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The Effect of Corporate Social Responsibility on Customer Loyalty A Study of Guaranty Trust Bank, Dala Community, Kano

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ABSTRACT

Corporate social responsibility (CSR) has become one of strategic method apply by business enterprises in developing nations like Nigeria. Such Corporate social responsibility (CSR) is being carried out to gain the loyalty of customers, investors, and other stakeholders in the business environment. This, with the growing recognition of the significant effect of corporate social responsibility CSR, the study looked in to the relationship between social responsibility and customer loyalty, taking Guaranty Trust Bank, Dala Community, Kano State, Nigeria as a case study. This study tries to examine an effect relationship between corporate social responsibility CSR and customers' loyalty, the study proposed a framework that would be useful in making a suggestion for banks on how to consider the practice of corporate social responsibility CSR in order to enhance consumer loyalty and retention.
Keywords: Customer, Loyalty, Corporate Social Responsibility, Retention

I. INTRODUCTION

Adeyanju (2012) defined social responsibility as an ethical framework that institutional body has an obligation to act for the enjoyment of immediate society. In the view of Olayemi (2009) social responsibility is a duty expected of individual, organization or institution to carry out as to maintain a balance between the internal and external structure of such individual, organization or institution. A trade –off may exist between economic development, in the material sense, and the welfare of the society and environment. Social responsibility means sustaining the equilibrium between the two. He further mentioned that it pertains not only to business organizations but also to everyone who's any action impacts on the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals.

Onagoruwa (2014) opined that businesses can use ethical decision making to secure their businesses by making a decision that allows for government agencies to minimize their involvement with the corporation. For instance if a company follows the Environmental Protection Agency (EPA) guidelines for emissions of dangerous pollutants and even goes an extra step to get involved in the community and address those concerns that the public might have, they would be less likely to have the EPA investigate them for environmental concerns.

To some extent, corporate social responsibility (CSR) has to act as like a citizen to the fundamental economic role of businesses (Hirschhorn2004). CSR as a concept shows the activities engaged by corporate entities that voluntarily integrate both environmental and social promotion in business philosophy and operations. The idea of corporate social responsibility is of moral issues and ethical surrounding business decision making and behavior. Thus if an organization or company should take steps on a certain aspect of life or refrain from doing any social benefit because these action aspects are beneficial or harmful to society is a central question. Godwin (2007) opined that social issues deserve moral consideration of their own and should head managers to consider the social impacts of corporate variables in decision making.

According to Thomsen (2006), CSR is a concept whereby organizations inculcate social and environmental should be considered in the business affair and in the relationship to stakeholders on a voluntary basis. If any good activities to business organizations as social impact on society, it should not be only the stakeholders' return. 'CSR' is defined by various organizations from their own point of view in order to meet their own objective and aims. For public interaction, CSR is often behaviors by the protection of reputation; for Non-Government Organizations (NGOs), it is about humanitarianism and resources preservation; for governments, it is about sharing the burden of feeling, (Kitchin, 2003). CSR has recently become a key subject in the field of marketing, advertising and academics. Balabanis, Phillips & Lyall, (1998) suggest that CSR describes the extent at which business organizational outcomes are consistent with societal values and expectations. CSR is the expression of a corporation's level of moral development, where the values that guide corporate, socially responsible policies, decisions and programmers are products of a variety of normative systems, depending on the culture, religion, education, etc.

The focus of this study is to look at the effects of corporate social responsibility on customer loyalty towards Guaranty Trust Bank, taking a case study of Dala Community of Kano State, Nigeria. The study also set to determine the influence of corporate social responsibility on retention and loyalty of customers, and investigate the level at which customers take into consideration corporate social responsibility before patronizing a particular organization of their needs.

The significance of this study is to look at important of corporate social responsibility on customer retention and loyalty. Business enterprises will find the study useful as it will expose them to the important of keeping customers and encourage new and potential ones to patronize them at various means. This study covers the impact of social responsibility on customer retention of Guaranty Trust Bank, Dala Community of Kano state, Nigeria. The study is restricted to the customers.

Conceptual Framework

Two dependent variables and one independent variable with four dimensions consisting of economic responsibilities, legal responsibilities, ethical responsibilities and philanthropic responsibilities provide a basis for the framework of this study. The dependent variables are patronage and customers' loyalty. The CSR as independent variable (with four dimensions) will be employed to test the existence of the relationships between the dependents and the independent variables.

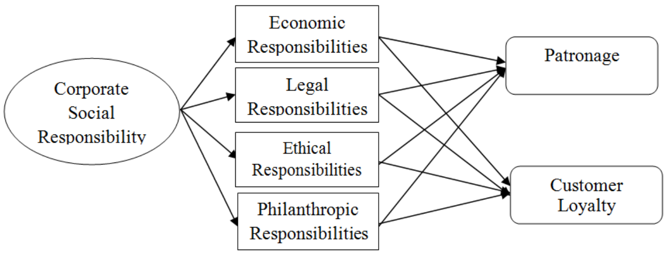

Figure 1: Research Framework

II. METHODS AND MATERIAL

Literature Review

Lanbos (2001) mentioned that the emergence of strategic Corporate Social Responsibility as a cover for business enterprises to enhance their natural profit margin and self-interest is thought of by providing anti-corporatists with tools to quickly bring out the various ideas and eagerly shape them as "hypocrites". Moreover, Gustafson (2006) wrote, as Corporate Social Responsibility continues in making inroads into the business arena, the harder its proponents are pressed to provide business exemplars justifying the continued legitimacy as a business practice. The Corporate Social Responsibility goes down in business case routine because of their belief that the Corporate Social Responsibility will evolve the aged dilemma of possible trade-offs between financial profit and normative morality.

Gustafson (2006), concluded in his work that Corporate Social Responsibility is challenging, dynamic and complex areas that business managers face today and one of the most critical, despite the increase in deregulation in most countries.

The practice of Corporate Social Responsibility is highly debated and criticized. Some critics are of the opinion that there is a strong business case for Corporate Social Responsibility in that benefits that follow are broader and longer than immediate, short term profits; some of the benefits corporations gain from Corporate Social Responsibility and that have been "empirically tested include corporate reputation by Logsdon and Wood, (2002); Orlitsky et al., 2003) and reducing business risk by Orlitzky and Benjamin, (2001). Other benefits that have been identified include increasing revenue generated from sales (Auger et al., 2003), Solomon and Hansen (1985) identified customer goodwill and increasing rivals costs. Means that in the goodwill in which customer will enjoy the condition the atmosphere of the business environment and cost for the competitors to be hard to them to drive the customer away from the previous place.

However, other critics argued that Corporate Social Responsibility distracts businesses from the fundamental economic role. This is credited to Caroll (2001). Brenkert (1996) argued that it is nothing more than superficial covering up of the in-depth of the organization, yet Bayero (2003) on his own point of view, argued that it is an attempt to pre-empts the role of corporate bodies in creating value to goods and services.

Social Responsibility and Customer Loyalty

Brown and Dacin (1997) found that corporate associations, which include the corporate ability and corporate social responsibility, affected product evaluations through corporate evaluations and therefore enhances customers' loyalty and retention. Keller & Aaker (1995) studied impacts of social responsibility on customer loyalty. The major findings of the research were that social responsibility does not necessarily relate to customer loyalty. Casual social responsibility did not promote the image of a company like the product of the company itself. Corporate social responsibility has no direct effect on perceptions of customers on product quality. In their study of boycotter versus non-boycotter behavior, Belch & Belch (1987) found that corporate image had an effect on attitudes toward the product for non-boycotters. Wansink (1989) found that the reputation of retailers affected how consumers evaluated attributes missing from advertisements.

Netemeyer et al. (2001) found that the organized association of being a "good corporate citizen" was related to willingness to pay a price premium for a brand and brand purchase. The afore cited studies suggest an overall positive attitude toward companies associating themselves with causes that benefit society, and companies using their resources to benefit society is clearly related to the concept of corporate philanthropy.
However, there are some corporations that do "social marketing" more actively. They invest substantial resources in marketing variables (including public relations programs) designed to achieve certain positive social outcomes. They engage in what might be considered corporate social marketing programs.

Corporate social marketing is defined as a "corporate initiative where significant amounts of the time and know – how of the marketing personnel who work for the ultimately persuading people to engage in as socially beneficial behavior" (Bloom, Hussein and Szykman 1997). Hence, when corporations invest resources in corporate social responsibility variables, they usually seek a return on their investment in the form of increased sales. Successful CSR variables can help society by reducing prices, accelerating innovation, wanted products and services. According to Bloom et al (1997), many corporations also do CSR through the ordinary marketing of their products and services which get consumers more attracted. Patronizing a socially responsible company has a positive impact on the sales of the company. That is, through the social responsibility carried out by the company, consumers will be in free spirit to support the increasing sales volume of such company. Companies are expected to move out of their business line to make an impact on the society and so with what the society sees that the company has contributed, there will raise consumers that will sell the company in goodwill to other consumers.

In an empirical research on the relationship between corporate social responsibility and customers' loyalty, Ogbelaja (2002) found that as companies use corporate social responsibility to gain customers loyalty and result responds positively. The emerging societal priorities and expectations are the consumers willing to make the best out of the company. Consumers, in return to the social responsibility activities rendered by the company, there also make an impact on the increase in profitability. Thereby, consumers make more purchase of the products or services produced by that socially responsible company which boost the sales volume of the company. The more purchases made from consumers, the more profits the company derives.

Logsdom and Wood (2002) carried out a study on the impact of Corporate Social Responsibility and Companies' Profitability Ratio. They made use of three companies that are product oriented in nature. The samples of the study were made up of 600 staff of five companies. Simple percentage statistical analysis was applied. They concluded that corporate Social Responsibility has a direct impact on profit. The recommendation of the study include expanding social responsibility in physical structure with a good label will develop customer orientation towards developing patronage and retention, and in return, profit ratio increases.

Akinboboye (2013) from his study concluded that Corporate Social Responsibility affects consumer patronage worldwide and in Lagos metropolis and that marketing strategies such as sponsorship, philanthropy, social marketing etc helps socially responsible companies to serve the customers effectively. All these confirm that by practice, socially responsible companies apply the approaches of CSR presented in the literature review. Analysis of data collected indicated that generally, Corporate Social Responsibility (CSR) is of great importance in the following areas consumer patronage, society, consumer satisfaction, retaining and building loyal consumers, bringing the competitive edge relative to competitors, increase in market share, an increase in sales revenue and increase in sales volume. On the test of hypothesis conducted by him, the fact that hypotheses are either accepted or rejected does not totally imply that they are true or false. They only appear to be the correct conclusion based on the data collected and analyzed from the population sample. In view of this fact, the result of hypotheses tested showed that: There is no significant difference among respondents that consumers are favorable towards socially responsible companies that support philanthropic variables. Furthermore, corporate social responsibility enhances consumer patronage. The corporate social responsible company innovates and introduces new products that satisfy the needs of the customers. The prices are affordable and the company expends a lot of money on regular promotion, advertisement, publicity, public relations. The company service delivery processes are very fast and effective in that they are placed very close to the customers through pro-social variables efforts. Through CSR, the customers are attracted and made comfortable in dealing with the company. The firm offers strategies such as philanthropic approach, community based development approach, sponsorship approach to achieve their mission and fully satisfy the customers better than competitors. In view of the outcome of this study on the effect of corporate social responsibility on consumer patronage it is recommended that firms should improve and maintain a good image and better service; it should increase its staff customer's relationship by introducing direct marketing or personal interview with customers. This will help in identifying and meeting or attending to customers' needs, problems and complaints.

Methodology

The study would use the customers of Guaranty Trust Bank in Dala Community of Kano as the unit of analysis where questionnaire would be distributed to the customers for the purpose of data collection. A structured questionnaire based on five likert scale is designed from 1 to 5 where 1 stands for strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree. The use of structural equation modeling would be employed to analyze the data collected from the use of questionnaire survey. This would enable the researcher to examine the relationships between the endogenous variables and the exogenous variable of the study.

III. CONCLUSION

This paper proposes a theoretical framework for the study the impact of social corporate responsibility on customers' retention and loyalty in their relation with Dala Community of Kano. It is hopeful that useful outcome of immense importance to the management, practitioners and other relevant stakeholders would emerge when the framework is validated.

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