them.					
17) I am aware about the CSR projects of the bank and I am satisfied.					
18) The bank which I have associated, does not engage in unfair and unethical practices in its business activities and I have a very good image in my mind					
19) I support my banking service provider's CSR activities because I am aware that, part of their profits goes to charitable activities.					
20) I feel safe and to deposit and invest in that bank because of its corporate social responsibility.					
21) I feel proud to be a customer of that bank, because of its contribution towards environmental sustainability.					
22) I am aware of education, entrepreneurial assistance and health programs of the banker.					
23) I have never felt to shift to another banking service provider since that bank/banks maximize my benefits.					
24) Even if the other company offers attractive services and promotions, I will continue to buy this company's products because of their CSR initiatives.					
25) I recommend that bank's services to my relatives or friends and I have a positive word-of-mouth on that bank because of their CSR initiatives.					
26) Know about the Bank's sustainable reporting and CSR practices and awards they have won for that.					
27) I have an interest on that bank, because its employee behave very well and builds strong relationships with the customers.					
28) I would like to work there as an					

employee as a long term engagement because of its sound work conditions.					
29) Customer friendly service scape, effective complaint handling process which responds CSR related problems and very comfortable.					
30) My loyalty is rewarded by them than other competitive banks.(Interest, loans, profit, special offers)					

End of the Session

Thank you for your contribution in discovering the incredibly useful information for on-going improvement efforts of banking services in kandy.

