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Article

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ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

Do corporate social responsibility activities enhance customer satisfaction and customer loyalty? Evidence from the Saudi banking sector

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Abstract: This study examines the influence of corporate social responsibility activities on customer satisfaction and loyalty in the Saudi banking sector. The quantitative method was adopted by conducting a web-based survey via e-mail and social media platforms. A convenience sample of 624 banking customers in Saudi Arabia was withdrawn. Pearson's Correlation Coefficients were generated, using statistical analyse software (SPSS 20), to test the study hypotheses. The empirical Findings of this study show that corporate social responsibility activities have a strong and positive impact on customer satisfaction and loyalty. It was also found that customer satisfaction is linked positively to customer loyalty. Findings from this paper are of importance for bank managers and directors when developing effective strategies.

Subjects: Business, Management and Accounting; Corporate Social Responsibility & Business Ethics; Corporate Social Responsibility

Keywords: corporate social responsibility (CSR); customer satisfaction; customer loyalty

1. Introduction

Specialists today think that firms are responsible to the society in which they operate, and they need to achieve certain social obligations (Peloza & Shang, 2011; Sen & Bhattacharya, 2001). The price and quality of a product are no longer the main competitive advantages, it is ethical view and social practices that are considered the key factors which can stimulate customer response (Bussey, 2006 as cited in Chang, 2017). Studies show that customers are willing to reject a firm with no social responsibility by switching to another firm that is practicing corporate social responsibility (CSR) (Webb, Mohr, & Harris, 2008). This switching behavior might affect negatively

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PUBLIC INTEREST STATEMENT

This research examines the influence of corporate social responsibility (CSR) activities on customer satisfaction and loyalty in the Saudi banking sector. Findings of this research reveals that CSR activities can enhance customer satisfaction and loyalty. Practitioners in the banking sector are highly encouraged to adopt CSR activities in order to promote customer satisfaction and loyalty. Implementing CSR activities would aid banks to be perceived positively by their customers.

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the firm's revenue and reputation (Brunk, 2010). Thus, it has become crucial for firms to place more emphasis on retaining their current customers by enhancing customer satisfaction (Donaldson & O'Toole, 2007; Jin, Lee, & Huffman, 2012; Oliver, 1999). Customer satisfaction can generate long-term advantages such as positive word-of-mouth, customer loyalty and high profits (Palmatier, Dant, Grewal, & Evans, 2006; Yadav & Rai, 2015). CSR has been identified as a good marketing strategy and influential factor that may motivate customer responses (Green & Peloza, 2011). It could produce various benefits to businesses through its implementation and communication (Peloza & Shang, 2011; Sen & Bhattacharya, 2001). Luo and Battacharya (2006) stated that the company's profit and customer retention would be increased by adopting CSR activities. Recognizing the effect of CSR activities on customer behavior and marketing performance is considered an important issue in marketing-based CSR research, with the aim of developing the most appropriate marketing strategies (Luo & Battacharya, 2006; Marin, Ruiz, & Rubio, 2009). Even though much attention has been given in the literature to the link between CSR and customer behavior, there is still need for further research into investigating the relationship between CSR activities and customer satisfaction and loyalty (Beracs & Moisescu, 2015; Gürlek, Düzgün, & Uygur, 2017; Moisescu, 2015). There are a limited number of studies that have empirically examined the relationship between CSR and customer satisfaction and customer loyalty (Choi & La, 2013; Chomvilailuk & Butcher, 2014; He & Lai, 2014; He & Li, 2011; Kim & Kim, 2016; Liu & Zhou, 2009; Martinez & Rodriguez-del-Bosque, 2013; Potepkin & Firsanova, 2017). However, the majority of these studies have been done in developed countries, and there are few studies on developing countries (Fatma & Rahman, 2016). Additionally, there have been very few studies conducted on CSR in developing countries, particularly in middle east countries (Fatma & Rahman, 2016; Khan, Al-Maimani, & Al-Yafi, 2013). To the best of the researcher's knowledge, there is not yet a study in the Saudi context measuring the effect of CSR on customer satisfaction and customer loyalty which are the variables under study in this current research. In order to fill the above gaps in the existing literature, this study aims to examine the relationship between CSR activities and customer satisfaction and customer loyalty in the Saudi banking sector. The findings of this study could provide important insights into the improvement of efficient strategies to enhance customer satisfaction and loyalty through CSR. This paper is organized as follows: first, the relevant literature is reviewed. Second, the study conceptual framework and hypothesis are developed. Then, the study methodology is described. Finally, results are obtained and discussed.

2. Literature review

2.1. Corporate Social Responsibility (CSR)

Over the last decades, the concept of CSR has grown in importance and has been the subject of discussion and research (Carroll & Shabana, 2010). Although the fact that CSR is a noticeable concept in the literature, it is difficult to express an accurate and complete meaning of this term (Martinez, Perez, & Rodriguez Del Bosque, 2013). In 2002, the European Commission defined and described CSR as an integration and interaction between companies and social and environmental concerns in their business operations and in the interrelation with the stakeholders on a voluntary basis (Rahman, 2011). CSR is defined also as the commitment of companies to minimize their negative effects or to maximize their positive effects on the community (Mohr, Webb, & Harris, 2001). Furthermore, the World Bank defined CSR as a company's commitment to adding to sustainable economic development with the workers, families, and society by improving the quality of life which is useful for the business and development (Carroll & Shabana, 2010).

2.2. CSR activities

Literature on CSR indicate three main approaches which have been followed by researchers to conceptualise CSR (Beracs & Moisescu, 2015; Moisescu, 2015). The first approach of CSR has been emerged from the work of Carroll (1979, 1991). Carroll developed the CSR pyramid which is built on four main dimensions, which are economic, legal, ethical, and discretionary or (philanthropic) responsibilities (Carroll, 1979, 1991).

Economic responsibility is the foundation of the pyramid on which all other responsibilities stand, and the firm should be profitable, maximize the return per share and sustain a strong competitive position (Carroll, 1991). The second level is the legal responsibility which deals with acceptable and unacceptable behavior, and the firm's characteristics are that supports the government and law, obeys and fulfills with various regulations and legal obligations (Carroll, 1991). The third level is the ethical responsibility which includes activities that are related to the social morals and ethical norms and which are expected by people (Carroll, 1991). The top level is philanthropic responsibility where the firm is expected to perform in a way associated with the charitable expectations of people, help the arts, take a part in voluntary practices in the community, provide help to educational institutions, assist projects that improve quality of life and are related to the profits or the ethical culture of the company (Carroll, 1991).

The second approach proposed a three-dimensional structure of CSR which includes economic (profit), environmental (planet), and social (people) responsibilities (Beracs & Moisescu, 2015; Elkington, 1998; Moisescu, 2015; Slaper & Hall, 2011). Elkington (1998) argues that companies are not only concerned with creating economic or social values but also focusing on the environment which is one of the organization's stakeholder (Elkington, 1998; Slaper & Hall, 2011). Accordingly, a new dimension of CSR has been introduced which is environmental responsibility, where the companies are responsible for protecting the environment from damage and the negative sides of business operations and managing the physical resources (Elkington, 1998; Slaper & Hall, 2011).

The third approach is related to the Stakeholder Theory. This theory claims that organizations have a relation with the stakeholders that affect and are affected by the performance and activities of organizations. It argues that the business can be understood as a system of relationships among the groups who have a stake in the tasks which make up the business (Freeman et al., 2010; Walsh, 2005). Consequently, CSR consists of activities towards shareholders, customers, employees, environment, society, and other stakeholders (Freeman et al., 2010).

The current research perceives CSR to be about the firm's activities that are related to the societal obligations (Brown & Dacin, 1997). This societal perspective has been adopted by a number of researchers in different contexts to conceptualise CSR (Brown & Dacin, 1997; Fatma & Rahman, 2016; Marin et al., 2009; Martinez & Rodriguez-del-Bosque, 2013). According to this perspective, CSR is conceptualised in this research to include: ethical, environmental and philanthropic activities.

2.3. CSR in the saudi banking sector

The banking sector is one of the most active sectors in the Saudi economy which has a great influence on and plays a major role in the economic development of the country. It is under the regulations imposed by the Saudi Arabian Monetary Authority (SAMA) (Aljazira Capital, 2017). The Saudi banking sector has become increasingly competitive domestically and regionally as the number of banks operating in the kingdom has almost doubled to 20 (Sanjuq, 2014). In Saudi Arabia, there are 12 Saudi banks and 14 foreign banks, and the total number of branches is 2044 (Aljazira Capital, 2017). These banks are interested in community services and contribution to national development efforts (Al Rajhi Bank, 2017a; Alawal Bank, 2017; NCB, 2017a; Riyad Bank, 2017; SABB, 2017a; Samba, 2017). Thus, CSR is involved in their missions, visions and practices (NCB, 2017c; Riyad Bank, 2017). For example, Alahli Bank's vision in social responsibility is "to be the leading bank in contributing to social responsibility" (NCB, 2017c), and its mission is "to provide innovative, effective, renewable and non-profit programs in support of the development of the nation and enhance the bank's social progress" (NCB, 2017c). Riyad Bank has a special vision that contributes to society by sponsoring promising programs of community interest and supporting societies to help themselves (Riyad Bank, 2017).

Banks in Saudi Arabia have implemented a variety of CSR initiatives and programmes, such as: the Productive Families Program which aims to empower women (Al Rajhi Bank, 2017b; NCB,

2017a; SABB, 2017a), the Orphan Program that aims to build an effective younger generation (Alinma Bank, 2017; Al Rajhi Bank, 2017b; NCB, 2017b; SABB, 2017a; Samba, 2017). This sector also enables young people to contribute to the economy through the Entrepreneurship Program and Small and Medium Enterprise Program which enables young people to contribute to the economy, and the Money Saving Program which provides advice on how to manage money (Alawal Bank, 2017; NCB, 2017a; Riyad Bank, 2017; SABB, 2017b; Samba, 2017). Saudi banks are paying attention to education programs by preparing young people to enter the labor market. They are engaging with the education sector by providing training and development programs for people, honouring outstanding students, improving their skills, providing summer training programs for undergraduates, offering English language scholarships and training people with disabilities (Al Rajhi Bank, 2017a; Alawal Bank, 2017; Riyad Bank, 2017; SABB, 2017a; Samba, 2017). Banks in Saudi Arabia are also concerned with the health-care sector. They have provided medical equipment for patients, helped patients to travel to other centers for medical treatment, built and equipped the clinics, facilitated mobile clinics, provided medical courses and training, set up a breast cancer awareness campaign, supported cancer patients, supported blood donations, visited child patients in hospitals and protected vulnerable children (Al Rajhi Bank, 2017a; Riyad Bank, 2017; SABB, 2017a; Samba, 2017). The banks have contributed to protecting the environment, achieving sustainability and raising the awareness of its importance. The banks' efforts in this field include supporting beach and desert cleaning campaigns, reducing paper waste, saving water, protecting wildlife and the environment, energy conservation and the participation in World Environment Day and Earth Hour (Riyad Bank, 2017; SABB, 2017c).

2.4. Customer satisfaction

The concept of customer satisfaction holds a significant place in the theories and practices of marketing (Munusamy, Chelliah, & Mun, 2010). It is a key outcome of marketing performance which connects the processes in buying and consumption with post-purchase phenomena such as brand loyalty, repeat purchasing, and attitude change (Churchill & Surprenant, 1982). Customer satisfaction is defined as the consumer's general evaluation of a firm's performance (Johnson & Fornell, 1991). Furthermore, Gray and Boshoff (2004) identified that the satisfaction is not essential in the product or service itself, but satisfaction resides in the perceptions of the customers towards the products or services. Therefore, different customers define satisfaction diversely for the same experience with a product or service (cited in Ueltschy, Laroche, Eggert, & Bindl, 2007). Kotler (1996) suggested that satisfaction is the variance between perception and expectation where customer satisfaction is a positive or negative feeling coming from a difference between pre-consumption expectations and post-consumption perceptions. However, customer satisfaction differs over time and from one consumer to another as it depends on the consumer's perception and expectations, which both develop over time and vary from one person to another (Arnould, Price, & Zinkhan, 2004).

2.5. Customer loyalty

Loyalty is defined as "the strength of a customer's dispositional attachment to a brand (or service) and his/her intent to rebuy the brand (or re-patronize the service) in the future" (Pan, Sheng, & Xie, 2012, p. 151). Loyalty can be reflected in the customers' positive attitudes toward the company by being loyal and recommending the company using word of mouth (Kwon, Englis, & Mann, 2016). There are three distinctive approaches to measuring customer loyalty, and these are behavioral, attitudinal (Buttle, 2009; Day, 1969; Yi & La, 2004), and composite approaches (Bowen & Chen, 2001; Day, 1969; Lee & Zeiss, 1980; Rai, 2013). According to the behavioral approach, many researchers supposed that the frequent purchasing of products or services can capture and indicate the customer loyalty toward the brand (Ehrenberg, 2000; Ehrenberg, Goodhardt, & Barwise, 1990). The measures of the behavioral approach are the amount of purchasing, sequence of purchasing and possibility of purchasing (Dick & Basu, 1994). The attitudinal approach concerns with the emotion, believes, preference and intention of customer, so it has an emotional relationship with the company and is stronger and longer lasting (Buttle, 2009). It is associated with a sense of loyalty, allegiance, and engagement (Bowen & Chen, 2001). Researchers have identified

the level of customer loyalty by measuring one or more of the following factors of customer attitude which are the repurchase intention, positive word-of-mouth, willingness to pay a premium price and not switching to another company (Anderson & Srinivasan, 2003; Hayes, 2008; Zeithmal, Berry, & Parasuraman, 1996). The composite approach combines the two dimensions (behavioral and attitudinal approaches) and measures loyalty through the consumer's product preference, tendency towards brand-switching, repeat of purchase, and total sum of purchase (Pritchard & Howard, 1997; Wong, Dean, & White, 1999).

This study will adopt the attitudinal approach to measure customer loyalty. A number of researchers such as: Shanka (2012), Mohsan, Nawaz, Khan, Shaukat, and Aslam (2011), Siddiqi (2011) and Kumar, Mani, Mahalingam, and Vanjikovan (2010) have measured customer loyalty in the banking sector using the attitudinal measurement. Furthermore, studies in other industries focused on the attitudinal measurement such as Chung, Yu, Choi, and Shin (2015), He and Lai (2014), Kim, Park, and Jeong (2004) and Yi and La (2004).

3. Conceptual framework and hypothesis development

The conceptual framework of this research is illustrated in Figure 1.

3.1. CSR and customer satisfaction

Garcia-Madariaga and Rodriguez-Rivera (2017) argued that CSR can raise levels of satisfaction. Ashraf, Ilyas, Imtiaz, and Tahir (2017) discovered that CSR influences the level of satisfaction positively and directly. Qamar, Masood, and Junaid (2016) concluded that CSR activities implemented by banks have a positive effect on customer satisfaction and retention. Therefore, by developing CSR activities, the banking industry can have more satisfied and long-term customer base (Qamar et al., 2016). Perez and Rodríguez-del-Bosque (2015a) illustrated that CSR has a more positive effect on customer satisfaction than customer emotion and identification. Moreover, Senthikumar, Ananth, and Arulraj (2011) showed that customer satisfaction is considered the mediating element for banking service quality, and CSR is the most effective factor in promoting customer satisfaction. Based on the previous studies, the following hypothesis will be drawn:

H1: CSR activities have a positive impact on customer satisfaction.

3.2. CSR and customer loyalty

There are number of researches revealed the direct relationship between CSR and customer loyalty. Oladimeji, Adebayo, and Ogunshola (2017) discovered that there is a positive and significant effect between an organization's orientation towards customers' affairs and customers loyalty and retention. Chung et al. (2015) showed that CSR positively influences customer loyalty and suggested that companies should consider the role of CSR in influencing the loyalty of customers (Chung et al., 2015). Moisescu (2015) showed that customers' perceptions of responsibilities with regards to customers, public authorities, the environment, community development, and sponsorship have a significant effect on loyalty. Chang (2017) indicated that the philanthropic

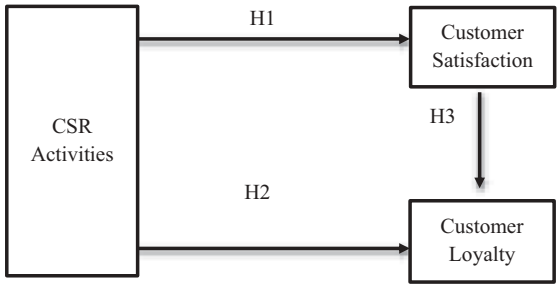

Figure 1. Conceptual framework.

dimension of CSR influences loyalty directly and indirectly, and the ethical and legal dimensions influence loyalty indirectly via perceived value. Gürlek et al. (2017) found that CSR can enhance customer loyalty partially via corporate image. Mandhachitara and Poolthong (2011) determined that CSR has a significantly strong and positive relationship with attitudinal loyalty. With reference to the previous researches, the following hypothesis will be examined:

H2: CSR activities have a positive impact on customer loyalty.

4. Customer satisfaction and customer loyalty

Researchers found that customer satisfaction positively affects customer loyalty in different sectors (Chung et al., 2015; Kim & Kim, 2016; Martinez & Rodriguez-del-Bosque, 2013). Srinath (2016) argued that if consumers are satisfied with a service or product, they will create a positive attitude which will generate the repurchase intention in the future which is considered customer loyalty. Kim et al. (2004) showed that customer satisfaction influences customer loyalty positively. Lam, Shankar, Erramilli, and Murthy (2004) showed that satisfied customers appear to be willing to repeat patronizing the service provider and also to recommend the provider to other customers. In the banking sector, studies revealed that customer loyalty positively and directly is affected by customer satisfaction (Afsar, Rehman, Qureshi, & Shahjehan, 2010; Halim & Hermawan, 2017; Perez & Rodriguez-del-Bosque, 2015b; Ramaseshan, Wirtz, & Georgi, 2017). According to the prior literature, the following hypothesis will be tested:

H3: Customer satisfaction has a positive impact on customer loyalty.

5. Methodology

5.1. Research approach and questionnaire design

A deductive methodological approach was employed in this study to develop the research hypotheses and investigate the causal relationships between the research main constructs. To test the research model and hypotheses, a quantitative method was used. A survey research strategy was implemented to collect primary data that can justify the relationships between the various variables which are involved in the research hypothesis (Saunders, Lewis, & Thornhill, 2009). Previous studies have used this method to examine the effect of CSR on customer satisfaction and loyalty (Chung et al., 2015; Halim & Hermawan, 2017; Kim & Kim, 2016; Martinez & Rodriguez-del-Bosque, 2013; Perez & Rodríguez-del-Bosque, 2015a; Qamar et al., 2016). This study used an online-based survey method. The survey was distributed through E-mail and social networks. E-mail or internet surveys are considered effective tools for reaching a large percentage of populations (Pirsch, Gupta, & Grau, 2007). The survey includes two sets of questions: questions about demographic aspects of participants, and questions related to the research main constructs which are: CSR, customer satisfaction, and customer loyalty (please see Appendix 1). To avoid misunderstandings, the questionnaire was translated from English to Arabic which is the language spoken in the target research country, Saudi Arabia. This questionnaire was reviewed by four professors before being distributed to the sample, to obtain feedback on the questionnaire's design and clarity. The collected data from questionnaire was analyzed using a statistical analyse software (SPSS 20).

5.2. Research sample

A non-probability sampling technique was used, and specifically, a convenience sampling method was adopted because the researcher did not have an access to a census of bank customers in Saudi Arabia. The survey was distributed to the bank customers in Saudi Arabia by posting the web link on various social media platforms. The researcher received 624 valid responses from 800 participants, producing a response rate of 78%.

5.3. Research measurements

This study used five-point Likert scales to measure CSR, customer satisfaction, and customer loyalty (please see Table A2). Four-item scale was used to measure CSR activities. The items referred to ethical, environmental and philanthropic activities. This scale was validated by Fatma and Rahman (2016), Martinez and Rodriguez-del-Bosque (2013), Klein and Dawar (2004) and Brown and Dacin (1997). Satifaction was measured with four-items scale which was adapted from Karadeniz and Gozuyukari (2016), Perez and Rodríguez-del-Bosque (2015a) & (2015b) and Oliver (1997). Measurement scale of customer loyalty comes from Mohsan et al. (2011), Allred and Addams (2000) and Gerrard and Cunningham (1997), and involves four items.

Table 1. shows the results of testing the reliability of research scales by calculating Cronbach's Alpha Coefficient for each scale. The value of Cronbach's Alpha Coefficient of CSR was 0.870, customer satisfaction was 0.892, and customer loyalty was 0.928. The values of Cronbach's Alpha Coefficient for all scales were above 0.7 which means that the research scales achieved a very high reliability (Nunnally & Bernstein, 1994).

Table 2. represents the results of testing the validity of the research scales using the Pearson's Correlation Coefficient, which is used to measure the correlation relationship between items and scales to which they belong. The correlations of CSR ranged between 0.801 and 0.892, the correlations of customer satisfaction ranged between 0.821 and 0.907, and the correlations of customer loyalty ranged between 0.882 and 0.932. These values indicate strong positive correlations (above 0.50), which means that the research scales have a high level of validity. All items in the questionnaire were statistically significantly correlated with the scales to which they belong (P > 0.01). This means that each item measured what it intended to measure.

6. Results

6.1. Demographic profile of the research sample

Table 3. provides an overview of the respondents according to their demographic variables. It can be concluded that the majority of respondents were 26–45 years old as they represented about 64.3% of the total sample. Female respondents were in the majority for this sample, accounting for 80.8%. The sample were relatively well educated because the majority (62.8%) were educated to

Table 1. The reliability of research scales

Name of Scales	Number of Items	Cronbach's Alpha Coefficient
CSR	4	0.870
Customer Satisfaction	4	0.892
Customer Loyalty	4	0.928

Table 2. The validity of research scales by Pearson's Correlation Coefficient

Scale 1: CSR		Scale 2: Customer Satisfaction		Scale 3: Customer Loyalty	
Scale's Items	**Correlation Coefficient**	**Scale's Items**	**Correlation Coefficient**	**Scale's Items**	**Correlation Coefficient**
Item 1	0.832**	**Item 1**	0.857**	**Item 1**	0.905**
Item 2	0.867**	**Item 2**	0.821**	**Item 2**	0.932**
Item 3	0.892**	**Item 3**	0.907**	**Item 3**	0.908**
Item 4	0.801**	**Item 4**	0.894**	**Item 4**	0.882**

**indicated that the Correlation Coefficient is significant at the significant level (0.01).

Table 3. Demographic variables of respondents

Name of Variables	Categories of Variables	Frequency	Percentage %
1- Age	18–25 years	70	11.2
	26–35 years	196	31.4
	36–45 years	205	32.9
	46 and above	153	24.5
	Total	**624**	**100**
2- Gender	Female	504	80.8
	Male	120	19.2
	Total	**624**	**100**
3- Qualification	High school or less	161	25.8
	Bachelor's degree	392	62.8
	Master's degree	66	10.6
	Doctorate degree (PhDs)	5	0.8
	Total	**624**	**100**
4- Occupation	Student	69	11.1
	Employee	291	46.6
	Unemployed	172	27.6
	Self-employed	19	3.0
	Retired	73	11.7
	Total	**624**	**100**
5- Monthly Income	SR5,000 or below	233	37.3
	SR5,001–7,000	62	9.9
	SR7,001–10,000	110	17.6
	SR10,001–15,000	144	23.1
	SR15,001–20,000	41	6.6
	SR 20,001 or above	34	5.4
	Total	**624**	**100**

Bachelor degree. Furthermore, the majority, 46.6%, were employed. The largest income bracket was 37.3% comprised of the lowest earners (SR5,000 or below).

6.2. Testing the research hypotheses

Before applying any statistical tools, the total scores of scales were calculated for the multi-items scale by adding up the total scores for the scale (Pallant, 2007). To discover the strength of relationships between the different variables that were involved in research hypotheses 1, 2 and 3; Pearson Product-moment Correlation Coefficients (r) were calculated. Pallant (2007) stated that the size of correlation coefficient value can range from −1.00 to 1.00 which refers to the perfect negative or positive correlation between variables, and this author interpreted the strength of relationship where r = .10 to .29 refers to small correlation, r = .30 to .49 refers to medium correlation, and r = .50 to 1.0 refers to large correlation.

Table 4. shows the correlation relationship between CSR activities and customer satisfaction which is involved in H1. The correlation coefficient of this relation was 0.615 at a significant level that was less than 0.01. This indicates that there is a statistically significant correlation between CSR and customer satisfaction, and CSR activities have a large positive effect on customer satisfaction. So, the first hypothesis is supported by this result.

Table 4. Pearson product-moment correlation coefficients between CSR and customer satisfaction

Variables	Customer Satisfaction	
CSR	Pearson Correlation Coefficient	P-value
	0.615**	0.00

**indicated that correlation is significant at the (0.01) significant level.

Table 5. Pearson product-moment correlation coefficients between CSR and customer loyalty

Variables	Customer Loyalty	
CSR	Pearson Correlation Coefficient	P-value
	0.609**	0.00

**indicated that correlation is significant at the (0.01) significant level.

Table 6. Pearson product-moment correlation coefficients between customer satisfaction and customer loyalty

Variables	Customer Loyalty	
Customer Satisfaction	Pearson Correlation Coefficient	P-value
	0.847**	0.00

**indicated that correlation is significant at the (0.01) significant level.

Table 5. displays the correlation relationship between CSR activities and customer loyalty which is involved in H2. The correlation coefficient of this relation was 0.609 at a significant level that was less than 0.01. This indicates that there is a statistically significant correlation between CSR and customer loyalty. Furthermore, this reveals that CSR activities have a high positive effect on customer loyalty. It can be concluded that this value provided sufficient support to accept the second hypothesis.

Table 6. reveals the correlation relationship between customer satisfaction and customer loyalty which is involved in H3. The correlation coefficient of this relation was 0. 847 at a significant level that was less than 0.01. This means that there is a statistically significant correlation between customer satisfaction and customer loyalty. This means that customer satisfaction has a strongly positive effect on customer loyalty. This result provide evidence to support the third hypothesis.

6.3. Discussion and managerial implications

The findings of this study confirm that CSR activities can enhance satisfaction and loyalty of banking customers. The results of data analysis indicated that CSR activities can increase customer satisfaction. CSR activities can be considered as having a significant and strong positive relation with customer satisfaction. This finding is consistent with the results of prior studies that found a positive and direct correlation between CSR and customer satisfaction (e.g. Ashraf et al., 2017; Chung et al., 2015; Garcia-Madariaga & Rodriguez-Rivera, 2017; He & Li, 2011; Kim & Kim, 2016; Martinez & Rodriguez-del-Bosque, 2013; Perez & Rodríguez-del-Bosque, 2015a; Qamar et al., 2016; Senthikumar et al., 2011). It has been argued that by adopting and improving CSR initiatives, companies can have a more satisfied and long-term customer base.

The results of this study show that CSR activities can build and enhance customer loyalty in the banking sector. According to the analysis of research data, CSR activities have a significant and large positive relationship with customer loyalty. These findings are in accordance with the results of previous studies. A number of studies confirmed the existence of a direct positive relationship between

CSR and customer loyalty (Boukani & Kasraei, 2015; Chung et al., 2015; Mandhachitara & Poolthong, 2011; Martinez, Perez, & Rodriguez-del-Bosque, 2014; Moisescu, 2015; Oladimeji et al., 2017).

Finally, the empirical findings of this study confirm a significant and positive association between customer satisfaction and loyalty. Customer satisfaction can lead to high levels of customer loyalty. This finding supports the results of previous studies which indicated a positive association between satisfaction and loyalty of customers (Ashraf et al., 2017; Chung et al., 2015; Halim & Hermawan, 2017; Kim & Kim, 2016; Martinez & Rodriguez-del-Bosque, 2013; Mohsan et al., 2011; Perez & Rodriguez-del-Bosque, 2015b; Srinath, 2016).

This study contributes to a better understanding of how CSR activities positively influence satisfaction and loyalty. Although there were a number of researchers in literature focusing on the link between CSR and customer behavior, there is still a need for more studies that examine the effect of CSR on customer satisfaction and loyalty (Beracs & Moisescu, 2015; Gürlek et al., 2017; He & Li, 2011; Kim & Kim, 2016; Potepkin & Firsanova, 2017). Additionally, the majority of studies on this topic have been done in developed countries, and there are few studies in developing countries (Fatma & Rahman, 2016). To the best of the researcher's knowledge, there is not yet a study conducted in the Saudi context measuring the impact of CSR on customer satisfaction and loyalty. In this regard, this study contributes to the academic literature and helps to fill these gaps by conducting this research on the Saudi banking sector.

The results have significant managerial implications for practitioners in the Saudi banking sector on how designing an effective marketing strategy that can build strong and lasting connections with consumers. The findings of this study indicate that CSR could be an effective marketing strategy for banks to attract and retain customers. Practitioners in the banking sector should emphasize adopting and implementing the activities of CSR to increase level of customer satisfaction and loyalty. Besides traditional marketing strategies which are advertising, price, and public relations, CSR can also be considered an effective way of improving satisfaction and loyalty since customers are paying increasing attention to societal obligations. Banks that are practicing CSR activities will be perceived positively by their customers. Consequently, this can strengthen the relationship between banks and customers and promote satisfaction and loyalty. In the view of competitive Saudi industry, customer acquisition appears to be more costly than customer retention. Thus, directors of banks are ought to invest in CSR practices to promote satisfaction and loyalty. Additionally, bank managers are strongly advised to design effective satisfaction programmes and strategies, that aim to maximize the level of customer satisfaction. By doing this, banks can enhance their customer loyalty and retain them.

7. Limitations and future research

This research has certain limitations which are explained to provide opportunities for future research. This study tested the hypotheses in the Saudi banking sector. Therefore, the results of this study are taken from a sample in the context of Saudi banks which might limit the external validity of the research findings. The banking sector is different from other sectors in the Kingdom, and Saudi banks are also different from banks in other countries. So, to generalize the current findings, future research should expand this study to other industries and countries. Furthermore, to the best of the researcher's knowledge, there has not been previous research in a Saudi context measuring the effect of CSR on customer satisfaction and loyalty. The Saudi literature needs further studies in this field, so future research can adopt this study in any Saudi industry.

Moreover, this study measured CSR in a questionnaire by following the model provided by Brown and Dacin (1997). Future studies can evaluate the proposed model of this research by adopting distinct frameworks such as Carroll's pyramid (1991), the sustainable development-based model of Elkington (1998) or the stakeholder theory of Freeman, Parmar, Harrison, Wicks, Colle, & Purnell (2010) to develop a comprehensive model of CSR.

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Appendix 1.

The Study Questionnaire

Dear Sir/Madam,

I am a Master Student of Business Administration Program at King Abdul Aziz University (KAU).

As a requirement for my master's degree, I am carrying out research which aims to examine the effect of corporate social responsibility on customer satisfaction and loyalty in the Saudi banking sector. Corporate social responsibility is a concept where companies incorporate social, environmental, ethical, economic, and philanthropic considerations in their work and in their interactions with stakeholders in a voluntary manner to achieve positive impacts on society. In this context, I would like to ask you to provide your valuable opinions on the statements included in the questionnaire. Your responses to the questionnaire, which should take 5–7 minutes to complete, would be greatly appreciated. I would like to assure you that all responses will be kept confidential and used only for academic purposes.

Thank you for your kind assistance and cooperation. I am looking forward to receiving your highly valued responses.

Regards,

Section A: Demographic Profile

Please check the appropriate box

1- Age

☐ 18–25 years

☐ 26–35 years

☐ 36–45 years

☐ 46 and above

2- Gender

☐ Male

☐ Female

3- Qualification

☐ High School or less

☐ Bachelor's Degree

☐ Master's Degree

☐ Doctorate Degree

4- Occupation

☐ Student

☐ Employee

☐ Unemployed

☐ Self-employed

☐ Retired

5- Monthly Income

☐ SR5,000 or below

☐ SR5,001–7,000

☐ SR7,001–10,000

☐ SR10,001–15,000

☐ SR15,001–20,000

☐ SR 20,001 or above

Section B: Corporate Social Responsibility

Based on your bank that you are dealing with, please indicate the extent to which you agree or disagree with the following statements.

(If you are a customer for more than one bank, choose the bank with whom you have been dealing for a long time.)

1- This bank is socially responsible.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

2- This bank protects the environment.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

3- This bank contributes to the welfare of society.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

4- This bank contributes to the donation programs.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

Section C: Customer Satisfaction

Based on your bank that you are dealing with, please indicate the extent to which you agree or disagree with the following statements.

(If you are a customer for more than one bank, choose the bank with whom you have been dealing for a long time.)

1- This bank always meets my expectations.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

2- This bank is exactly the banking service provider that I need.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

3- I am satisfied with this bank's services.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

4- My decision to choose this bank was the right one.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

Section D: Customer Loyalty

Based on your bank that you are dealing with, please indicate the extent to which you agree or disagree with the following statements.

(If you are a customer for more than one bank, choose the bank with whom you have been dealing for a long time.)

1- I often tell positive things about this bank to other people.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

2- I recommend my family, friends and relatives to do business with this bank.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

3- I recommend this bank to someone who seeks financial advice.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

4- I shall continue to deal with this bank.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
☐	☐	☐	☐	☐

Appendix 2

Table A2. Research Measurements

Measurement Items	Sources
CSR	
1- This bank is socially responsible. 2- This bank protects the environment. 3- This bank contributes to the welfare of society. 4- This bank contributes to the donation programs.	Fatma and Rahman (2016), Martinez and Rodriguez-del-Bosque (2013), Klein and Dawar (2004) and Brown and Dacin (1997)
Customer Satisfaction	
5- This bank always meets my expectations. 6- This bank is exactly the banking service provider that I need. 7- I am satisfied with this bank's services. 8- My decision to choose this bank was the right one.	Karadeniz and Gozuyukari (2016), Perez and Rodríguez-del-Bosque (2015a) & Perez & Rodriguez-del-Bosque (2015b)) and Oliver (1997)
Customer Loyalty	
9- I often tell positive things about this bank to other people. 10- I recommend my family, friends and relatives to do business with this bank. 11- I recommend this bank to someone who seeks financial advice. 12- I shall continue to deal with this bank.	Mohsan et al. (2011), Allred and Addams (2000) and Gerrard and Cunningham (1997)

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