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The Effects of Corporate Social Responsibility on Customer Loyalty of Banks in Bahir Dar, Ethiopia

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BAHIGAR UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MARKETING MANAGEMENT

THE EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER
LOYALTY OF BANKIN BAHIR DAR, ETHIOPIA

BY

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SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
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Ethiopia

APPROVAL PAGE

BAHIR DAR UNIVERSITY SCHOOL OF POST GRADUATE STUDIES

The Effects of Corporate Social Responsibility on Customer Loyalty
Ethiopia

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CERTEFICATE

Whereby certify that, a student of Masters of marketing management
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Banks in Bahir Dar, Ethiopia under the advice, guidance and supervision

Advisor Signature

DECLARATION

I hereby declare that this thesis is entitled Corporate Social Respons
Loyalty Banks in Bahir Dar, Ethiopia by me for the award of the De
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have used have been indicated and acknowledged by references.

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Lists of Abbreviations and Acronyms

CR	Corporate Reputation
CSR	Corporate Social Responsibility
Df	Degree of Freedom
Ho	Null Hypothesis
N	Total Samples
NPP	Normal Probability Plot
OLS	Ordinary Least Squares
SPSS	Software Package for Statistical Sciences
Std	Standard Deviation
Stat. analysis	Statistical Analysis
VIF	Variance Inflation Factor

Abstract

CSR activity is an important part of many banks mission statement, the firm stands for and how it aims to fulfill these aspirations. A key determinant of customer loyalty is CSR activity. The main objectives of this study were to assess CSR activities carried out by banks and investigate the effects of CSR activities on customer loyalty. A cross-sectional mail survey design research type and regression analysis for the purpose of hypothesis testing. The study was conducted in 5 branches of a bank with a sample size of 100 respondents who participated in completing questionnaires and interviews. The researcher used both quantitative and qualitative methods to involve measurement or relationships and differences between variables. Data was presented and analyzed using SPSS software and all conclusions were seen at ($p < 0.05$) level of significance. As a result CSR activities have a significant positive relation with customer loyalty at $p < 0.01$ and the results were significantly different from the null hypothesis at $p < 0.000$. The findings of the study indicate that ethical responsibilities are being met and the alternative approach to CSR is the null hypothesis of economic responsibility. The study concludes that CSR activities by banks in Bahirdar city branches have positive effects on customer loyalty. The study recommends that banks should continue to carry out CSR activities since they are considered to be important for the long-term success of banks and augment long term relationship with customers.

Key words: Corporate Social Responsibility, Customer Loyalty, Bank

CHAPTER ONE

1. INTRODUCTION

1. Background of the Study

In recent years, the concept of CSR has been across all business the world (Ghasemi, S., Nemat, 2013). Research has previously carried out shown how CSR ties can be beneficial to an organization in various ways from their stakeholders. This concept become increasingly during the 1990s the fundamental question was regarding whether or not CSR is a business other (Carroll et al., 1996)

Commercial banks are among the most important institutions in recent financial crisis demonstrated the role of commercial banks in causing the huge decline of global economies. of commercial banks such as operations with customers deposits, banks have been in spotlight. In this regard CSR reputation is a result of satisfaction usually results in increased customer bank and the same assumption terms of employee satisfaction and employee loyalty

According to Brown et al (1997) the two different dimensions of corporate quality and corporate social responsibility. CSR is driven by CSR involvement and service. The equality of corporate social responsibility responsibility for all the stakeholders in the environment communities, employees, customers (Friedman et al., 2010). CSR is an important part of many banks mission statement and stands for and how it aims to fulfill these aspirations. CSR is a business perspective on a strategic level. CSR policies are crucial for long term success and profits. In the other side CSR is often a key to loyalty, either directly or indirectly (Shojaei et al., 2013)

This paper focuses on CSR and its effects on customer loyalty in the banking industry in Ethiopia. This study will be important for banks to pay special attention to their business agenda in order to remain loyal to their customers (Saha & Bhattacharya, 2001)

1. Statement of the problem

Corporate reputation (CR) has been defined as the overall perception of a company (Fombrun and Shanley, 1990) that customer perceived CSR doings and CR are two intangible competitive advantages (Fombrun and Shanley, 1990) with a positive correlation between CR and CSR (Srinivasan and Brown, 2000). Competitive advantage of a bank and that bank must meet the expectations of stakeholders. Reputation among customers to ensure success in a competitive market (Virtanen, 2000). Therefore, this study aims to find out if there are positive relationships between CSR and customer loyalty and whether CSR can contribute to building loyalty and hence profitability, and therefore justify the investment and human resources by corporations. And if CSR is helpful, which aspects of CSR contribute significantly to profitability, and require more attention and investment to make it a sustainable competitive advantage.

1. Research Hypothesis

The study will test the following hypotheses:

- Ho1 Philanthropic activities carried out by banks have a positive influence on customer loyalty
- Ho2 Ethical responsibilities practiced by banks have a positive influence on customer loyalty
- Ho3 Legal responsibilities practiced by banks have a positive influence on customer loyalty.

H₀ Economic responsibilities are significantly positive influence customer loyalty.

H₀ CSR activities have no significant relationship with customer banks in Bahirdar.

1.3. Objective of the Study

1.3.1. General objective

The aim of this study

Investigate the effect of corporate social responsibility on customer loyalty

1.3.2. Specific Objectives

The specific objectives of this

To assess the philanthropic activities carried out by banks

To evaluate the ethical responsibilities being practiced by banks

To assess how the legal responsibilities influence banks

To evaluate how the economic responsibilities influence banks

1.4. Significance of the Study

Richard Branson, founder of Virgin Group, also believed that yield better business performance you take care of them, if they will take care of (Richard Branson, 2015). This study intends to explore the effects of CSR activities on customer loyalty, and examine if CSR is worth investment or not. The concept of CSR is tied to stakeholder theory and management in various literature, and scholars have identified different stakeholders and the needs that CSR provides and (O'Riordan and Fairbrass, 2014)

The knowledge of a distinct responsibility sets allow them to allocate their resources. It helps for banks to make reference to the investment in monetary and human resources in the various areas of CSR

integrate CSR into their corporate strategy into their competitive advantages

1.5. Scope and limitations of the study

1.5.1. Scope of the study

This research was conducted on selected different Bank branches in Bahirdar, Ethiopia. The study was bounded by both area coverage and problem addressed. The focus of the research was only effects of CSR on customers' loyalty. This study was conducted on five different banks out of 18 that are giving services in Bahirdar town. The population of the study was the employees of the selected five banks.

1.5.2. Limitations of the study

The limitations of the study were as follows: the researcher did not give proper attention to the questionnaire which creates inaccuracy in data analysis. In addition, this study only focuses on five banks found in Bahirdar town, which limits the generalization of the results to other banks.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Theoretical foundations of CSR and customer loyalty

In this section the theoretical framework for this study will be presented. The research will look at some of the theories surrounding the concept of CSR and CSR that contribute to loyalty. The purpose of this section is to bring together a number of the studies that have gathered regard to the theoretical research.

2.1.1. Consumer Behavior theory

This theory assumes that a customer attempts to allocate his or her goods and services in order to maximize utility. The most prevalent model of this theory is the utility theory. This theory is an economic being, who makes purchases based on the outcomes of self-interest. Such (Sethi and 2007) consumers evaluate the products in terms of CSR, whereby negative CSR is more influential and detrimental effect than positive ones. However, positive associations produced (Bhishal et al., 2007)

Consumer behavior is an important guiding principle in understanding the relationship between CSR and customer loyalty. Consumer behavior can be defined as the study of individuals or groups select, purchase uses, or dispose of products to satisfy needs and desires (Siddhanta, Bam 2006). Organizations can use consumer behavior. The CSR activities can be used as products or services through advertisement. The influence of CSR on consumers intentions is more complex than previously thought. Consumers intentions directly or indirectly carried out for organizations are using them attract and retain customers, who like a company that carries out CSR activities.

2.1.2 Stakeholder theory

This theory explains those individuals and groups who will be affected by an organization's actions. These individuals and groups should participate in directing the organization. There will be a wide range of stakeholders who should be accounted for due to the large number of individuals who are directly involved in the activities surrounding a business should be affected by the organization. This is however no easy task and has been suggested by Waddock (1995) and suggested that stakeholders should develop a different understanding of what they can expect from the organization in their management implies allocating organizational resources in such a way as to minimize the impact of all these activities on various groups within the organization (Waddock, 1999)

2.1.3 Corporate Social Performance Theory

This theory has evolved from previous concepts and approaches. (Howard R. Bowen, 1953), who explained that the social responsibilities of an organization are those policies, to make decisions, or to follow those lines of action that are consistent with the objectives and values of our society. In 1979, the concept of corporate social performance, amalgamating the basic principles of stakeholder theory with the specific philosophy of stakeholder theory, was developed. This concept is also known as the Pyramid of Corporate Social Responsibility (CSR) which consists of economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility.

2. Dimensions of CSR

Dimension of CSR means the areas and scope of the application. The dimension is determined here in terms of the component of CSR and other responsibilities a company should consider in the area of responsibilities falling under the application of CSR. It is multidimensional in terms of its objectives as it involves the interests of various stakeholders. The benchmark principles of CSR encompassing chiefly social, economic, and environmental issues are a bearing in mind a holistic approach.

The range of the interests of the stakeholders either internal or external is increasing over time in the face of their expectations from corporations. There are different opinions and views about determining the dimensions of CSR. Commission Green Paper 2001 identifies two dimensions of CSR. Commission, 2001) internal dimension includes human resource management, safety at work, management of environmental (European Commission, 2001) external dimensions involve local communities, suppliers, consumers, human rights (European Commission, 2001) internal issues assumed to be those dealing with companies' internal management, external issues concern the external management.

In terms of dimensions of CSR, Carroll's four components of CSR are relevant. He holds that CSR consists of four types of responsibilities: economic, ethical, and philanthropic (Carroll, 1991). The economic responsibility refers to what is right and just in a particular situation. The ethical responsibility means to obey the law. The philanthropic responsibility means to make the business profitable and philanthropic means that company should be a good citizen of the society (Carroll, 1991).

Fig 1. Pyramid of Social Responsibility

Source: Carroll et al. (1991) The pyramid of corporate social responsibility

2.3. Concepts of CSR

The term corporate social responsibility (CSR) is a concept that emerged in the 1940s. During this time the fundamental question regarding responsibilities towards the wider stakeholder groups influenced corporate behaviour. In the beginning of the 21st century, companies began to focus more on CSR in their business strategy. It was expected that companies actively involved in CSR, rather than that it's a passive activity. In 2011, more firms became members of various CSR organizations. Example CSR Europe, an organization founded in 2001.

the aim to foster cooperation between business, policy makers and stakeholders to advance the CSR in Europe and globally.

Another emerging in the 21st century is the focus from a consumer perspective. The fact that corporations started to initiate projects regarding CSR predictably woke up an interest also among consumers. Research shows whether CSR activities had any influence on decisions at work and what extent (Monr et al., 2004) the relationship between CSR and buying behavior. The results of the study showed that consumers in general are positively disposed towards social responsibility and tend to be highly active within CSR.

In (Becker et al., 2006) studied with two studies the influence of a perceived similarity between emission and social initiative, perceived effort (other-centered versus self-centered), and timing of a reward (reactive versus proactive) on consumers' responses to a reward. Results show that consumers expect firms to be rewarded in a more immediate way than to reward them for the good deeds as a whole (Becker et al., 2006). Another relatively new trend is the development of CSR in the 21st century. This is a whole concept that is a competitive advantage.

In 2006, McKinsey and Company and Michael Porter wrote an article with Mark R. Kramer, in which they framed a network that organizations should identify the impact they have on society, determine which are the most effective ways to do so. The authors propose that when looking from a societal perspective it can become a source of remarkable social capital. Their resources, expertise, and insights to activities (Porter and Kramer, 2006).

2.4 Customer Satisfaction and Loyalty in B

(Grigoroudis et al., 2013) Customer satisfaction concept that deals with the of customer expectations and try to take into account the positive evaluation of the product or service. The author also states that to operate with emphasis on customer services due to strong competitive achievement since it is linked to bank's ability to adapt to changing needs. Furthermore, customer satisfaction is the primary critical relationships with the market (Munir et al., 2013)

Customer satisfaction and relationship with customers are two lead to increased profit (Gupta and Davis, 2012; Targem et al., 2011). Customer satisfaction is mostly perceived as a value driver in the banking industry associated with future customer revenue. Nevertheless, author also a cost driver since it requires servicing as additional cost should focus on the profitability of customer satisfaction. Satisfied dissatisfied customers reduce the profitability (Terpstra et al., 2014). Satisfied customers tend to spread the word about the services offered to them and loyal to the bank (De Matos et al., 2013)

CSR initiatives are important in building service loyalty and CSR behavior has direct consequences in the banking industry (Munir and Poolthong, 2011) is a direct and positive association between attitudinal loyalty. Therefore, Customer loyalty and satisfaction if a customer is satisfied, (Habibi et al., 2012)

2.5 Drivers of customer satisfaction in banking

(Habibi, 2013) present several factors influencing satisfaction. The behavior, speed in delivery of services, accuracy in providing services, secrecy, skills of personnel, easy access to services, guidance

information and willingness to help. Service quality is the most
satisfactorious (Khan and Fasih, 2014) at all dimensions of service quality
and positive association with customer satisfaction and customer loyalty.
Banks are forced to compete in today's turbulent environment
quality allows retention and attraction of new customers with
competitive advantage (Khan and Fasih, 2014). In addition, service quality improvement
performance through increased profitability. Other drivers of customer
satisfaction have been presented, which include level of price
of banking.

(Wruuck, 2013) that price satisfaction plays a significant role in
satisfaction. Prices of bank services and products together
influence customer perception towards the bank. Furthermore,
reasons why customers change their banks. Recently, as a part of
low cost banking has achieved a significant impact on the banking
(Muthukrishnet al., 2014) banking service has become the most
technique used all over the world and the benefits include cost
easy way in banking transaction, which is a significant factor in the
services of the bank.

2.6. Concepts of customer loyalty

Customer loyalty is a deeply held commitment to rebuy or re-use
service consistently in the future, despite functional and marketing effort
potential to cause switching behavior (Olivier, 1997). Different views on loyalty
distinction between stochastic and deterministic approaches. The
purely behavioral, deterministic approach sees loyalty as a
approach is a combination of the both the stochastic and deterministic
dimensions, loyalty is said to evolve from simple purchase
commitment and finally to a full commitment (Rucinski et al., 2005).

Behavioral loyalty is customers act loyal but emotional (attitudinal) attachment to a brand. This is referred to as *passive loyalty* (Day, 1985) customers given a would not be loyal and only act for *infinite circumstances* limited by contract. A customer can also be loyal to a brand of other brands, or by being in a comfort zone thereby creating loyalty to other brands. Attitudinal loyalty is a much stronger and long-term emotional relationship the customer has with the brand. A combination of both behavior and attitude, can be said to be the true intentional loyalty (Day, 1969)

According to Orunniwo, Hsu (Olorunniwo et al., 2006) a firm's profitability and overall success are directly related to repeat customers. First, repeat customers generate revenue for the company, both, organizations can retain more customers than to recruit new ones. Satisfied customers spreading the good news and recommend the service to others.

Customer loyalty can be classified as brand loyalty (Dick and Basu, 1994). Approach in measuring loyalty has been changed significantly. Customer loyalty concerns a long-term behavior; efforts to measure it should take into account the perceptions, expectations and attitudes toward the brand (Massey et al., 2000). There are many benefits both to the consumer and to the organization. Key among these is the economic benefits organization enjoys repeat purchases leading to long-term profitability, and convenience as is with the case of loyalty programmes. A strong relationship between the customer and the organization with the customer becoming a brand ambassador for the organization.

2.7 CSR and customer loyalty

Customer loyalty of the automobile industry is influenced by using CSR as a marketing strategy (Garman and Hight, 2005). The results revealed that there was no significant relationship between CSR and customer loyalty in the telephone industry. However, CSR have a significant influence on the overall service valuation turned out to have a significant influence on customer loyalty (Galbraith et al., 2005). The results revealed that there was no significant relationship between CSR and customer loyalty in the telephone industry. However, CSR have a significant influence on the overall service valuation turned out to have a significant influence on customer loyalty (Galbraith et al., 2005).

A study performed on the perceived CSR and customer loyalty in China showed that product quality and satisfaction have a positive impact on customer loyalty, while there was no significant relationship between CSR and customer loyalty (Shau and Wu, 2004). The study identified the indirect impact of CSR on the other factors in the regression analysis, they although concluded that CSR indirectly impact on customer loyalty.

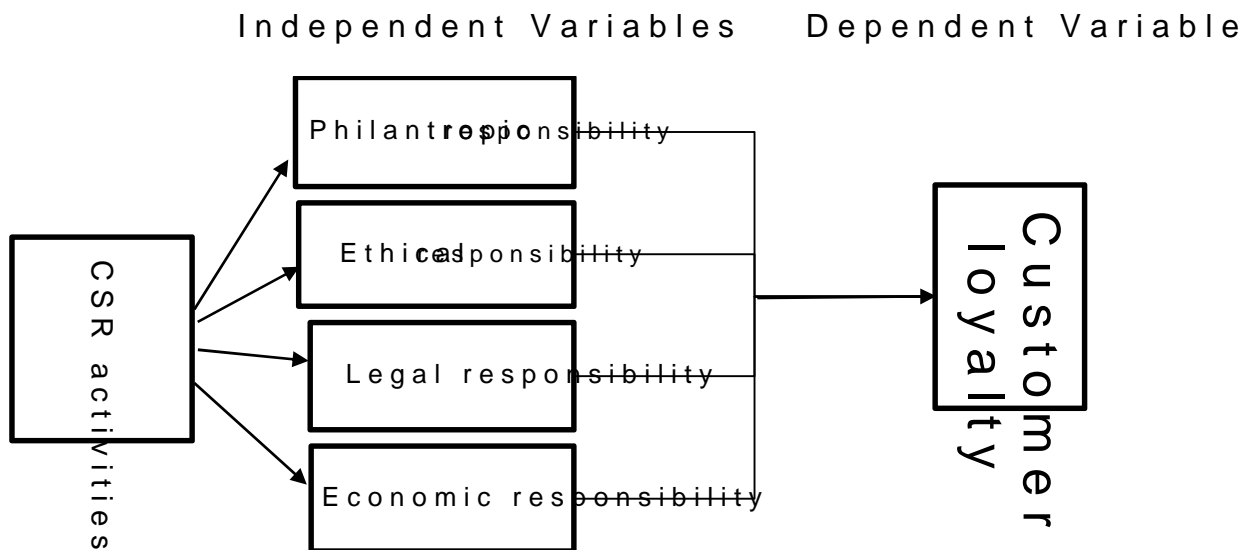
Moreover, in an attempt to identify the contribution of different ethical, business practice and philanthropic CSR dimensions with empirical research (Garman et al., 2005; Homburg et al., 2013; Park et al., 2016) has developed a model for empirical study using the CSR dimensions (Homburg et al., 2013). The study identified the indirect impact of CSR on the other factors in the regression analysis, they although concluded that CSR indirectly impact on customer loyalty.

This has helped to determine the level of contribution of different ethical, business practice and philanthropic CSR dimensions with empirical research (Garman et al., 2005; Homburg et al., 2013; Park et al., 2016) has developed a model for empirical study using the CSR dimensions (Homburg et al., 2013). The study identified the indirect impact of CSR on the other factors in the regression analysis, they although concluded that CSR indirectly impact on customer loyalty.

This perspective not only linked CSR with customer loyalty, but also provided a framework for the further development of research models or elaboration of the need of different customers.

However, there are also studies revealing a positive correlation between CSR and customer loyalty. In a study by Simic Brønstad (2001), it was concluded that CSR could be used as a tool for corporations to increase customer loyalty. Durak (2007) examined the moderating influence of cultural differences on the relationship between CSR and customer loyalty. The study also examined the moderating influence of cultural differences on the relationship between CSR and customer loyalty.

Conceptual Framework



CHAPTER THREE

3. MATERIALS AND METHODS

This study followed a quantitative approach and a Likert scale questionnaire to collect quantitative data to describe the results of the study. The data collected from the respondents

3.1. Research Design

The study used a descriptive research design which is a type of research design that supports inferences about a population based on a sample of individuals. The study was designed to describe the characteristics described in the study. The study was characterized by the collection of data on a single case and at a single point in time. The study was a quantitative study in connection with more variables. The variables were independent variables: responsibility (Philanthropic responsibility, Ethical responsibility, Legal responsibility) and dependent variables: customer loyalty.

3.2. Data Collection and Sampling Methods

3.2.1. Population Sampling method

The population for this study consists of savings account holders in the selected banks. The respondents were selected from the banking institutions providing service in Bathinda. The study was conducted in 5 banks out of 10 in the region. The method used was a purposive sampling method. From each selected bank, 20 respondents were selected using a purposive sampling method. A total of 100 respondents completed the questionnaire.

3.2.2. Data collection method

Data was collected using standardized questionnaires and interviews. The questionnaires were developed based on previous research. The questionnaire should

be reasonably reliable and valid, a pilot study was conducted in the future. The questionnaire was divided into variables of interest, with respondents answering the questions in each variable. The scale was strongly disagree (1), disagree (2), neutral (3), agree (4), and strongly agree (5). To verify the questionnaire, a pilot study was conducted with respondents before the main study. The pilot study was conducted in Bahir Dar. The questionnaire was reviewed by the advisor of the study. The objective of the pilot study was to identify problems in the questionnaire that respondents should be willing to provide constructive feedback. During the actual data collection, the researcher was available at the spot to help respondents. During this time any ambiguous questions were allowed to ask the researcher.

3.3. Types and Source of Data

This study used quantitative data type from primary data sources using interviews and questionnaires adopted from previous studies and used to find the problem easily understood by the respondents. The data were selected from Bahir Dar.

3.4. Method of data analysis

Descriptive statistics were used to summarize the data. These include standard deviation, frequency, percentage, inferential statistics like regression analysis were done with SPSS version 20 analysis of variance (ANOVA) to test the effect of bank's service quality. And all comparisons were made at (p < 0.05) level of significance.

3.5. Ethical Consideration

Ethical issues were considered throughout the study process. Confidentiality and anonymity were maintained. Respondents were informed of the purpose

invited for voluntary participation with no additional incentives and did not
survey anytime during the process. These are maintained and protect
anonymity of the respondents by not including any identifiers survey

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Response Rate

The target sample size was 100 participants. The response rate was 100%. According to Mugenda and Mugenda, a response rate of 50% is adequate for analysis and interpretation. This means that the response rate is therefore enough for data analysis and interpretation.

4.2 Reliability Test

Reliability is defined by Joseph (2000) as the extent to which results are consistent and an accurate representation of the total population under study. Results of a study can be reproduced under a similar methodology. This can be reliable (Nahid Golafshani, 2003). This study used three methods to evaluate the internal consistency of the questionnaire: Cronbach's alpha coefficient of reliability, test-retest reliability, and Spearman's correlation analysis.

4.2.1 Cronbach's alpha coefficient of reliability

Reliability of the questionnaire was evaluated through Cronbach's alpha internal consistency. Cronbach's alpha was calculated by applying a reliability analysis. The alpha coefficient ranges from 0 to 1.0 to describe the reliability of factors extracted at 5% level of significance and or multiple questionnaires or scales. A higher value generated (Cohen and Steiner, 2000) of 0.7 to be an acceptable coefficient.

Table 1. Reliability coefficients

Variables	Number of	Cronbach's Alpha
Philanthropic resp	4	.982
Ethical responsib	4	.957
Legal responsibili	4	.976
Economic respons	4	.979
Customers loyalty	7	.987

The Cronbach's coefficient alpha was calculated for each field version 20 statistical software. Therefore values of Cronbach's This range is considered as good reliability of the data. Therefore, based on the test, the results for the variables are the values of Cronbach's Alpha for each field of the variables

4.2.2 Item Correlation

The second method of reliability assessment is the measures scale. Researchers commonly examine scale reliability by examining scale reliability. Item correlations should be 0.30 in order to provide evidence that the scale items are from the same domain of a single construct. The matrices for service of item correlations across all variable items.

4.2.3 Summary of Correlation of the correlation

The third method of assessment measures the correlation of the scale, commonly referred to as the internal consistency. Measurable items of a construct are meant to tap into various facets of the highly correlated total score. If low correlations are evident, these results do not come from the domain of the same construct and will lead

levels of reliability (Churungu (1978), A, 1994) acceptable reliability for internal correlations should exceed 0.50.

4.2.4 Instrument Validity

Validity defined as the accuracy and meaningfulness of the research. Joseph (2000) explains about what validity is in quantitative research as Validity determines whether the research truly measures what it is intended to measure or how truthful the research is. (Nobels-Garfsh. Braş, 2008) In this study was conducted to process the methodology and test instrument administering the final phase. 20 Questionnaires were tested on data collecting instruments objective, relevant, suitable to respondents were corrected and questionnaires were reviewed and been seen by the advisor was also taken to ensure validity of

4.3 Demographic Information of respondents

The study tried to determine the preference of banks according to the analysis evident that the preference of each bank (20%) each banks. In fact the result due to equal distribution of the questionnaires to each bank table for preference distribution

Table 2 Frequency tables for bank by Customers

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
	1	1.0		1.0
Commercial	20	19.0	20.0	20.0
Dashen bank	20	19.0	20.0	40.0
Vali Abyssiniya	20	19.0	20.0	60.0
Wogagen bank	20	19.0	20.0	80.0
Awash bank	20	19.0	20.0	100.0
Total	100	100.0	100.0	

The study also tried to see gender difference. According to majority of the respondents were male which 48% represented in the study. It can therefore be deduced that males were the most dominant city branch. See the frequency table below

Table 3 Frequency table Sex/gender

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	Male	5	56	57	57
	Female	4	42	43	100
	Total	10	99	100	
Total		10	100		

The researcher wanted to determine the age distribution of the findings indicated that 4% of the respondents were 20 years old, 30% of the respondents were 30 years old, 40% of the respondents were 40 years old and the rest 26% of the respondents were aged between 14 years and above 41 years. In the other way, it implies that the respondents were old enough to understand the effect of corporate social responsibility and the results are shown in the frequency table below

Table 4 Frequency table Ages for

		Frequency	Percentage	Valid Percentage	Cumulative Percentage
Valid	14-20 years	4	40	40	40
	21-30 years	5	55	56	60
	31-40 years	3	29	30	90
	41-50 years	7	60	70	97
	above 51 years	3	30	30	100
Total		10	99	100	
Total		10	100		

From the findings, majority (36%) had first degree education and 19% technical/vocational/certification, and 11% secondary education. Furthermore 89% of the respondents had above technical/vocational education. The findings conclude that most respondents had adequate questionnaires incorporating responsibility and customer loyalty.

Table 5: Frequency table based on level

	Frequency	Percent	Valid Percent	Cumulative Percent
Primary education	11	10	11	11
Secondary education	26	25	26	37
Technical/vocational/certification	19	18	19	56
First degree	36	35	36	92
Second degree and above	8	7	8	100
Total	100	99	100	
Total	100	100		

The researcher further sought to know the employment status of the respondents. The finding indicates 49% of the respondents are self-employed, 35% were employed. The rest 8% other, 6% student and 2% unemployed.

Figure 2: Respondents job/position

4.4 Philanthropic Responsibility By Banks

The study tried to find out whether philanthropic activities are carried out by banks and have found that 15% of the respondents strongly disagree, 22% neutral, 31% agree and 19% strongly agree. Table 6 of 100 respondents 50 responses for the presence of philanthropic activities in Bahirdar city branches. The frequency table for philanthropic responsibility below.

Table 6 Frequency table of philanthropic responsibility

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly disagree	15	15	15	15
Disagree	13	13	13	28
Neutral	22	22	22	50
Agree	31	31	31	81
Strongly agree	19	19	19	100
Total	100	100	100	

Consequently, the result of the study indicated that there was no philanthropic activity carried out by banks in Bahirdar city branches. Fig 3

Fig 3 Philanthropic responsibility

4.5 Ethical Responsibility Practiced By Banks

The study was conducted to determine whether ethical responsibility is carried out by banks and the results found. 6% of the respondents replied strongly disagree, 5% disagree, 17% neutral, 30% agree, and 42% strongly agree. Out of 100 respondents, 72% of the respondents agree that ethical responsibility is practiced by banks in Bahirdar. See the frequency table for ethical responsibility below.

Table 7: Frequency table for ethical responsibility

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly disagree	6	6.	6.	6.
Disagree	5	5.	5.	11
Neutral	17	17	17	28
Agree	30	30	30	58
Strongly agree	42	42	42	100
Total	100	100	100	

Therefore, the result of the study indicates that ethical responsibility is carried out in Bahirdar city branches. Fig 4.

Fig 4. Ethical Responsibility

4.6 Legal Responsibility Carried Out By Banks

The study aimed to see legal responsibility carried out by banks and the results are as follows. The study found 6% of the respondents replied strongly disagree, 4% disagree, 11% neutral, 44% agree and 35% strongly agree. Out of 100 respondents 79% respondents agree legal responsibilities practiced by banks in Bahirdar city branches. The results are as follows below.

Table 5: Frequency table of legal responsibility

	Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly disagree	6	6.0	6.0	6.0
Disagree	4	4.0	4.0	10.0
Neutral	11	11.0	11.0	21.0
Agree	44	44.0	44.0	65.0
Strongly agree	35	35.0	35.0	100.0
Total	100	100.0	100.0	

The result of the study indicated that there was legal responsibility carried out by banks in Bahirdar city branches. Fig 5 shows the results of the study.

Fig 5. Legal responsibility

4. Economic Responsibility Practiced By Banks

The study aimed to assess economic responsibility practiced out by banks and has found 4% of the respondents replied strongly disagree, 3% and 48% strongly agree. Out of 100 respondents 85% respondents agree of economic responsibility practiced by banks in Bahirdar city for economic responsibility below.

Table 9 Frequency table for economic responsibility

		Frequency	Percentage	Valid Percentage	Cumulative
Valid	Strongly disagree	4	4%	4%	4%
	Disagree	3	3%	3%	7%
	Neutral	8	8%	8%	15%
	Agree	37	37%	37%	52%
	Strongly agree	48	48%	48%	100%
	Total	100	100%	100%	

As a result the study indicates that there was economic responsibility in Bahirdar city branches. Fig

Fig. Economic responsibility

4. Customer loyalty

The findings showed that to see customer loyalty was based up on corporate social responsibility activities carried out by banks. The study found 8% of the respondents replied strongly disagree, 16% replied neutral, 35% agreed, and 36% strongly agreed. Table 10 shows the results of the respondents' responses. The respondents agreed for their loyalty was based up on corporate social responsibility activities. For more details see the frequency table for economic responsibility branches see the frequency table for economic responsibility.

Table 10. Frequency table of customer loyalty

	Frequency	Percentage	Valid Percentage	Cumulative
Strongly disagree	8	8.0	8.0	8.0
Disagree	16	16.0	16.0	24.0
Neutral	35	35.0	35.0	59.0
Agree	64	64.0	64.0	93.0
Strongly agree	36	36.0	36.0	100.0
Total	100	100.0	100.0	

Therefore, the results of the study show that customer loyalty in Bahirdar was due to CSR activities carried out by banks. See figure 7.

Fig 7. Customer loyalty

The study has interviewed each bank managers for the present their bank triangulate the result collected with questionnaire. The interpreted using text analysis and displayed with percentage. Therefore, the result indicated the existence of CSR activity in branches although they differ how much they applied CSR activity.

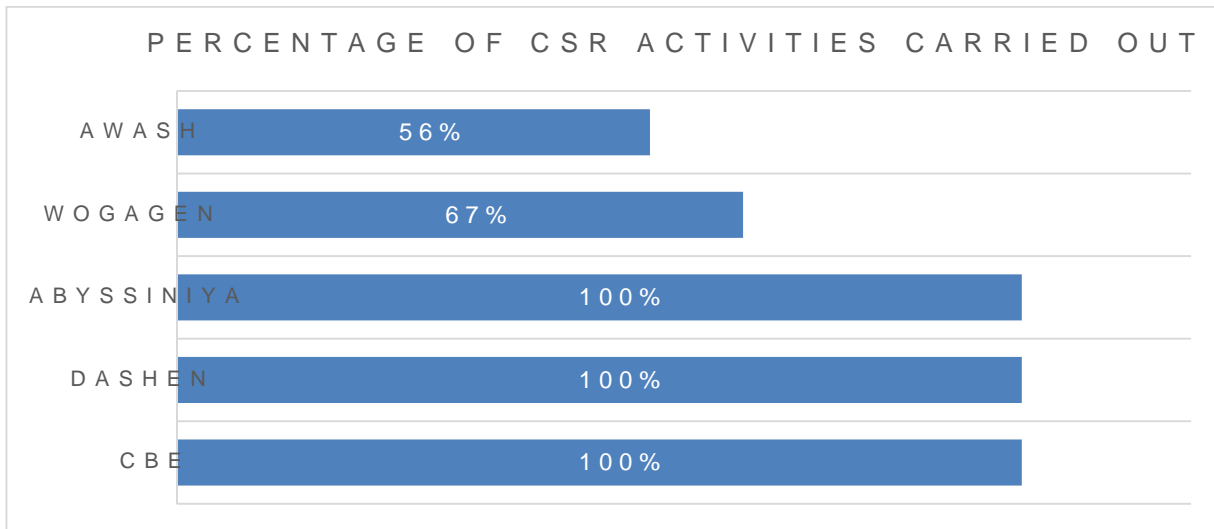


Fig. Percentage of CSR activities carried out by banks

4.9 The Assumptions of the Regression Model (Ordinary Least Squares) The result of regression is an equation that represents the best prediction from several independent variables. Regression analysis is used to determine if two or more variables are correlated with one another and with the dependent variable. The assumptions of the regression model are linearity, normality, and homoscedasticity. The results of the regression analysis in this study were philanthropic responsibility and economic responsibility. The dependent variable was customer loyalty.

4.9.1 Multi collinearity Test

Multi collinearity occurs when two or more predictors in the regression model are highly correlated. It is a situation where the independent variables are not independent. The diagnostics variance inflation factor (VIF) and tolerance are used to detect multi collinearity.

linearity of the independent variables. To check for multicollinearity among the independent variables, the tolerance and variance inflation factor (VIF) were employed. A composite variable for each construct and four variables (philanthropic responsibility, legal responsibility and economic responsibility) were regressed against customer loyalty. Variance Inflation factor (VIF) is used to check for multicollinearity among independent variables. Multicollinearity exists if VIF is greater than 10. The VIF for philanthropic and economic responsibility is 8.375 and 10.073, respectively. The problem of multicollinearity does not exist for ethical and legal responsibility. The problem exists because the value of VIF is less than 10. Since the purpose of regression analysis is prediction then multicollinearity is not a problem. The model is accurate and the variables show how well the model predicts customer loyalty (Hair et al., 2014). But it could be overcome by increasing sample size, dropping

Table Multi-Collinearity Test

Variables	Tolerance	Variable inflation
Economic responsibility	.119	8.375
Legal responsibility	.099	10.073
Ethical responsibility	.063	15.793
Philanthropic responsibility	.162	6.174

4.9. Normality Test

According to Woodbury (2002), normality is the most important of the assumptions in multivariate analysis. It states that the distribution of errors of prediction is normally distributed across all levels of the dependent variable. The normality test can be accessed along two dimensions; its shape (skewness) and its balance (i.e., skewness).

Researchers have suggested that the most commonly used significance of level) and ± 1.96 , which (Wooldridge, 2002) careful analysis of the skewness and kurtosis values across measures for all of the scale variables provide evidence of supporting the assumption of the normality of the disturbance required in estimating the parameters. If this is not the case, will be invalid. The parameters to be estimated normally distributed variable.

Fig. 9. Histogram for regression standardized residual plot Normal Probability Plot (NPP) and histogram of residuals used distribution. A comparatively simple graphical device of the probability density function of a random variable is the normal probability plot, a special designed graph. If the variable is from probability plot approximately a (Gujarati, 2004) shows that, the

residuals are approximately normally distributed, because a reasonably well.

A histogram of residuals is a simple graphical device that is shape of the probability density function (PDF) of a random variable. researcher divides the variable of interest (e.g.,) into suitable and in each class interval erect rectangles equal to the height class interval.

If you mentally superimposed the normal distribution curve on the get some idea as to whether normal probability density function appropriate. (Figure 10.2) histogram displays the error term is fair therefore normality is that much the Figure 10.3 shows the Normal Probability plot and histogram of the residuals. The plot shows normal line, and the histogram shows the standardized residuals normally distributed.

Fig 10. Normal plot of regression standardized residual

4.10 Correlation and regression analysis

In this section, the results of inferential statistics are presented. The objectives of the study, Product Moment Correlation Coefficient were performed. With the aid of these statistical techniques, the sample and decisions are made with respect to the research.

4.10.1 Pearson's Product Moment Correlation Coefficient

In this study Pearson's Product Moment Correlation Coefficient there is significant relationship between philanthropic responsibility and economic responsibility. The following section presents the results of Pearson's Product Moment Correlation on the dependent variable. The table shows that the relationships between customer loyalty and its independent

Table 12. Pearson product moment

		Philanthropic responsibility	Ethical responsibility	Legal responsibility	Economic responsibility	Customer loyalty
Philanthropic responsibility	Pearson Correlation	1	.917*	.862*	.862*	.927*
	Sig. (2-tailed)		.000	.000	.000	.000
	N	10	10	10	10	10
Ethical responsibility	Pearson Correlation	.917*	1	.942*	.929*	.959*
	Sig. (2-tailed)	.000		.000	.000	.000
	N	10	10	10	10	10
Legal responsibility	Pearson Correlation	.862*	.942*	1	.918*	.952*
	Sig. (2-tailed)	.000	.000		.000	.000
	N	10	10	10	10	10
Economic responsibility	Pearson Correlation	.862*	.929*	.918*	1	.908*
	Sig. (2-tailed)	.000	.000	.000		.000
	N	10	10	10	10	10
Customer loyalty	Pearson Correlation	.927*	.959*	.952*	.908*	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	10	10	10	10	10

** . Correlation is significant at the 0.01 level (2-tailed)

4.1.1 Regression of CSR Activities on Customer Loyalty

The study used linear regression analysis to check the effects of CSR activities on customer loyalty. The results show that 95% of the total variations of customer loyalty can be explained by the regression model. The regression model is statistically significant (p < 0.05) and indicates that the regression model predicts customer loyalty as well as the independent variables. The regression model is statistically significant (p < 0.05) and indicates that the regression model predicts customer loyalty as well as the independent variables. The regression model is statistically significant (p < 0.05) and indicates that the regression model predicts customer loyalty as well as the independent variables.

Table 13. Regression Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.971	.954	.954	.261	.941

a. Predictors: (Constant), Philanthropic responsibility, Legal responsibility, Ethical responsibility

b. Dependent Variable: Customer Loyalty

The regression analysis results show that the regression model predicts customer loyalty significantly (p < 0.001) which is less than 0.05, and indicates that the regression model statistically significantly predicts customer loyalty as well as the independent variables. The regression model is statistically significant (p < 0.05) and indicates that the regression model predicts customer loyalty as well as the independent variables. The regression model is statistically significant (p < 0.05) and indicates that the regression model predicts customer loyalty as well as the independent variables.

Table 14. Regression ANOVA Table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	143.4	4	35.8	512.7	.000
	Residual	6.6	9	.07		
	Total	150.1	9			

a. Dependent Variable: Customer loyalty

b. Predictors: (Constant), Philanthropic responsibility, Legal responsibility, Ethical responsibility

The coefficient table and the regression model are provided to predict customer loyalty. The regression model is statistically significant (p < 0.05) and indicates that the regression model predicts customer loyalty as well as the independent variables. The regression model is statistically significant (p < 0.05) and indicates that the regression model predicts customer loyalty as well as the independent variables.

The model used in the study takes the form below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

Where;

Y = the dependent variable (customer loyalty)

\pm is intercept constant which would be equal to the mean if all X_1, X_2, X_3, X_4 are constants regression coefficients representing the variables to the dependent variables.

X_1 = Economic responsibility

X_2 = Legal responsibility

X_3 = Ethical responsibility

X_4 = Philanthropic responsibility

ϵ = (Extraneous). Error term

The values of β and X as well as value and significant level is given in the regression coefficient table. 15

Table 15. Regression coefficients

Model	Unstandard Coefficient		Standard Coefficient	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.15	.13		-1.1	.24
1 Economic respons	-.06	.07	-.05	-.81	.41
Legal responsibil	.50	.07	.44	6.5	.00
Ethical responsib	.33	.09	.31	3.6	.00
Philanthropic res	.27	.05	.29	5.5	.00

a. Dependent Variable: Customer loyalty

4.12 Hypothesis testing

Finally using regression coefficient results, the proposed hypothesis as follows

1. H_0 Philanthropic activities carried out by companies have no significant positive influence on customer loyalty.

The result of regression analysis of table 15 above clearly shows that ethical responsibilities carried out by banks has significant relationship with customer loyalty at $(p < 0.05)$. Besides, the value of the standard deviations that the dependent variable will change as a change in the independent variable. Which means, 1 standard deviation results in 0.315 standard deviations increase in customer loyalty. In a suitable method to measure whether the predictor (independent variable) has a significant contribution to the dependent variable or not, the F-test is a suitable method to measure (whether the predictor variable) has a significant contribution to the dependent variable or not. At $p < 0.05$ level of significance, ethical responsibility is a significant predictor of customer loyalty. For the ethical responsibility and customer loyalty have positive relationship $r = 0.315$. Therefore, when ethical responsibility increases, customer loyalty also increases. The null hypothesis is rejected, thereby ethical responsibility has significant relationship with customer loyalty.

2. H_0 Ethical responsibilities practiced by banks has no significant influence on customer loyalty.

The result of the regression analysis of table 15 above clearly shows that ethical responsibilities carried out by banks has positive and significant relationship with customer loyalty. Besides, the value of the standard deviations that the dependent variable will change as the result of a change in the independent variable. Which means, 1 standard deviation results in 0.315 standard deviations increase in customer loyalty. In a suitable method to measure whether the predictor (independent variable) has a significant contribution to the dependent variable or not, the F-test is a suitable method to measure (whether the predictor variable) has a significant contribution to the dependent variable or not. At $p < 0.05$ level of significance, ethical responsibility is a significant predictor of customer loyalty. Ethical responsibility and customer loyalty have positive relationship $r = 0.315$. Therefore, when ethical responsibility increases, customer loyalty also increases. The null hypothesis is rejected, thereby ethical responsibility has significant relationship with customer loyalty.

rejected, thereby accepting the alternative hypothesis which practiced by banks has significantly positive influence on customer loyalty.

3. H_0 : Legal responsibilities practiced by banks has no positive influence on customer loyalty.

The result of the regression analysis of legal responsibilities carried out by banks has positive and significant relationship with customer loyalty. Besides, the value of the standard deviation indicates the number of deviations that the dependent variable will change as the result of one standard deviation in the independent variable. Which means, 1 standard deviation of legal responsibility results in 0.45 standard deviations increase in customer loyalty. In a suitable method to measure whether the predictor (independent variable) makes a significant contribution to the dependent variable or not. As a result, the value of significance level is a significant predictor of customer loyalty and customer loyalty has positive relationship with legal responsibility and customer loyalty also increases when legal responsibility increases, customer loyalty also increases. The result of the regression analysis of legal responsibilities practiced in banks has significantly positive influence on customer loyalty.

4. H_0 : Economic responsibilities applied by banks has no positive influence on customer loyalty.

The result of the regression analysis of economic responsibilities carried out by banks has no positive and significant relationship with customer loyalty. The value of the standard deviation indicates the number of deviations that the dependent variable will change as the result of one standard deviation in the independent variable. Which means, 1 standard deviation of economic responsibility results in 0.01 standard deviations decrease in customer loyalty. The result of the regression analysis of economic responsibilities applied by banks has no positive and significant relationship with customer loyalty. The value of the standard deviation indicates the number of deviations that the dependent variable will change as the result of one standard deviation in the independent variable. Which means, 1 standard deviation of economic responsibility results in 0.01 standard deviations decrease in customer loyalty. The result of the regression analysis of economic responsibilities applied by banks has no positive and significant relationship with customer loyalty.

0.814, so at $p < 0.05$ level of significance not a significant positive relationship between customer loyalty. From the results of the regression analysis, the relationship with $P = 0.418$. Therefore, as CSR activities increase, customer loyalty decreases. This hypothesis is accepted. The alternative hypothesis states that economic responsibilities applied in banks has significantly positive relationship with customer loyalty.

5. H_0 CSR activities have no significant positive relationship with customer loyalty of banks in Bahirdar.

This general null hypothesis was tested based on the above hypothesis. It was rejected the null hypothesis and accepted the alternative hypothesis and rejected the alternative hypothesis states that there are differences between parameter estimates. The null hypothesis states that there is no statistical difference between parameter estimates. The alternative hypothesis states that there is statistical difference between parameter estimates. The null hypothesis is rejected and the alternative hypothesis is accepted. CSR activities have a significantly positive relationship with customer loyalty of banks in Bahirdar.

Table 16. Summary of Hypothesis testing

No	Null Hypothesis	Stat.ana	Result
1	Philanthropic activities carried out significantly positive influence on customer loyalty	Regression	Reject
2	Ethical responsibilities practiced by banks significantly positive influence on customer loyalty	Regression	Reject
3	Legal responsibilities practiced in banks significantly positive influence on customer loyalty	Regression	Reject
4	Economic responsibilities applied in banks significantly positive influence on customer loyalty	Regression	Accepted
5	CSR activities have no significant relationship with customer loyalty of banks in Bahirdar	Regression	Rejected

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

This chapter reviews the conclusions of the study, where it presents the results of the analyses and recommendations of the study based on the objectives of this study was to investigate the effects of corporate social responsibility on customer loyalty.

5.1. CONCLUSION

The study tried to investigate the effects of corporate social responsibility on customer loyalty. Based on the results of the study, the following conclusions were drawn.

- The result of the study based on descriptive statistics showed that the banks they used based on their CSR activities practiced by banks significantly affect on customers loyalty.
- Concerning correlation analysis, the result of the finding showed a positive and significant relationship between CSR activities (philanthropic responsibilities) and customer loyalty.
- Based on the result of the study, it can be concluded that CSR activities have a positive effect on customer loyalty.

5.2. Recommendation

Based on the findings of the study, the following recommendations are given:

- CSR activities are more likely to lead to positive effects on customer loyalty, so banks should be aware of CSR activities.
- Banks should apply CSR activities to build a long-term relationship with customers which may in turn encourage long-term success.
- CSR activities are no longer optional and should be a part of the bank activities and long-term strategic plan.
- Further study should be done on economic responsibility.

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APPENDIX Questionnaire

Bahir Dar University

Department of Marketing Management

Questionnaire for Customers of Commercial Banks

The following questionnaire is designed to assess commercial banks and its impact on customer's loyalty. This research is conducted at the master's degree level in Marketing Management. The information provided is for research purposes and its confidentiality is highly guaranteed. You are therefore kindly requested to answer to the ensuring questions.

Thank you for your time!

In advance

Section A Demographic Information

Please provide the following information by marking your choice:

1. Your Sex: A. Male B. Female

2. Your Age: A. 18-20 B. 21-25 C. 26-30 D. 31-35 E. 36-40 F. 41 and above

3. Indicate highest level of education you completed (Mark only one)

A. Primary B. Secondary C. Technical/Vocational Diploma D. First degree E. Second degree and above

4. Job/Position: A. Self-employed B. Employed C. Unemployed D. Student E. Other

5. My bank is

A. Commercial Bank B. Development Bank C. Abyssinian Bank D. Wegage Bank E. Awash Bank

6. My bank is

A. Commercial Bank B. Development Bank C. Abyssinian Bank D. Wegage Bank E. Awash Bank

7. My bank is

A. Commercial Bank B. Development Bank C. Abyssinian Bank D. Wegage Bank E. Awash Bank

Section B - BCSR activities carried out by the bank
Please read each statement carefully and use the following scale to choose your answer from the options given from 5 (strongly agree) to 1 (strongly disagree) as follows:

Strongly disagree = 1

Neutral = 3

Disagree = 2

Strongly agree = 5 Agree = 4

1. How do you think the bank you are evaluating should follow the following act

PHILANTHROPIC RESPONSIBILITY						
6	The bank voluntarily support pro community's quality of life	1	2	3	4	5
7	The bank donates money for various	1	2	3	4	5
8	The bank contributes to disaster reli	1	2	3	4	5
9	The bank contributes to education of	1	2	3	4	5
Mean Scores in Philanthropic Responsib		15	13	22	31	19
ETHICAL RESPONSIBILITY						
10	The bank has no bias towards age, ge policies	1	2	3	4	5
11	The bank assures the transparency o	1	2	3	4	5
12	The bank recognizes and respects ne norms adopted by society	1	2	3	4	5
13	The bank involved in reducing waste	1	2	3	4	5
		6	5	17	30	42
LEGAL RESPONSIBILITY						
14	The bank performs in a manner c expectations and legal norms	1	2	3	4	5
15	The bank performs in a manner co regulations	1	2	3	4	5
16	The bank provides safe working cond	1	2	3	4	5
17	The bank provides a minimal serv requirements	1	2	3	4	5
Mean Scores Responsibility		6	4	11	44	35

ECONOMIC RESPONSIBILITY						
18	The bank is committed to be profitable	1	2	3	4	5
19	The bank maintains a strong competitive edge over other banks	1	2	3	4	5
20	The bank uses technology to support its business	1	2	3	4	5
21	The bank has marketing activities that benefit the community, i.e. bank, customer & society	1	2	3	4	5
Mean Scores in Economic Responsibility		4	3	8	37	48

Section C Customer's Attitude towards the Bank

How do you think the bank's CSR activities will have an effect on your loyalty?

22	I feel comfortable having an account with a bank that makes an effort on CSR	1	2	3	4	5
23	I don't think about a bank's CSR activities	1	2	3	4	5
24	I will not support the bank if it engages in unethical practices	1	2	3	4	5
25	I will support the bank's CSR activities because of the commissions made from my services	1	2	3	4	5
26	I will not support the bank if it engages in unethical practices	1	2	3	4	5
27	I expect my bank to actively participate in CSR activities	1	2	3	4	5
28	I choose to bank with my current bank because of its CSR practices	1	2	3	4	5
Mean Scores in Customers Loyalty		8	8	13	35	36

Interview questions

Thank you for your time and for being cooperative in giving responses in advance. This information is purely for academic purposes and is highly guaranteed.

Section A. General Questions.

1. What is your definition of CSR?
2. Is there CSR activities at your bank?

Section B: Specific Questions for Banks Have CSR Activities.

3. What motivated your bank to start CSR activity? Why?
4. Do you believe CSR in your banking service is based on professional ethical responsibilities?
5. Could you give me some examples of CSR at your bank?
6. What are the societal drivers for the Bank's CSR initiatives?
7. Do you believe your customers notice your CSR activities?
8. In your opinion what are the main benefits of doing CSR activities?
9. Please, tell how the CSR activities are organized, is there a dedicated department?

Section C: Specific Questions for Banks Have No CSR Activities.

10. Does your bank have a plan to start CSR activities in the future? When to begin?
11. If your bank has a plan to start CSR activity what is the main reason?
12. If your bank does not have a plan, what are the reasons for not starting CSR activities?
13. Do you think that CSR activities would be important for your bank's management?