

# Impact of CSR Dimensions on Customer's Satisfaction and Brand Loyalty in Telecom Companies in Pakistan

Dr. Sadaf Mustafa\*, Faryal Ikram\*\*, Mahpara Naeem\*\*\*

\* Assistant Professor, Department of Commerce, University of Karachi, Pakistan

\*\* M.Phil. Scholar, Department of Commerce, University of Karachi, Pakistan

\*\*\* PhD Scholar, Department of Commerce, University of Karachi

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**Abstract-** The main aim of this research is to determine the impact of corporate social responsibility (CSR) on customer's satisfaction and brand loyalty in Telecom companies of Pakistan in formation of purchase intention of customers. Data from 150 respondents were collected through questionnaire from all over Karachi. Data analysis was performed through chi square. The findings of this study showed that CSR have significant relationship with customer's satisfaction and brand loyalty. Moreover, it is concluded that there is also positive relation between brand loyalty and purchase intention. This study concludes that by improving ethical CSR customer's satisfaction can also improve which can retain customer to be loyal to the brand. This study concluded that any industry which want make organization-consumer bond stronger should focus on CSR.

**Index Terms-** Corporate social responsibility, Customer's satisfaction, Brand loyalty, Telecom Companies.

## I. INTRODUCTION

The concept of CSR is not new for researchers and business entities. (Archie B. Carroll, 1999) described CSR as a responsibility of every business entity towards community welfare and create its positive image through its social activities towards atmosphere, customers, employees and all other stakeholders. (Bowen, H.R., 1953) gave first definition of CSR, as the commitment of business entity to run environment friendly policies, decisions or actions which have social values. Every business should have some responsibilities for their environment apart from organization's monetary interest. (Backman, J. Social responsibility and accountability., 1975) also stated that all businesses have some motivation other than its economic interest, that is profit maximization. (McWilliams, A.; Siegel, D., 2001) concluded that additional revenue should be spend by managers or the firms on CSR, and supported CSR as long term benefit for organization and thus in favor of all stakeholders.

## II. CSR IN PAKISTAN

CSR is a new concept in Pakistan. Many authors think CSR is still unknown for customers in Pakistan Many professional bodies are supporting CSR in Pakistan. The Asian foundation of management established Asian forum on CSR who organized CSR

workshops for its awareness. This organization conducted activities for environment protection, poverty reduction, health and education and also award them. These kinds of activities are creating awareness about CSR and helping in implementation of CSR in Pakistan at grass root level.

In developing countries like Pakistan government needs to give initiatives to companies which make efforts for betterment of society including health, poverty and environment protection.

Multinational companies are working on CSR actions in Pakistan. There is great competition between leading Organizations like Mobilink, Jazz, U-fone and Telenor. Now banks and sports marketing have also started working on CSR.

Two main research questions of this study are

1) Does CSR of a company matter for their customers?

Number of studies have already conducted on this question, but some research results have which suggest positive effects of CSR, while other have no impact of CSR on consumer purchase intentions, (McWilliams, A.; Siegel, D., 2001) concluded no relation between CSR and entity performance in their study. There is no doubt that there is positive relation between customer loyalty and profit.

2) Which factors motivates customers to be more loyal to any organization?

It is important to study the factor effecting customer's loyalty with all CSR actions which effects customer's purchase intention. (Beyer R , 1972) stated in his study community and organization should have good relation through CSR.

## III. LITERATURE REVIEW

### History of corporate social responsibility

Corporate social responsibility has been defined by various authors in different ways.

(Beyer R , 1972) defined social responsibility as "avoiding harm from society and doing well for business" CSR as "a company's commitment with society to eliminate harmful effects and will remain beneficial for society in long run" in his study he also viewed about the shape of the future relationships among the businesses and concepts of social responsibility, restructured finance, clean environment for society and all positive action taken by an organization for wellbeing of society.

According to (Drucker PF , 1974) it should responsibility of corporations to pay back to society, through any good activity

like leading any community school, for labor work, cleaning activities or any other works for the needs of the society. (Judge Jr, Douglas , 1998) viewed that friendly environment products can improve business performance because environment friendly products can create competitive advantage through cost leadership, product differentiation and can create positive image of the business and best strategy for firm. (Jingfu Guo, Likun Sun & Xueli Li, 2009) measured relationship between CSR and firm performance in China on an assessment

index system and concluded that organization having higher scores will have high financial performance, and confirm there is positive & strong relationship between CSR, consumer Loyalty and firm performance.

### Conceptual Frame work for CSR, Customer's Satisfaction & Customer Loyalty



FIG 1; Model for CSR, Customer's Satisfaction & Customer Loyalty

#### IV. CUSTOMER'S SATISFACTION

Organizations should conduct market surveys for providing new products and services to satisfy their customers, promote their products through advertisements and promotions. (Fornell, C.; Mithas, S, 2006) describes that customer's satisfaction should be main corporate strategy. (Boshoff, C.; Gray, B. , 2004) found in his research that product or service does not carry satisfaction, but customer can perceive. Moreover, it is not necessary that every customer perceive same level of satisfaction. Perceived CSR should have positive impact on customer satisfaction.

#### V. BRAND LOYALTY

The main thing for the growth and survival of any organization is how firm retain their customers loyal to the organization and develop a sustainable growth & competitive advantage over their competitors. CSR policy can help to any organizations for create goodwill in society, which leads to customer Satisfaction & Loyalty towards Brands. (Miles, M.P.; Covin, J.G. , 2000) concluded that customer perception about CSR effect customer's Loyalty.

#### VI. PURCHASE INTENTION

Purchase intention is a chances that a customer will buy brands product again. CSR always shows a significant relationship with respect to purchase intention. (Bowen, H.R., 1953)described that customer's satisfaction has positive impact on purchase intentions that will lead to make customers loyal to the organization & repurchase of same product or service again & again.

#### VII. CORPORATE SOCIAL RESPONSIBILITY IN PAKISTAN TELECOM SECTOR

Mobilink has started a new scheme of PCO which provide employment to people & offering ROZGAR scheme in cooperation with National Rural Support Program. Most of Telecom companies are also working in many other fields like donation to hospitals, Schools. which is creditable. Their CSR activities are appreciating by the society.

Telenor is supporting Sports and Entertainment Industries of Pakistan. U-fone with PTCL have started an online tutorial program from class 1 to 12. Still society needs more work and people are unaware of it.

#### VIII. STATEMENT OF PROBLEM

This study is based on experimental design to examine the awareness level of customers about CSR actions in telecom companies in Pakistan. How CSR can link with Customer Loyalty and Purchase intention. Different researches have already showed a positive relation between customer's satisfaction and customer purchase intentions. The following problems has been developed for objective of this study.

To find out the link between CSR activities and customer purchase intention& customer loyalty.

#### Research Hypothesis

H0; CSR activities will have no effect on customer purchase intention and customer's Loyalty in Pakistan.

H1; CSR activities will have positive effect on customer purchase intention and customer's Loyalty in Pakistan.

#### IX. METHODOLOGY

For this study researchers collected primary data through the questionnaire about three telecommunication organization and

draw secondary data from the published articles & research papers. This study focuses on research study of effect of CSR activities on customer purchase intention and customer's Loyalty. For performing the objectives of the study researcher selected 150 people (50 male & 100 female) from all over Karachi through Judgment.

**Method of Data Analysis**

This is an experimental study conducted to assess respondent awareness about CSR for this purpose educated people were selected through judgement to conduct the survey of this research. Since this survey focuses on the CSR activities adopted by telecom companies doing business in Pakistan. Only those respondent who have awareness about CSR activities were selected to fill questionnaire. The questionnaire was specially developed to measure the relation between CSR activities & customer's satisfaction and purchase intention in Pakistan

Company	Frequency to deal with	Percentage
U-fone	60	40%
Mobilink	55	36%
Telenor	35	24%
Total	150	100%

**Table 1. Sample distribution of Customers according to their dealing with telecom company**

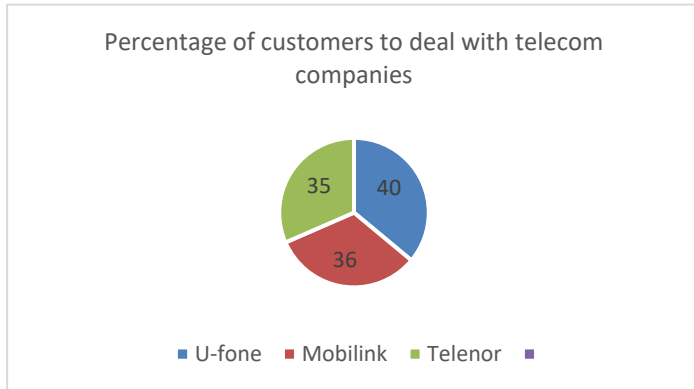


Table 1 shows that most of the respondents deal with Orange Company, where they numbered (247) customers which accounted for 65% from the total of the sample, followed by customers with Zain Company with 95 customers which accounted for, 25%), followed by Umniah (38), which accounted for 10%

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Table 1 shows that most of the respondents deal with U-fone Company, where they numbered (60) customers which accounted for 40% from the total of the sample, followed by customers with Mobilink Company with 55 customers which accounted for, 36%), followed by Telenor (35), which accounted for 24%.

Number of Year Dealing with the company	Frequencies	%
Less than 5	39	26
Less than 10	46	31
More than 10	65	43
Total	150	100

**Table 2. Sample distribution of Customers according to the number years they deal with the company**

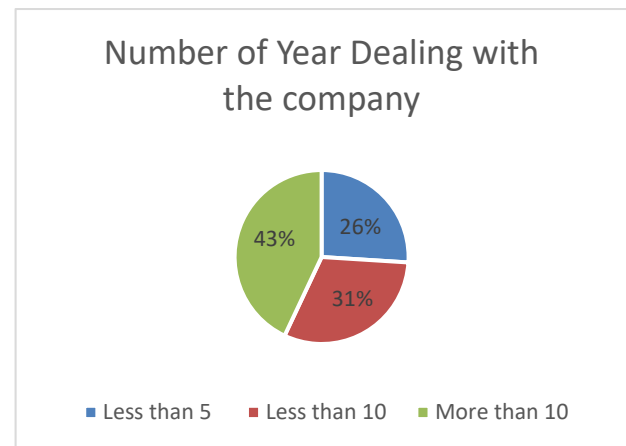


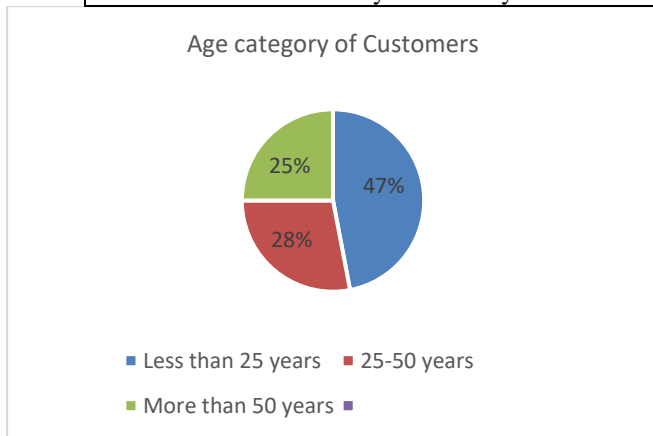
Table 2 shows that (39.7%) of the respondents deal with the company for less than 10 years, and less than 5 years by percentage (20.1%). Then the sample comes from dealing with the company less than 15 years, 30.9%), then the sample comes from deals with the company less than 20 years in percentage (9.3%)

Table 2 shows that (43%) of the respondents deal with the company for more than 10 years, 31% deal with less than 10 years and 26% deals with company less than 5 years.

Age category of customers	Frequencies	%
Less than 25 years	71	47
25-50 years	42	28
More than 50 years	37	25
Total	150	100

**Table 3. Sample distribution according to age category**

STATEMENT	Strongly Agree	Agree	Neither Agree nor Disagree	Disagree	Strongly Disagree	Total
	1. An organization involving in CSR activities must be more reliable.	45	62	10	13	20
2. I always prefer to buy products to those firms who engaged in CSR activities.	23	37	45	14	31	150
3. I only pay on the basis of quality of the product not because firm is involving in CSR activities.	27	28	47	25	23	150
4. Companies should not charge higher price of their product for CSR activities.	38	27	33	16	36	150
5 Firm can make a stronger bond between customers and product through CSR.	47	56	22	13	12	150
6. I see myself loyal to this company because of its CSR activities.	43	53	34	12	8	150
7. I always refer those firms to my friends who involved in CSR activities.	34	39	14	32	31	150
8. I believe that firm should give priorities to customer's values than all other activities.	45	46	21	18	20	150
9. Firm should spend some part of their profit on CSR activities.	43	60	13	18	16	150
10. I always prefer to those firm which support all social and ethical activities in my community.	34	49	17	22	28	150



**X. FINDINGS**

In order to analytically test whether CSR activities will have any effect on customer purchase intention and customer's Loyalty in Pakistan, following hypothesis was developed.

H0; CSR activities will have no effect on customer purchase intention and customer's Loyalty in Pakistan.

H1; CSR activities will have positive effect on customer purchase intention and customer's Loyalty in Pakistan.

Chi-Square test were performed on MS Excel to test the hypothesis.

3	0.15	0.352	0.584	1.212	2.366	4.11	6.25	7.81	11.34
4	0.297	0.711	1.064	1.923	3.357	5.39	7.78	<b>9.49</b>	13.28
5	0.544	1.145	1.610	2.675	4.351	6.63	9.24	11.07	15.09

For the hypothesis the outcomes are compared at 95% significant level of confidence for the degree of freedom as '4' (Tabulated value of Alpha is as shown in table).

The Calculated value for hypothesis by Chi-Square is 6.92 which is Less than tabulated value (given at table) of alpha =9.49, for corresponding 4 degree of freedom and 95% level of significance. Therefore, the null hypothesis is accepted and the alternate hypothesis is rejected.

**XI. RESULTS AND DISCUSSIONS**

In Chi-square test, commonly the statistical data is compared on the basis of specific hypothesis. In this test, two frequencies are considered i.e. Observed Frequency (O<sub>i</sub>) and expected Frequency (E<sub>i</sub>). On the basis of these values the Chi-square test is formulated as.

$$X^2 = \sum \frac{(\text{Observed frequencies} - \text{Expected frequencies})^2}{\text{Expected frequencies}}$$

$$= \sum \frac{(F_o - F_e)^2}{F_e}$$

**XII. EXPRESSIONS AND CALCULATION**

= Chi- Square variable (Calculated by above mentioned formula)

**Observed frequency (O<sub>i</sub>)** = Calculated on the basis of Questionnaire and other rational sources.

**Expected Frequency (E<sub>i</sub>)** = this value is figured on the basis of standard value of total number of events {in this paper taken as mean of total scale values (150/3=50)}.

**Degree of Freedom (d.f.)** = Number of column minus one {for this paper the total number of column is 5, so the value of d.f. is 4 (i.e.5-1=4)}

**Level of significance (alpha)** = Depicted from Chi-square distribution chart, usually for 95% significance, the value alpha (ie. For 5% error or 0.05) comes out as 9.49 for degree of freedom (d.f) taken as 4 as given away in Chi square distribution table.

**Table: Tabulated Values of Alpha (Source: MEDCALC; Software)**

Percentage Points of the Chi-Square Distribution									
Degrees of Freedom	Probability of a Larger Value of X <sup>2</sup>								
	0.99	0.95	0.90	0.75	0.50	0.25	0.10	0.05	0.01
1	0.0000	0.0044	0.0165	0.0413	0.1024	0.2054	0.3371	0.4999	0.6627
2	0.0001	0.0100	0.0201	0.0502	0.1026	0.2052	0.3370	0.4998	0.6626

**XIII. CONCLUSION**

According to this study researcher found no relation between consumer purchase intention & consumer loyalty in Pakistan telecom companies. The survey was conducted on a limited number of respondents, to a particular city Karachi only. The results might actually differ should respondent's knowhow about Corporate Social Responsibility. The social mentality level of people could vary, because data was collected from six district of Karachi. This concept is new in Pakistan & people need more information about CSR activities. Companies should invest more on advertisement of CSR about people knowledge.

**XIV. LIMITATIONS AND FUTURE RESEARCH**

1) This research limitations state to the applied method of collecting data because respondents expressed their subjective opinion about the CSR dimensions.

2) The second limitation is small sample size and structure. Bigger sample size can give more reliable results the respondents had been from different areas of Karachi, and there had been difference due to their professional qualifications and age.

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AUTHORS

**First Author** – Dr. Sadaf Mustafa, Assistant Professor, Department of Commerce, University of Karachi, Pakistan  
**Second Author** – Faryal Ikram, M.Phil. Scholar, Department of Commerce, University of Karachi, Pakistan  
**Third Author** – Mahpara Naeem, PhD Scholar, Department of Commerce, University of Karachi