The mediating role of customer satisfaction and Customer-Company identification in the relationship between corporate social responsibility and customer loyalty
(Case study: customer's pasargad Bank)

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ABSTRACT

Customer loyalty issues that in the service sector, due to its dominant competitive environment has great importance. This study sought to evaluate the effects of variables that "corporate social responsibility", "quality of service" and "customer's identification" on "customer loyalty". The purpose of the present study is based on descriptive research methods. Data were collected in this study was a questionnaire that 390 questionnaires among customers of different branches in Tehran Pasargad Bank in the period January to March 2016 were distributed and 372 valid questionnaires were collected. Data were analyzed using correlation analysis and structural equation modeling was performed with SPSS Amos. This research shows that corporate social responsibility, customer satisfaction, customer identification and customer loyalty organization has a significant impact. Thus, banks paid to the issue of social responsibility and community issues they have committed themselves to respect, in terms of customers, banks with higher perceived service quality and customer satisfaction and loyalty have cause to be.

Keywords: Social responsibility; customer loyalty; customer satisfaction; customer identification with company; quality of service
1. INTRODUCTION

Once, it was thought that the organizations and producers are responsible just about shareholders and employees or that they should deliver the best consumer products to the customers with the lowest price and the higher quality (Martinez and Bosque, 2013), but the fierce competition, population growth, scarcity of the resources and environmental pollution have led to emerge new approaches towards the organization and management causing moral and social responsibilities of the companied so crucial. Some managers have neglected that, desiring and insisting on the commitment to their social responsibilities in all aspects, they can have a significant effect on the perception of consumers. Fortunately, today, the thought is increasingly emerging among the organizations that long-term success of the company can be achieved through managing the operations as well as ensuring environmental protection and progress of social responsibilities of company (Perez and Bosque, 2015). Therefore, the implementation of corporate social responsibility leads to improve the companies’ success in the long-term and ultimately, makes economic growth and increase in competition capability and improve its future financial performance (Sanchez et al., 2009). When the companies show great attention to the issues concerning the community and the infrastructures of the normal life of people this causes the brand of that company be mentioned in the customers’ mind as a brand with positive moral and social figure, and this may lead to a tailored advertising and word of mouth among the people of that region or country that will have a significant influence on improving the company’ competitive position (Oberseder et al., 2013) According to what was mentioned, in this study, we seek to investigate the impact of Corporate Social Responsibility and Service Quality (as the independent variable) and customer identification with company and customer satisfaction (as the mediator) on the customer loyalty (as the dependent variable). Thus, the research questions are as follows:

Do Corporate Social Responsibility and Service Quality have an impact on customer loyalty? Do customer identification with company and customer satisfaction have any effect on customer loyalty?

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

In this section, we review the theoretical principals and previous research on the basic concepts of the research and based on them, we discuss the research hypotheses.

2.1. Corporate Social Responsibility (CSR)

Variety of theories and definitions are used to describe Corporate Social Responsibility (Williams et al., 2006; Vlachos et al., 2009). Among all these concepts, the definition given by Carroll (1979, 1991) has attracted more attention. Carroll (1979), defines Corporate Social Responsibility as the economic, legal, moral and cognitive expectations of society from the organizations at a given time (Carroll, 1979). In this definition, Carroll argues that the expected responsibilities of the organization are not only for the organizations but also at a higher level, for the community. A review of the literature indicates that the aspects of Corporate Social Responsibility are varied. The oldest classification of this concept has been suggested by Carroll (1979) in that, four aspects of responsibility consisting of economic, legal, moral and humanitarian have been emphasized. Carroll stated that these four aspects are
interdependent, so that organizations must strive to achieve them at all times. In other words, Corporate Social Responsibility is to try to achieve the profit while complying with the law, committing to morality and a good corporate citizenship (Carroll, 1991). The aspects proposed by the other researchers overlap so much with Carroll’s model. For example, Lantos (2001, 2002) classifies the Corporate Social Responsibility in three areas of moral, strategic and altruistic. The two parts of this model (moral and altruistic) are very closely related to the moral and humanitarian aspects of Carroll’s proposed model, but the strategic aspect has been newly added to the Corporate Social Responsibility literature. The Strategic Social Responsibility implies the activities having potential to improve the company’s image in the community and enhance the motivation and loyalty of among stakeholders (investors, employees and customers) (Lantos, 2002; Vaaland et al., 2008). Probably, the relationship of Corporate Social Responsibility in the strategic aspect with the corporate financial performance is the main reason of the extensive research on it. There has been a lot of research in this regard (Pava and Krausz, 1995; Margolis and Walsh, 2001; Orlitzky et al., 2003). While the positive effect of Corporate Social Responsibility on corporate financial performance has been shown in some researches (Fombrun and Shanley, 1990; Soloman and Hansen, 1985), but some other researches (Aupperle et al., 1985) indicate a negative correlation between the two.

More recently, taking into account Corporate Social Responsibility as an important business strategy and a source of competitive advantage has led the organizations to focus on the effect of this concept on stakeholders, employees, and customers in particular. In this context, some researchers have investigated on whether the activities of Corporate Social Responsibility affect the organizational effectiveness through improvement in satisfaction (Hansen et al., 2011) or not. While, others (He and Li, 2011) have paid attention to the impact of Corporate Social Responsibility on corporate financial performance has been shown in some researches (Fombrun and Shanley, 1990; Soloman and Hansen, 1985), but some other researches (Aupperle et al., 1985) indicate a negative correlation between the two.

Hypothesis 1: corporate social responsibility has a positive and significant impact on the satisfaction.

Also, corporate social responsibility has a direct impact on customer loyalty (Sureshchandar et al., 2002). Previous research in this area shows that the customers’ perception of social responsibility behaviors reinforces the commitment to the organization. In addition, many consumers claim that the more willing to purchase the company products is influenced by the social factors. The activities related to corporate social responsibility are of high value and, on the other hand, the customers are supported and their loyalty will be promoted (Maignan et al., 1999). By mentioning this introduction, the second hypothesis is also presented as follows:
Hypothesis 2: Corporate Social Responsibility has a positive and significant impact on the customer loyalty.

2. 2. Service Quality

During the past two decades, the theory and practice of service quality were as a means of gaining corporate competitive advantage (Maignan et al., 1999). Assessment of service quality is most often measured based on Servequal scale developed by Parasuraman et al. (Maignan et al., 1999; Parasuraman et al., 1985). The model includes 22 components following five main aspects of tangibility, dependability, responsiveness, reliability and empathy (Cronin and Taylor, 1992). The relationship between service quality and customer satisfaction is one of the favorite issues in the field of service quality. However, the third hypothesis of this research is presented as follows:

Hypothesis 3: service quality has a positive and significant impact on the customer satisfaction.

Applied researches focus implicitly on the relationship between perceived service quality and customer loyalty. Many researchers (Cronin and Taylor, 1992; Alexandris et al., 2002), using multi-dimensional conceptual framework on customers’ behavioral tendencies developed by Zeithaml, et al. (1996), have assessed the impact of perceived service quality on customer loyalty to the service which involves the aspects of people interaction, purchase intention, price sensitivity and complaint behavior. For example (Parasueaman, et al., 1985) claimed that there is a positive relationship between customer perception of service quality and their intention to offer the company products to others. In another study, Boulding, Karla and Zeithaml (1993), showed that there is a significant positive relationship between product quality and people’s intention to purchase again and offering the product to others. In this regard, Zeithaml, et al. (1996), developed a conceptual model on the impact of service quality on customer behavior and showed that service quality has a positive relationship with the intention to pay more. So, the fourth hypothesis is as follows:

Hypothesis 4: service quality has a positive and significant impact on the customer loyalty.

2. 3. Company-customer identification (CCI)

Company identification refers to the share rate between the person’s self-concept and his/her perception of the company (Dutton et al., 1994). The more the people see the company stable and resolute in norms and values reflecting its self-concept, the more the perceived share with the company promotes their self-esteem (Scott and Lane, 2000). Basically, the company-customer identification focuses mainly on staff, but other researchers in the field of sales (Bhattacharya and Sen, 2003), have extended this concept to the relationship between customers and company, over the time. So that, in the definition by Du et al, (2007), customer identification is psychologically linked with company that is based on the main and essential sharing between their conceptions on themselves and company. Customer identification has a significant impact on consumer behavior. The performed studies show that the favorable beliefs about corporate social responsibility are the key factors in customer identification (He and Li, 2011; Lee et al., 2012). Thus, the fifth hypothesis of the research is formulated as follows:
Hypothesis 5: corporate social responsibility has a positive and significant impact on the company-customer identification.

Although, the impact of service quality on the consequences relating to customers such as satisfaction and loyalty has been studied in previous studies, but the potential impacts of service quality on customer identification has not been studied so much, practically. There is a few research such as He and Lee (2011), in this field. The researchers, conducting a study on providing telecommunication services, suggested that identification with a company having a more desirable conception on service quality will give a better self-esteem and social image to customers. Thus, the sixth hypothesis is as follows:

Hypothesis 6: service quality has a positive and significant impact on the company-customer identification.

On the basis of prediction on the social identity theory in which customers with stronger identification have more intention to support a commercial brand it will not surprising to expect a positive impact by customer identification on customer satisfaction and loyalty. Many studies conducted in this area confirm this relationship (Lee et al., 2012; Marin et al., 2009). So, the seventh hypothesis of research is as follows:

Hypothesis 7: company-customer identification has a positive and significant impact on the customer loyalty.

On the other hand, few studies have claimed that the impact of customer identification on customer loyalty is indirect and through customer satisfaction. For example, research on the impact of customer identification among the members of art museums by Batrcharaya et al, (1995), specifies that member identification has a positive relationship with the members’ consistency. Also in recent studies, He and Lee (2011) have measured the relationship between customer identification and customer loyalty in the field of telecommunication and achieved significant results. Considering these principles, the eighth hypothesis of research is presented as follows:

Hypothesis 8: company-customer identification has a positive and significant impact on the customer satisfaction.

Many studied have noted the positive relationship between satisfaction and customer loyalty (Cronin and Taylor, 1992; Oliver, 1999). Therefore, according to the suggestion by He and Lee (2011), the impact of customer identification, service quality and corporate social responsibility on customer loyalty is predictable indirectly and by customer satisfaction; therefore, the ninth hypothesis of research is as follows:

Hypothesis 9: customer satisfaction has a positive and significant impact on the customer loyalty.

3. CONCEPTUAL MODEL OF RESEARCH

This study aims to evaluate the impact of corporate social responsibility, service quality (independent variables) and company-customer identification and customer satisfaction
(mediator variables) on customer loyalty (dependent variable). According to what mentioned in the theoretical principles, the conceptual model of research is represented as Figure 1:

![Conceptual model]

**Figure 1.** Conceptual model.

### 4. RESEARCH METHODOLOGY

This research has a descriptive-correlational performance and is of structural equations. The study statistical population includes all customers of Pasargadæ bank in Tehran. Since the number of the members of statistical population was over 10000, it can be said that the research community is unlimited. According to Morgan table, a sample size of 384 members was considered and 390 questionnaires was distributed as a cluster sampling in Tehran between different branches of Pasargadæ bank from February to March 2016 and 372 valid questionnaires were collected. Questionnaire was the main tool for data collection. Accordingly, the Swaen and Chumpitaz (2008) questionnaire was applied to evaluate corporate social responsibility (13 items). Durability of this questionnaire was calculated on the basis of Cronbach alpha coefficient as 0.87. Confirmatory factor analysis was conducted to verify the validity of questions and scope of this questionnaire and the fitting indices were calculated as follows:
The indices indicate the validity of questionnaire of corporate social responsibility. Chiou and Droge (2006) questionnaire was applied to measure the questionnaire of customer satisfaction (4 items). Reliability of this questionnaire was obtained based on Cronbach’s alpha coefficient as 0.91. Confirmative factor analysis was performed to assess the validity of the questions and the fitting indices were estimated as follows:

\( \chi^2/df = 2.05 \), \ RMSEA = 0.05 , \ GFI = 0.96 , \ AGFI = 0.92 , \ CFI = 0.93

Indices are indicative of good validity of customer satisfaction questionnaire. The Vlachos et al, (2009) questionnaire was applied to evaluate the service quality (4 items). Reliability of this questionnaire was estimated based on Cronbach’s alpha coefficient as 0.94. Confirmative factor analysis was performed to assess the reliability of the questions and the fitting indices were obtained as follows:

\( \chi^2/df = 2.34 \), \ RMSEA = 0.042 , \ GFI = 0.90 , \ AGFI = 0.94 , \ CFI = 0.97

The indices show that this questionnaire has a good reliability. He and Lee (2011) questionnaire was applied to investigate the company-customer identification (5 items). Reliability of this questionnaire was determined by Cronbach’s alpha coefficient as 0.89. Confirmative factor analysis was performed to assess the reliability of the questions and the fitting indices were obtained as follows:

\( \chi^2/df = 1.86 \), \ RMSEA = 0.056 , \ GFI = 0.97 , \ AGFI = 0.96 , \ CFI = 0.99

The indices confirm the good validity of team synergy questionnaire. Aydin and Ozer (2005) questionnaire was applied to assess customer loyalty (5 items). Reliability of this questionnaire was determined by Cronbach’s alpha coefficient as 0.93. Confirmative factor analysis was performed to assess the reliability of the questions and the fitting indices were obtained as follows:

\( \chi^2/df = 1.09 \), \ RMSEA = 0.054 , \ GFI = 0.95 , \ AGFI = 0.90 , \ CFI = 0.95

The four questionnaires were scaled based on Likert five-item range. The softwares Spss v. 21 and AMOS v. 18 were applied to data analysis.

5. RESEARCH FINDINGS

The assumption of normality of research variables should be evaluated before testing the research hypotheses. The descriptive indices of variables are expressed in Table 1.

According to Kline (2011), the skewness and kurtosis absolute value of variables should not be more than 3 and 10, respectively. According to table 1, the absolute value and kurtosis of all variables and components is less than 1 proving the assumption of normality of
variables in order to test the research variables. The correlation coefficients of the research variables are expressed in Table 2.

**Table 1. Normality**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average</th>
<th>standard deviation</th>
<th>Skewness</th>
<th>Elongation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Social Responsibility</td>
<td>3.62</td>
<td>0.71</td>
<td>-0.32</td>
<td>-0.56</td>
</tr>
<tr>
<td>Service quality</td>
<td>3.60</td>
<td>0.64</td>
<td>-0.58</td>
<td>0.15</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>3.81</td>
<td>0.81</td>
<td>-0.29</td>
<td>-0.1</td>
</tr>
<tr>
<td>Company-customer identification</td>
<td>3.52</td>
<td>0.77</td>
<td>-0.71</td>
<td>-0.29</td>
</tr>
<tr>
<td>Customer loyalty</td>
<td>3.56</td>
<td>0.83</td>
<td>-0.69</td>
<td>-0.34</td>
</tr>
</tbody>
</table>

**Table 2. Correlation matrix of variables.**

<table>
<thead>
<tr>
<th>Row</th>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate Social Responsibility</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Service quality</td>
<td>0.87</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Customer satisfaction</td>
<td>0.90</td>
<td>0.69</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Company-customer identification</td>
<td>0.61</td>
<td>0.55</td>
<td>0.48</td>
<td>1</td>
</tr>
<tr>
<td>5</td>
<td>Customer loyalty</td>
<td>0.78</td>
<td>0.72</td>
<td>0.63</td>
<td>1</td>
</tr>
</tbody>
</table>

According to the data in table 2, the correlation coefficient of the variables of corporate social responsibility, service quality, customer satisfaction, company-customer identification and customer loyalty is positive and significant at a significance level of 0.01. The indices of fit goodness were applied to evaluate the fit of the proposed model. Therefore, in this study, the indices mentioned in table 3 were applied among various fit goodness indices. Based on the parameters estimated in table 3, the ratio of chi-square to freedom degree (X2/df) was 2.89, the root of mean square error of approximation (RMSEA) was 0.068, the goodness fit index (GFI) was 0.98, the adjusted goodness of fit index (AGFI) was 0.92, the comparative fit index (CFI) was 0.96, the normed fit index (NFI) was 0.98, the non-normed fit index (NNFI) was 0.96 and the incremental fit index (IFI) was 0.99.
Table 3. Overall indices of fitting the structural model of research.

<table>
<thead>
<tr>
<th>Index measure</th>
<th>$\chi^2$/df</th>
<th>RMSEA</th>
<th>GFI</th>
<th>AGFI</th>
<th>CFI</th>
<th>NFI</th>
<th>NNFI</th>
<th>IFI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.89</td>
<td>0.068</td>
<td>0.98</td>
<td>0.92</td>
<td>0.96</td>
<td>0.98</td>
<td>0.96</td>
<td>0.99</td>
</tr>
</tbody>
</table>

According to indices obtained based upon viewpoints of Kline (2005, 2011), the tested model of research has good fit. After reviewing and confirming the model, the $P$ index has been used to test the significance of the hypothesis. The values smaller than 0.05 for the $P$ value indicates a significant difference calculated for the regression weights with zero value in confidence level of 0.95. Hypotheses along with regression coefficients and $P$ values for each hypothesis are shown in Table 4.

Table 4. Hypothesis results.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Variable affecting</th>
<th>Variable affected</th>
<th>Regression coefficient</th>
<th>$P$ value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Corporate social responsibility</td>
<td>Customer Satisfaction</td>
<td>0.535</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>2</td>
<td>Corporate social responsibility</td>
<td>Costumer loyalty</td>
<td>0.015</td>
<td>0.047</td>
<td>Supported</td>
</tr>
<tr>
<td>3</td>
<td>Service quality</td>
<td>Customer Satisfaction</td>
<td>0.838</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>4</td>
<td>Service quality</td>
<td>Costumer loyalty</td>
<td>0.030</td>
<td>0.041</td>
<td>Supported</td>
</tr>
<tr>
<td>5</td>
<td>Corporate social responsibility</td>
<td>Company-customer identification</td>
<td>0.533</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>6</td>
<td>Service quality</td>
<td>Company-customer identification</td>
<td>0.576</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>7</td>
<td>Company-customer identification</td>
<td>Customer Satisfaction</td>
<td>0.350</td>
<td>0.007</td>
<td>Supported</td>
</tr>
<tr>
<td>8</td>
<td>Company-customer identification</td>
<td>Costumer loyalty</td>
<td>0.241</td>
<td>0.006</td>
<td>Supported</td>
</tr>
<tr>
<td>9</td>
<td>Customer satisfaction</td>
<td>Costumer loyalty</td>
<td>0.085</td>
<td>0.023</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Considering the results obtained from table 4, all hypotheses were confirmed.
Figure 2. Structural equation modeling hypotheses
6. CONCLUSION AND SUGGESTIONS

Corporate social responsibility is considered today as an important issue in management circles. The organizations are increasingly interested in social responsibility and pay more and more attention to this issue. Organizations are made by humans and humans should consider social responsibility and ethical considerations in creating the organizations. The concept of social responsibility involves several issues relating to corporate behavior in their community. In the present study, the impact of corporate social responsibility, service quality and company-customer identification on customer loyalty was examined.

For this purpose, first, the results of factor analysis performed to determine the accuracy of the measurement models showed that the models of measuring corporate social responsibility, service quality, company-customer identification, customer satisfaction and customer loyalty have a good fit. After verifying the measurement models, the research hypotheses were tested using structural equation modeling. In the first step of assessing the research hypotheses, the direct relationship between corporate social responsibility and customer satisfaction, between corporate social responsibility and customer loyalty, and between corporate social responsibility and company-customer identification was confirmed that is in accordance with the results of studies by Martinez et al. (2013), Arikan and Gunnar (2013), Perez et al, (2011) and Chiou and Droge (2006) and Dang and Yang (2015), respectively, and investigating the significance of impact of service quality on customer loyalty followed on which was inconsistent with the results of Arigan and Gunnar (2013) and consistent with those of Aydin and Ozer (2004) and He and Lee (2011). Also, confirming the impact of service quality on customer satisfaction was in line with the results of Arigan and Gunnar (2013), Bhattacharya (2006), He et al, (2012) and Sue et al, (2013). In hypothesis 6, the impact of service quality on company-customer identification was investigated and the results were confirmed as being consistent with the results of He and Lee (2011) and inconsistent with the results of Arigan and Gunnar (2013). Moreover, the significant relationship between company-customer identification and customer identification was confirmed as being in line with the results of He and Lee (2011), Arigan and Gunnar (2013), Martinez et al, (2013) and Dang and Yung (2015). Finally, significance of the relationship between customer satisfaction and customer loyalty was confirmed as being in line with the results of Carlson and Ocass (2010), Caseress and Papervidomess (2007), Carvana (2002) and Arigan and Gunnar (2013). Therefore, it can be concluded that the banks considering the issue of social responsibility and having committed themselves to adhere the issues regarding to the community are conceived by the customers as the banks with higher service quality and cause the customers to have higher satisfaction and loyalty.

According to the results of this survey, the participation and presence of the banks in charitable works such as when occurrence of floods, earthquakes, or building schools and hospitals in deprived area of country, or social activities such as holding social ceremonies and assistance to the victims of natural disasters will be useful and effective for banks. On the other hand, in order to company-customer identification, the managers of Pasargadae Bank are advised to strengthen the important predispositions of brand identity such as prestige, satisfaction and communications by focusing on enhancing the customer identity in order to have a favorable impact on the identity. Providing an immune and comfortable working place so that, staff have the capability to do high quality work with peace of mind and without concern. On the other hand, formulation and implementation of ethical, social and
environmental criteria including health and safety as well as gender equality in total policies of the bank and also on how to deal with the bank employees, the establishment of systems to measure the customer satisfaction and honoring customers and reflecting extensively the presence of Pasargadae Bank in social activities through the mass media can assist Pasargadae Bank in this important matter.

The future studies can be tested in a greater sampling size in other banks or in other areas, for example, in other service sectors or in other cities and regions that have different cultural context. On the other hand, in this research, the cross effect of corporate social responsibility and service quality in the relationships concerning the customers have not been investigated. In addition, other aspects such as customer identity behaviors can be entered into the model as a moderating variable.

References


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