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IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER LOYALTY: WITH SPECIAL REFERENCE TO MULTINATIONAL CO-OPERATIONS IN SRI LANKA

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ABSTRACT

In today's world Multinational Corporations are growing day by day and the competition between multinational corporations are increasing. In order to survive in this competitive environment organizations have to acquire, maintain and retain loyal set of customers. On the other hand as a multinational corporation it has a responsibility to give something back to the society with in which they operate therefore most of MNCs has increased their attention on CSR activities. The Current study was conducted to identify the impact of corporate social responsibility on customer loyalty with special reference to multinational corporations in Sri Lanka. Non-probability sampling technique – convenience sampling method has been used and for the purpose of gathering data, sample of 65 customers from selected multinational FMCG Product Company has been taken in to account. Both primary and the secondary data used for the study and descriptive statistics were used to analyse data. Corporate social responsibility has been identified as the independent variables and the customer loyalty has been identified as the dependent variable. In the study, a key objective and two specific objectives were achieved and three hypotheses were developed. The study was established a significant positive relationship, the results shows that Corporate social responsibility initiatives are positively related to customer loyalty. This implies that any increase in corporate social responsibility will substantially lead to increased customer loyalty.

Keywords:

corporate social responsibility, customer loyalty

INTRODUCTION

Organizations compete with each other for the purpose of profit and to acquire loyal set of customers. Organizations which have loyal set of customers can be easily survive and succeed within the dynamic business environment and rising competition. Since the organizations compete with each other to attract and retain loyal set of customers, they initiate many attractive business practices to retain their pool of customers. On the other hand, consumers' start questioning about the value which initiated with the price that they are spending for a good or a service. Furthermore, with the rising environmental issues government and authorized parties have imposed rigid rules and regulations for organizations on how should they carry out their business operations. To answer all these rising questions corporate have lean towards to Corporate Social Responsibility (CSR) programs and initiatives. Chaudhary (2017) defined that the organizations are gradually adapt socially and environmentally responsible activities into their day to day management practices. The term and practice of CSR originated from the western and moves to the Asian societies as well. Though the CSR activities conducted for the betterment of the society as a voluntary or compulsory act; it is still questionable to investigate the real corporate purposes behind this. However it is important to understand that, the benefits of the organizational CSR activities should not be limited for the betterment of the society or the environment but also for the betterment of whole stakeholder group. Therefore the benefits of CSR have been widely acknowledged by employees, consumers, NGOs, governments. (Kerr, Johnston, & Beatson, 2008).When comparing to the past decades the society has become more aware towards the people who need help as well as the people who can help. In today's context there are so many people who are initiating CSR programs with their personal money. When taking this trend into account organizations could not resist the importance of CSR activities. This study will assist MNCs to stand out and succeed in the marketplace compared to rivals and improve the revenue structure of services by identifying the Impact of Corporate Social Responsibility on Customer Loyalty and thus the companies can realize the important factors that customers consider as relevant, especially in areas where the degree of influence of CSR appears to be low in enhancing customer loyalty and identify both the effective and ineffective management strategies and take necessary actions or change existing strategies to improve organizational performance in order to attract, retain and maintain long term relationship with customers.

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1.1 Research Problem

Accordingly, the research problem centered for the study was, "The extent to which the Corporate Social Responsibility impact on customer loyalty with special reference to Multinational Co-operations in Sri Lanka".

1.2 Key Objective

- To identify the impact of Corporate Social Responsibility on Customer Loyalty

Specific Objectives

- To identify the level of Corporate Social Responsibility
- To identify the level of Customer Loyalty

1.3 Hypothesis

H1: There is a high level of Corporate Social Responsibility

H0: There is no high level of Corporate Social Responsibility

H2: There is a high level of Customer Loyalty

H0: There is no high level of Customer Loyalty

H3: There is a positive impact of Corporate Social Responsibility on Customer

H0: There is no positive impact of Corporate Social Responsibility on Customer Loyalty

LITERATURE REVIEW

Corporate Social Responsibility

Bowen (as cited in Tucker, 2009) identified the CSR as a set of responsibilities of a businessman to guide the business, take the decisions, and conduct the business activities in a favorable manner to the society. Carroll (1979) examined the term CSR and contributed to state different dimensions of CSR, as Carroll claimed "social responsibility of a business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (p. 500). CSR consists with making business and strategic decisions accompanied by ethical, legal requirements and respect for the people, society and environment (Albdour & Altarawneh, 2012).

Bhaduri and Selarka (2016) stated organizations identified the importance of CSR not just from the societal perspective but also from the perspective of stakeholders' and firms', stakeholder approach of CSR opens many pathways to carry out the various studies under the concept of CSR. From this perspective, organizations are expected to expand and manage responsibilities to an extended web of stakeholder interests (Jamali, 2008).

Tucker (2009) mentioned CSR could mean something to everyone but that does not mean same thing, which emphasize the different interest groups can have different expectations. Bhaduri and Selarka (2016) argued the organizations which operate by considering this theory expand their care net beyond the traditional interest groups of stakeholders as well as silent stakeholders such as local communities and the environment.

Initially Tucker (2009) introduced four main CSR dimensions to address the stakeholder perspective of CSR which are, 1. Primary social consist the clients (customers) and employees, 2. Secondary social include the government, 3. Primary non-social including the natural environment and future generations finally, 4. Secondary non-social includes NGOs.

Customer Loyalty

Keller (1993) stated that loyalty is present when favorable attitudes for a brand are manifested in terms of repeat buying behavior. Gremler (1995) recommended that both the attitudinal and behavioral dimensions need to be included in any measurement of loyalty. Henceforth, to analyze customer loyalty is to differentiate between consumer's attitudinal loyalty and behavioral loyalty (Chaudhuri and Holbrook, 2001; Han et al., 2011). The behavioral component of customer loyalty refers repeated transactions made from the consumer in a specific period of time. However, repurchase behavior can be due to satisfaction or just to a lack of alternatives, or as a reason of convenience or habit according to Martínez & Rodríguez (2013). Attitudinal loyalty means that a positive assessment of the company is made together with the existence of an emotional link between the consumer and the organization that generates a real loyalty or, at least, a potential loyalty. This type is linked to active loyalty, which not only means repurchase but also a positive word of mouth (Dick and Basu, 1994, p. 100).

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METHODOLOGY

This study is descriptive in nature and this study was conducted in the natural environment with less interference of the researcher. Hence, the study setting is non- contrived. Researcher has selected the compelling key players in FMCG industry in Sri Lanka as the research context and customers who are visited to these selected companies were considered as the population of this study. The unit of analysis is individual level. For the purpose of gathering data, sample of 65 customers has been taken in to account. The convenience sampling technique was used as the sampling technique for the study. Customers were chosen randomly and asked them to fill up the questionnaire in order to collect data. Main techniques used for data analysis were mean analysis, sample t-test and regression analysis. Impact of Corporate Social Responsibility on Customer Loyalty has been identified through regression analysis. Frequency analysis was used to explore the other demographic factors.

Figure 1.0 Conceptual Framework
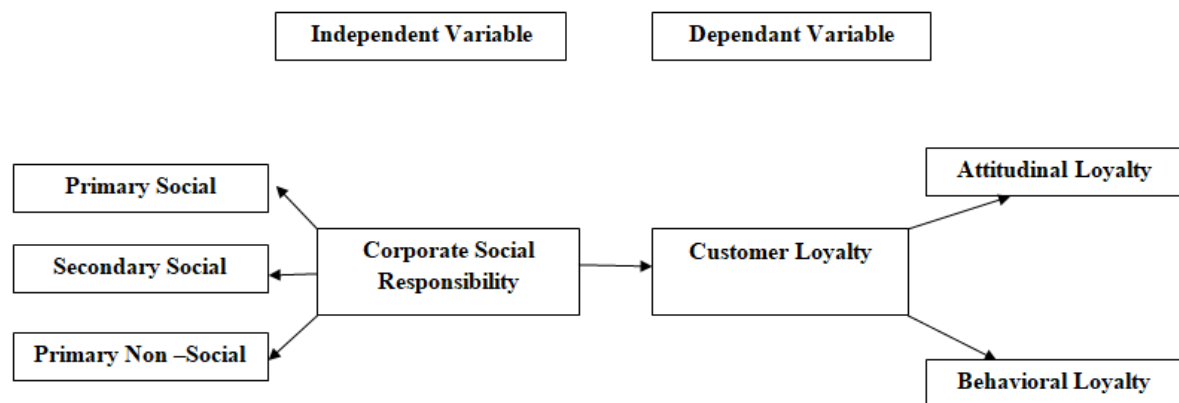
Source: Developed by the researcher based on the literature (2019)

4.0 Results and Discussion

4.1. Demographic Profile

The survey data described that majority of the sample consists of female 53.8% (N -35) and male representation was 46.2% (N – 30) based on the company nature. Majority of the respondents (69.2%) has been selected Unilever as the organization which they use for regular purchase and 1.5 % from the total sample has selected the other category of organizational selection. In terms of age, the highest portion of the respondents of 31 customers falls below 25 years which represents around 47.7%. The lowest portion represented by 3 respondents, which is around 4.6% from the total sample. according to the collected data 41 out of 65 respondents which is, around 63.1% respondents holds a Bachelors' Degree diploma as their highest education qualification and there are only 1 postgraduate degree holders which is 1.5% from the entire sample. According to the data it showed that the majority of 33 respondents are having less than Rs. 50, and as a percentage it consists around 50.8% and minority represented by 5 respondents, which is around 7.7% from the total sample, who categorized under the income range of more than Rs. 125,000. It implies most of the sample has low and average income level.

4.1 Reliability Analysis

Cronbach's alpha reliability analysis was conducted on the independent and dependant variables in order to determine the reliability of the instrument used According to the standard, less than 0.7 **"Cronbach's Alpha"** value indicates unsatisfactory internal consistency reliability. Using SPSS statistical tool the **"Cronbach's Alpha"** was calculated to find out the reliability of the CSR instrument and CL instrument which was used in the study.

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4.1.1 Reliability Test of CSR Instruments

Reliability Statistics

Cronbach's Alpha	N of Items
.919	17

Source: Survey Data 2019

As the Table represents, Cronbach's Alpha is greater than 0.7, it indicated that CSR is accurately measured from 17 perception items .Thus, it emphasizes the reliability of the scales are high.

4.1.2 Reliability Test of CL Instruments

Reliability Statistics

Cronbach's Alpha	N of Items
.890	8

Source: Survey Data 2019

As the Table represents, Cronbach's Alpha is 0.890. It indicates that, customer loyalty is accurately measured using 8 instruments. Thus, value begin closer to 1 is inductive of the higher end of reliability of this measure.

4.2 Validity Analysis

The validity of the measurement was ensured by calculating Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO).

4.2.1 Validity Test of CSR

Measures	KMO Measure of Sampling Adequacy	Sig.
Customer Loyalty	.871	.000
CSR	.818	.000

Source: Survey Data 2019

When considering the above tables it indicates, both instruments' KMO values are greater than 0.7 and significant values' of both instruments are less than 0.05. Therefore, both tests are in the significant scale hence factor analysis of both variables is useful for this study.

The frequency distribution analysis was made separately for independent and dependent variables to indicate that the sample data is normally distributed.

4.3 Testing Hypothesis

Here, the hypotheses that were developed are tested by using the one sample t-test and regression analysis.

4.3.1 Service Quality

In order to identify the level of CSR, the researcher has developed the following research hypothesis.

Alternate Hypothesis (H1) - There is a high level of CSR

Null Hypothesis (H0) - There is no high level of CSR

In order to test above hypothesis, researcher has developed the following three decision criteria.

MEAN	DECISION CRITERIA
1 – 2.29	Low CSR
2.3 – 3.59	Moderate CSR
3.6 – 4.89	High CSR

	Total CSR
Mean	3.7537

Source: Survey Data 2019

As shown in the above table, the mean of the total CSR is 3.7537 and it belongs to the third decision criteria. Therefore it can be concluded, CSR of XYZ Company is high

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In order to test the developed hypothesis, the researcher has run the following one sample t-test and the results were as below

One-Sample Test

	Test Value = 3.6					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Corporate Social Responsibility	2.263	64	.027	.15373	.0180	.2895

Source: Survey Data 2019

Since the significant level is 0.027, there is no enough evidence to accept null hypothesis. Therefore, null hypothesis is rejected and it can be concluded that there is high level of
CSR in ABC Company.

4.3.2 Customer Loyalty

In order to identify the level of customer loyalty, the researcher has developed the following research hypothesis.

        Alternate Hypothesis (H2) - There is a high level of customer loyalty
        Null Hypothesis (H0) - There is no high level of customer loyalty

In order to test above hypothesis, researcher has developed the following three decision criteria.

MEAN	DECISION CRITERIA
1 – 2.29	Low customer loyalty
2.3 – 3.59	Moderate customer loyalty
3.6 – 4.89	High customer loyalty

	Total customer loyalty
Mean	3.8629

   Source: Survey Data 2019

As shown in the above table, the mean of the total customer loyalty is 3.8629 and it belongs to the third decision criteria. Therefore the customer loyalty of XYZ Company is high.

In order to test the developed hypothesis, the researcher has run the following one sample t-test and the results were as below.

One-Sample Test

	Test Value = 3.6					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Customer Loyalty	3.271	64	.002	.26291	.1023	.4235

Source: Survey Data 2019

Since the significant level is 0.002, there is no enough evidence to accept null hypothesis. Therefore, null hypothesis is rejected and it can be concluded that these is high level of customer loyalty in XYZ Company

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4.3.3 Regression Analysis for investigation of the impact of Corporate Social Responsibility on Customer Loyalty

Correlations			
		Customer Loyalty	**Corporate Social Responsibility**
Customer Loyalty	Pearson Correlation	1	.830[**]
	Sig. (2-tailed)		.000
	N	65	65
Corporate Social Responsibility	Pearson Correlation	.830[**]	1
	Sig. (2-tailed)	.000	
	N	65	65
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Survey Data 2019

According to the above table Pearson correlation between two variables was 0.830, which shows that there is a positive moderate relationship between two variables. And the positive value indicates that, when the independent variable increase, dependent variable also increases and vice versa As the significant value 0.000 (2-tailed) is smaller the desired level of significance (0.01), therefore, the found correlation coefficient (0.830) is statistically significant.

- To what extent Corporate Social Responsibility has an impact on Customer Loyalty is measured by coefficient of determination (R Square).

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.830[a]	.689	.684	.36425
a. Predictors: (Constant), Corporate Social Responsibility				

Source: Survey Data 2019

According to the results given in above Table, the value of R Square is 0.689, which accepted the H3 hypotheses, there is a positive impact of CSR on customer loyalty. Further it explains that approximately 69% of the variance of customer loyalty is explained by Corporate Social Responsibility. As this is a significant percentage, the model can be said successful in explaining variance in the dependent variable. So it can be believed that Corporate Social Responsibility acts as a dominant concept in developing customer loyalty.

CONCLUSION

This study sought to identify the impact of Corporate Social Responsibility on Customer Loyalty of the selected multinational corporations. The exploration was guided by the following objective, to identify the impact of Corporate Social Responsibility on Customer Loyalty. The study used regression analysis to find the impact of Corporate Social Responsibility and Customer Loyalty. The study established a significant positive relationship; the results shows that Corporate Social Responsibility attributes are positively related to Customer Loyalty. This implies that any increase in Corporate Social Responsibility will substantially lead to increased Customer Loyalty. Therefore we can conclude that CSR instruments are positively related to customer loyalty. Thus, study

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has proved that organizations should engage in CSR activities to do their responsibility to the society as a part of the society and organizations can use CSR as a tool to acquire, retain and maintain loyal set of customers.

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