*Full Length Research Paper*

# Corporate social responsibility associated with customer satisfaction and financial performance a case study with Housing banks in Jordan

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**This study has three objectives. First is to investigate the set of relationships among the corporate social responsibility (CSR) services and customer satisfaction. The second objective investigates the relationships between [CSR services]   and financial performance.  The third objective of this study is to examine the mediating effect of customer satisfaction on [CSR services] and financial performance. To achieve the three objectives, the study utilises a single approach design involving the use of a quantitative instrument for customers from Jordanian Housing banks. A representative sample of banks' customers (n=203) were recruited from the selected Housing banks to voluntarily participate in the study. The questionnaire sought information on CSR commonly associated with customer satisfaction in the banking industry, and financial performance, plus demographic details. The results of this study suggested provision of CSR services are associated with customer satisfaction. This is consistent with results of prior studies reporting a significant positive association between the (CSR services) and customer satisfaction.  Similarly, this study found a positive relationship between customer satisfaction and financial performance consistent with results of past studies. Furthermore, this study found customer satisfaction mediated the relationship between the (CSR services) and financial performance. Some findings are consistent with past study results which reported financial performance depended on customer satisfaction with CSR services. The present study also offers important implications for i) practice: utility of good CSR services in the maintenance of sustainable business practices and customer satisfaction (as an important stakeholder group) ii) government institutions: encouraging them to improve the integrate CSR services into their business and iii) society: banks being more socially responsible financial institutions.**

**Keywords**: Customer satisfaction, financial performance, corporate social responsibility.

## INTRODUCTION AND DEFINITIONS

In such a competitive environment financial survival is challenged to achieve customer satisfaction. The usual managerial strategy of conventional banks is by using competitive interest rates and offering a diverse portfolio of varying products and services through different channels of delivery; usually making continuous use of changing rapid technology to maximize profit.

Banking industry research is focused on factors impacting upon customer satisfaction about and/or financial performance of banks. Only limited studies have investigated these factors in developing countries, reporting inconsistent results. There may be different factors influencing customer satisfaction in and/or financial performance of banks in developing countries. Also, the corporate social responsibility (CSR) factors in developing countries have been neglected.

This paper has five sections: firstly, introduction and definitions of the three terms used; secondly, the review of the literature, thirdly, motivation, leading to objectives, a discussion of the relationship between variables and the hypotheses are  developed. The  fourth section

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Explains methodology including results and the discussion. The conclusion looks at outcomes, study limitations, implications and suggestions for future research.

## Corporate social responsibility

Business is run for profit (Steiner & Steiner, 2005) - the profit objective; but CSR is also a liability or ethical responsibility towards society- the socio-economic view. Zenisek (1979) proposed a definition for CSR based on the fit between business ethics and societal expectations. In his seminal work, Zenisek tried to integrate two different research streams which dominated the literature at the time. This began a heated debate on CSR among researchers from different schools of thought that has continued till now. Carroll (1979) came up with a four-part definition of CSR which integrated economic, legal, ethical and discretionary aspects. However, in his four-part definition of 1983, Carroll explained the discretionary activities as either voluntary or philanthropic. In 1990's the concept of CSR was examined by using stakeholder and business ethics theories.

## Customer satisfaction

Customer satisfaction is a post purchase attitude formed through mental comparison of the quality a customer expects to receive from an exchange, and the level of quality the customer perceives actually receiving (Carden and Dellifrain, 2004). Customer satisfaction results in behavioural outcomes such as customer retention, commitment, creation of a mutually rewarding bond between the user and the service provider, increased customer tolerance for services and products failures, positive word-of-mouth advertising about the organisation, increased future customer spending, and it might result in more cross-and up-selling, attracting new customers, lowering costs, and greater profitability (Arasli et al., 2005; Rust and Dkempe, 2008; Li, Sun, and Wilcox, 2005; Homburg, Koschate, and Hoyer, 2005).

## Financial performance

In the conventional depositors' and borrowers' relationship where the depositors will receive interest based on the funds deposited into the bank's account and borrowers pay interest on the loan received (Dusuki and Abdullah, 2007; Bunchuan, 2006). In a totally different concept from the Islamic bank, financial performance is achieving social justice through

successful investments where profits are shared with investors and borrowers. It is more a partnership where banks are entrusted to invest, and any profit generated will be shared (Kahn, 2000). This is the notion of profit and loss sharing (PLS).

## Literature Review

### A) Corporate Social responsibility (CSR)

CSR is a liability or ethical responsibility towards society- the socio-economic view... In 1990's the concept of CSR was examined by using stakeholder and business ethics theories rather than profit alone. In the decade 2001-10 the concept is predominantly the profit motive given the proportion of papers featuring that aspect, but more (non-American) researchers are moving towards a social justice morality as an ethical imperative, with more expectations on voluntary policies. This further develops Zenisek's streams and Carrol's discretionary aspects by placing increasing emphasis on voluntary aspects for ethical or social justice reasons rather than philanthropy.

Assuming the studies on CSR of the last century have been validated, reasonable since this new millennia began by building on that foundation eg. the seminal studies referred to, this review will focus on selected work contributed in the first decade of this century, in the 21st millennia. Researchers presaging the change from single bottom line perspective of Friedman (1962) is Sweeney et al (2001) who point out that this is no longer appropriate as a means for global organisations to succeed in this day and age: they need to clearly and transparently demonstrate a commitment to social responsibility in order to succeed.

Steiner and Steiner (2005) list the general principles of CSR beginning first with profit; second, corporations have a duty to correct their negative social effects by internalizing these effects on society; third, the primary responsibilities of managers are to 3 main groups: customers, shareholders, and employees, with communities and governments also recognised but given lesser emphasis.

Social responsibility varies with company characteristics including manager's values. Organisations should accept a measure of accountability toward stakeholders and corporate behavior must comply with norms in an underlying social contract usually expressed by public opinion.

The survey will focus on the division in perspective between content-based studies, led by contributions of Bhattacharya and Sen, associated with others, largely American from 2001 to 2010, according to a three stream perspective pointed out by Basu and Palazzo (2008) who

introduce a process-based model from Europe.

## Practical American content-based theory.

Recent content-based studies since 2001 are eminently practical, being externally focused on consumer/ employee and stockholder responses to CSR initiatives to guide management strategic choices, once the goal of profit maximization, the first principle of CSR enunciated by Steiner and Steiner (2005) is satisfied. Such studies include those by Bhattacharya and Sen (2001, 2003, 2004); a key diagram is a comprehensive CSR Framework demonstrating the content elements of Input and Outcomes both Internal and External found in Bhattacharya and Sen (2004, 12) who draw attention to its multifaceted impacts as a practical guide to managers seeking profit maximization, as the paramount goal.

Luo and Bhattacharya (2006) link customer satisfaction (CS) and market value which equals satisfactory financial performance (FP). The focus shifts to CSR in strengthening stakeholder ties (Sen, Bhattacharya and Korschun 2006; Bhattacharya, Korschun and Sen 2009) followed closely by a study on encouraging talented employees to seek employment and remain with a firm because they identify with its morality. CSR and competitive positioning in the market (Du, Bhattacharya and Sen 2007) preceded the 2006 paper, picking up the basic managerial imperative of financial success, which is the theme of the papers by Bhattacharya et al (2009) and Du, Bhattacharya and Sen (2010).

## Idealistic European process-based theory.

In 2008 and 2009 a broader view was introduced from England and Switzerland with a European process-based model to view the research through a new paradigm where social justice is paramount or equal to profit maximisation. Examining and recategorising American work on content-based models concerning managerial views on stakeholders and their world expanded the conceptualization in the decade of studies as follows. Basu and Palazzo (2008) divide research into 3 streams linking organizational character to the ability of a corporation's impact to guide managers. They exemplify the following, which in turn leads to a change in CSR concept more in line with global social justice.

## Three streams exemplified.

Their characterization of CSR as driven by three streams of enquiry:

(1) Stakeholders – Organization responding to demands by external stakeholders to alleviate broad and general social concerns usually tackled by governments

and NGOs. (This same conceptual viewpoints stream of CSR literature research is listed earlier by Maignan & Ferrell (2004) as number 4 in their grouping). Examples of the stakeholder stream are Thompson (2008) linking CSR with global gender equity. She found gender equality was secondary to global poverty reduction, human dignity and principled business leaders for moral capitalism, according to the international Caux Round Table in 1994. A voluntary Global Compact includes 6 UN agencies, (the world's forum) governments and associated stakeholders aiming to achieve a more sustainable and inclusive global economy (Thompson 2008). Castaldo et al. (2009) from Italy linked CSR and consumer trust by examining global fair trade. Agreeing with Porter and Kramer (2006) they found social reputation is an inconclusive guide to consumer reputation, consistent with Bhattacharya and Sen's (2004) framework and unsatisfactory studies about a link between CSR and FP in a company (Margolis and Walsh, 2003; Orlitzky et al., 2003).

(2) Performance - The effectiveness of a link between external expectations and an organization's actual actions producing the appropriately responsible actions expected of a good corporate citizen. (This is closest to the earlier Maignan and Ferrell's (2004) list as number 3 - CSR as Managerial Process).

Examples of these are Bhattacharya and Sen (2004) "Doing Better at Doing Good: when, why, and how consumers respond to corporate social initiatives" whose diagram is mentioned above; Bhattacharya, Korschun and Sen (2009), explain how to strengthen stakeholder-company relationships through mutually beneficial CSR initiatives; and in 2010 a paper with a very useful diagram and explanation by Du, Bhattacharya and Sen was published about the maximization of business returns through CSR using communication to fill the gap and generate stakeholder awareness, a point picked up from implications in the Bhattacharya and Sen (2004) paper.

(3) Motivation – This third inquiry stream examines the essential reasons for an organization's CSR engagement (eg. enhancing organizational reputation (Fombrun 2005) producing customer loyalty (Bhattacharya & Sen 2001, 2004), to fulfil obligations and responsibilities. (Maignan and Ferrell (2004) classify this conceptual viewpoint as both 1- CSR as a Social Obligation and 2- CSR as Ethics Driven).

For CSR and developing countries, Dobers, and Halme (2009) from Scandinavia make a case against exploitation in South America and Africa to demand social justice from corporations. Emphasizing the difference in cultural contexts they call for social justice through structures and institutions to be established for environmental protection and to eradicate poverty made worse by the existing systems of "legal misuse." Since CSR involves understanding and managing relationships with economic, social, environmental and cultural systems responsibly, its nature and face will change with

different societal contexts (Halme et al. 2009) and varied agendas given different world locations (Welford et al., 2007). Wettstein, (2009) from USA goes further - beyond voluntariness of CSR - and argues the ethical imperative for extending the CSR concept to human rights and justice; (Alafi 2010) argues basic Muslim morality to support social justice of CSR in the non-interest banking system of the Middle East.

## Adding ethical values to CSR concept.

If managers develop a process driven cognitive map, given the guide of these inquiry streams to make sense of their relationships with stakeholders and their world, this could allows better inferences from organizations to outcomes and a give a new perspective to their world view. Wettstein (2009) from USA joins Dobers and Halme (2009) in the ethical exploration to widen the CSR concept and reaches beyond voluntarism and CSR where voluntarism signifies "voluntary business behavior" (Commission of the European Communities 2006: 2). Arguing that CSR is a normative concept concerning how organizations ought to act – ethical behavior is dependent on the moral community in which we are embedded whether Christian, Bhuddist, Moslem etc.

CSR may be philanthropic or left to moral discretion but by adding human rights and environmentalism to the mix in this shrinking global environment, multicultural companies are encased in different value systems and contexts for business. Perhaps human rights, which surpass moral and cultural differences and promise justice, and are perceived by the European Union as a political issue, might clarify and reconceptualise the human rights obligations of business and reintegrate the concept of CSR as a global solution inviting businesses to be proactive. This is the message of the normative and idealistic European stream of thinking, in addition to Alafi and Wettstein. It lifts CSR to a higher ethical plane while keeping its voluntary nature. Despite the continuing content-based more practical studies from USA, by looking through the prism of process-based division of studies over the past 10 years, a difference in thinking and a wider, more inclusive global interpretation of CSR may be perceived and further developed.

Up to 2008 of 14 available relevant papers on CSR from the search engine and discussed and one unpublished dissertation Alafi (2010) examined, in the decade between 2001 and 2010, 10 originated in USA, 4 in UK and Europe and I in Jordan; so most research applies to or concerns Christian American or European corporations or business from developed nations. Lacking is original work from developing countries applying the theory developed in the Western capitalist system in a different context in the field except for Alafi, and a few claims to have done fieldwork, and this paper aims to help fill both gaps. It fits into the first stakeholder

stream by working from the stakeholder viewpoint where CSR is more perceived as achieving social justice, however, being a business, financial performance is a survival essential as developed in the performance stream (2) but the most idealistic third stream of motivation is visualized by European researchers and usually seen in Muslim countries as part of religious obligations to society and appropriately rewarded with customer loyalty (Alafi, 2010). Here it may be a determining factor in customer perceptions.

**CSR means better CS**.  Luo & Bhattacharya (2006) explain 3 reasons a firm's CSR initiatives lead to better CS: first, actions appeal to multidimensionality of the economic and family member elements; second, strong CSR record improves customer evaluation of and attitude to the firm, assisting consumer identification with the company; third, antecedents eg. perceived value was empirically shown to increase CS (Mithas, Krishnan, and Fornell 2005b). All other things being equal, with better perceived value, customers derive higher satisfaction from a product or service from a socially responsible company.

## B)   Customer Satisfaction (CS) and Financial Performance (FP) research

### (i)   Influencing factors guiding management decisions.

CS positively affects customer retention which leads indirectly, together with customer loyalty, to greater profitability (Carden and Dellifrain, 2004; Mququ, 2005; Hansemark and Albinsson, 2004) because they secure future revenues (Eugene et al., 2004) lower costs and attract new customers, who as valuable assets increase profitability (Tantakasem, 2006) Reduced customer turnover is advantageous; in particular, Vorhies and Morgan (2003) have shown that a 5 % increase in customer retention could increase banks profitability by an average of 50 %.  Customer satisfaction leads to faster market penetration and in turn, to accelerated cash flows and likely acts as underlying mechanism by which customers' satisfaction affects shareholder value in any industry (Eugene et al, 2004).

As one of the most important competitive factors for the future, customer satisfaction is considered to be the best indicator of a company's profitability (Tantakasem, 2006). Customer satisfaction as a performance judgment standard is central to optimal financial returns and performance (Dash et al., 2006). Globally, business organisations have been elevating customers to a key stakeholder group through the inclusion of customer satisfaction goal into organisations' strategic planning efforts (ibid, 2006). Knowledge of current satisfaction levels allows further focus and building on key areas as well as charting future policies by comparison with that of

competitors (Alhemoud, 2008) the best indicator of a company's profitability (Tantakasem, 2006). Consequently, managers in financial services companies are placing increased emphasis on customer satisfaction to improve loyalty for long-term profitability and success (Keiningham et al., 2005). So the literature provides general support for a relationship between customer satisfaction and the essential financial performance. In 2007, Sen et al. claim that building CS is a significant intermediate step operating to convert CSR into positive FP. They see CS as playing a mediating role in the CSR and FP relationship in developed countries, like the hypothesis offered here.

**(ii) Relationships.**

CSR and FP. In the new millennium another evident trend was the shift of focus towards developing nations, as CSR researchers have been heavily focused on Western countries (Jamali and Mirshak, 2007). Nowadays, companies try to align social needs to their core product thereby using CSR as a strategic choice and part of managerial motivation. A major problem lies in an accepted definition of CSR, concepts are still developing as illustrated by Sen and Bhattacharya ( 2001, 2004) above and in the post-2008 papers exemplified. A better understanding of the complex relationship between corporate social performance and financial performance would be invaluable directly or indirectly to shareholders, managers, and all of the stakeholders (Simpson and Kohers, 2002). Several authors, such as Kotler and Lee (2005) state that CSR leads to profitability in the long run resulting in stakeholder satisfaction. According to stakeholder theory, the satisfaction of different stakeholder groups is instrumental for organisational financial performance (Orlitzky et al., 2003).

There is a dearth of literature on customers' attitude towards conventional financial institutions, especially regarding selection criteria, service quality and customers' satisfaction (Gait and Worthington, 2007). Sureshchandar et al., (2003) included the social responsibility dimension in their studies of customers' perception of total quality management because they considered CSR as a key element of total quality management.

**(iii) CSR relationship with Financial performance: empirical studies**

Because a specific concept of CSR has not been adopted with a unified meaning of standards and norms constituting the concept, past empirical studies have indicated an uncertain relationship between CSR and FP. During the 21st century, as well as maximizing profits and

creating shareholder value, enterprises try to instill CSR related activities into corporate culture to add higher social value (Ying, Lin &Chang, 2010).  Aras, Aybars &Kutlu (2010) in Turkey, a developing country, point out a key problem:

it is often perceived that there is a dichotomy between CSR activity and financial performance with one being deleterious to the other and corporations having an imperative to pursue shareholder value (Aras, Aybars &Kutlu, 2010,

p. 230).

Empirical examinations of the relationship published between CSR and FP between 1972 and 2002 number 127 (Margolis and Walsh, 2003) using different measures are inconclusive. Aras et al. (2010 p.232) tabulate 7 more international studies since Orlitsky et al. (2003) which, including their study, makes 8. The result is 3 "no significant" and one "conditional" relationship and 4 "positive" relationships; in other words, divided opinions in this decade. It seems therefore appropriate to test this "uncertain" relationship in Jordan.

**(iv) Stakeholders' perception of (21st Century) CSR.**

The organisation's relations with all of its stakeholders should be the first concern of management. It is necessary for the firm to identify the needs, social problems, demands and interests that it needs to address for continued goodwill and the support of its stakeholders ( Peterson, 2004).

Second, stakeholder analysis can aid with ongoing evaluations of the CSR program's effectiveness.  Firms can achieve long-term benefits of brand enhancement, goodwill, differentiation, increased employer's motivation, higher profitability and quality workforce retention by committing themselves to CSR activities (Maignan and Ferrell, 2004).

Third, managers must be aware of the necessity of integrating CSR in their  ethical sense of social justice, together with customer satisfaction (as well as financial performance) into its company goals and resulting decision-making to satisfy a majority of 21st century stakeholders.

**(v) In summary**.

CSR is still developing a clear and accepted definition. CSR initiatives are related to customer satisfaction and FP; CSR means better CS (Luo et al., 2006).  Corporate behavior must comply with norms in an underlying developing social contract. To understand this contract and how it changes; managers review the directions of national policies and global norms as evidenced in legislation, regulations, treaties, trade agreements, declarations and public opinion to determine strategies.

Stakeholder theory is one of the most important theories in the constructing of CSR. Generally the scholars of this view stated that paying attention to the interests, rights and needs of different stakeholders of a business is a better way of inculcating socially responsible behavior among firms (Dawkins and Lewis, 2003; Maignan and Ferrell, 2004). Like shareholders, the stakeholders may put demands on the firms and bestow societal legitimacy (Ruf et al., 2001) The stakeholder approaches to CSR take a wider perspective of a firm's responsibility, expanding the scope of classical theory as illustrated by Dusuki & Dar (2006); in return for giving firms their legal status as separate entities, society is expecting from the firms a significant net positive contribution for the general good (Greenwood, 2001). Managers in return can consider one of the three research enquiry streams conceptualized by Basu and Palazzo (2008) and exemplified in the CSR section above in making strategic decisions.

## Relationships and gaps in knowledge

An extensive literature search showed that there are few studies examining different stakeholders' perceptions with CSR initiatives in the banking industry. Traditionally, the factors that mattered most to customers when determining an opinion of a firm were product quality, financial performance and value for money (Dawkins and Lewis, 2003). Now, across a world-wide sample of the public, the most commonly mentioned factors relate to corporate social responsibility (e.g. treatment of employees, community involvement, environmental and ethical issues) ( Dawkins and Lewis, 2003).

For this study, stakeholder obligation aspect will be adopted to try to identify customer stakeholders' perceptions with selected Jordanian Housing banks as CSR institutions, and the relationship between CSR services and customer satisfaction. Stakeholder theory is paying attention to the interests, rights and needs of different stakeholders of a business as a good way of inculcating socially responsible behaviour among firms.

CSR seems the major factor emerging with service quality plus a technological factor in customer satisfaction. Brown and Dacin (1997) reported that a company's CSR record, instead of providing information about the overall quality of its products, creates a general context for customer evaluation. Researchers in the 21$^{st}$ century agree that social responsibility can enhance the reputation and public image of  conventional banks and that banks must show a higher level of social responsibility. Additionally, banks should commit to social responsibility regardless of economic consequences because ultimately the banks are supposed to improve the quality of life in their societies, leading to support of CSR in determining customer satisfaction. It therefore seems timely to include an examination of the direct relationship between CSR bank services and customer satisfaction relationship in Jordanian Housing Banks.

In the literature customer satisfaction was related to financial performance by customer retention which secured future revenues, established a better comparative position in the banking industry, increased customer loyalty and its ensuing advantages for stakeholders (including shareholders); and all these were mirrored in financial performance. Finally, CSR and financial performance research results showed an uncertain relationship from 1972 to 2010.

The few studies of customer perceptions of CSR show positive results and again CSR perceptions in the banking industry are few, leaving gaps in the body of research knowledge.

No research has been done on the relationship of CSR services and financial performance in conventional Jordanian banks. To provide some evidence to help contribute to the literature, this research paper will examine the hypotheses to be developed in section 4 to make a contribution to the body of knowledge revealed in section two and discussed in section 4.

## Motivation

Initially Brown and Dacin (1997, p.80) urged research on "how societally oriented activities might bring about positive outcomes for the firm."  Given the domination of CSR discussion by US and European sources with only Nigeria (2009), Formosa, Jordan, and Turkey (2010) very recently contributing from the developing world, this study adds a further perspective from the developing world, allowing a more international picture to be built up. It could broaden the CSR picture and help increase the weight evidence on relationships between CSR and FP.

There are inconsistent prior results and limited research on the banking systems of developing countries about factors influencing customer satisfaction and/or financial performance of banks in developing countries. Furthermore, Corporate Social Responsibility relationships have been partly neglected in many studies conducted in developing countries.  These gaps or unresolved questions in the research have motivated the current study. The study will examine, individually, the direct relationship between CSR services and customer satisfaction, as well as a direct relationship between CSR services and financial performance for Jordanian Housing banks.  Additionally, given the mixed evidence for a direct relationship in the literature, the indirect relationship between CSR services and financial performance mediated by customer satisfaction will be examined.

## Objectives of the study

The first objective is to investigate the set of relationships

between the corporate social responsibility (CSR) services and customer satisfaction. This objective is motivated for guidance of Jordanian Housing bank managers and by the fact that, previously, these have not been examined examined in the context of developing nations and they fit best into the performance stream.

The second objective examines the uncertain relationship between corporate social responsibility (CSR) and financial performance, examined in the context of developing nations and it fits best into the performance stream.

The third objective of this study examined the mediating effect of customer satisfaction, on the relationships between the corporate social responsibility (CSR) services, and financial performance examined in the context of developing nations and they fit best into the performance stream. This relationship is necessary to trace, in case the direct link between CSR and FP is impossible.

## Hypotheses

To achieve these three objectives the following four hypotheses were proposed for testing.

$H_1$. There is a positive relationship between the provision of a high level of socially responsible services by Jordanian Housing banks and customer satisfaction

$H_2$. There is a positive relationship between the provision of a high level of socially responsible services by Jordanian Housing banks and financial performance.

$H_3$. There is a positive relationship between customer satisfaction with Jordanian Housing banks and financial performance.

$H_4$. There is a positive relationship between the provision of a high level of socially responsible services by Jordanian Housing banks and financial performance mediated by customer's satisfaction.

## Methodology

### Procedure and Measures

The study was conducted on September 2010. A convenient sample of customers who entered the selected Jordanian Housing banks in Irbid in north Jordan and the capital Amman were invited to participate in the study using a form of random sampling known as cluster sampling. Verbal and written information about the nature of the study were provided and written consent obtained. Customers completed the questionnaire at the branch itself within a reasonable period of time. Data included contact and demographic details, measures of social responsibility services , measure of customers' satisfaction, and measure of financial performance.

The current study used a subset of positively worded items (18 items to measure social responsibility services) from the Consumer Discontentment Scale (CDS) which was developed by Lundstrom and Lamonth (1976) and modifying item wordings to reflect the objectives of the current study. CDS was the main instrument used to survey customers for their perceptions about social responsibility services. The CDS scale was previously observed to be a reliable and valid measurement instrument with a reliability coefficient of 0.79 (Lundstrom and Lamonth, 1976; Rugimbana and Quazi, 2005).

An eight-point Likert-type scale was used, and customers were asked to indicate the level of emphasis placed on each of the 18 items when determining their banks' social responsibility services. A scale ranging from zero 'Not applicable' to seven 'very high performance' was attached to each item.

The measurement questions selected for customer satisfaction have been developed and used in customers' satisfaction literature (Lundstrom and Lamont, 1976; Rugimbana and Quazi, 2005). The main instrument used to measure customers satisfaction comprised the Customer Discontentment Scale (CDS) developed by Lundstrom and Lamonth (1976) and refined by Lundstorm and White (2006). The present study used a subset of items (seven items to measure customer satisfaction) from the original pool of 82 items and modified item wordings reflected the objectives of the current study. Eight-point Likert-type scale has been used and customers were asked to indicate their level of satisfaction in each of the seven aspects of satisfaction. A scale ranging from zero 'Not applicable" to seven 'very high performance' was attached to each item.

Financial performance is a latent variable. In statistics, latent variables (as opposed to observable variables), are variables that are not directly observed but are rather inferred (through a mathematical model) from other variables that are observed and directly measured.

For the present study, five (5) measurement questions from established measurement instruments were selected for financial performance which have been developed and used in prior literature (e.g. Govindarajan and Fisher (1990), Hoque and James (2000), Iselin, Mia and Sands (2008), Alafi (2010) These five (5) items with modified item wordings were used, reflecting the objectives of the current study to measure financial performance. For each item participants were required to indicate on an eight Likert-type scale their organisation's performance over the past year by rating it on a scale ranging from zero (Not applicable) to seven (very high performance).

### Statistical analysis

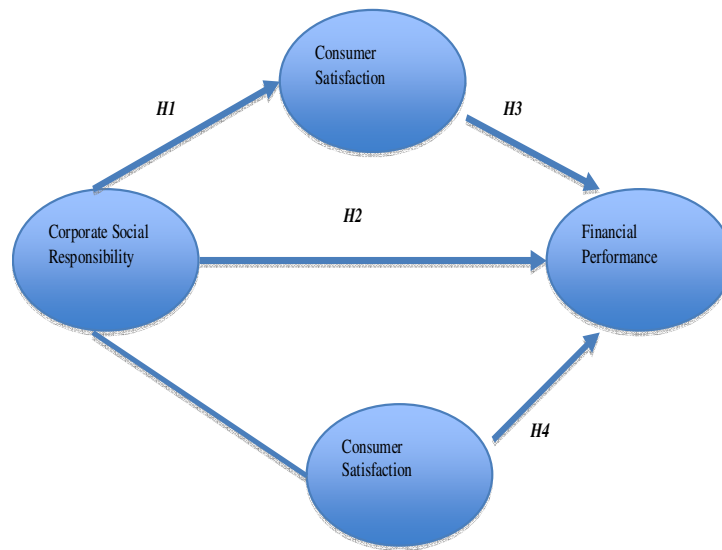Data were analysed using the Statistical Package for the

FIGURE  1      MODEL OF SOCIALLY RESPONSIBLE RELATIONSHIPS



**Significant relationships between:**

- Corporate CSR ($X_1$) and customers satisfaction ($X_1$)
- Customer satisfaction ($X_2$) and financial Performance ($X_3$)
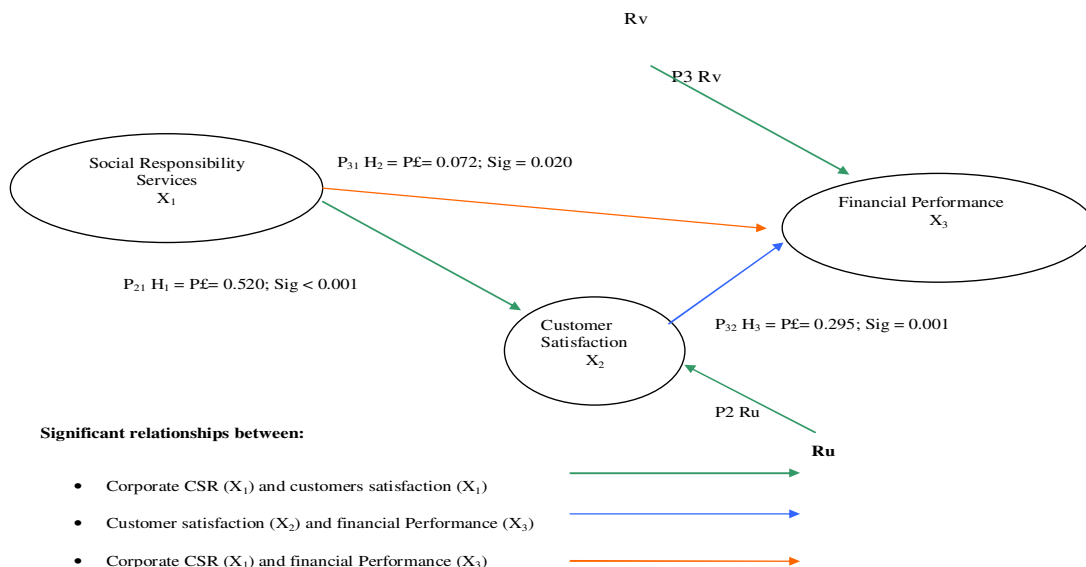- Corporate CSR ($X_1$) and financial Performance ($X_3$)

**Figure 1.2.** Pat Analysis Model Between (A) Social Responsibility services, (B) Customer Satisfaction & Financial Performance for Housing bank.

Social Sciences (SPSS) version 12.5 (2000), personal computer version. Frequencies, means and standard deviations were calculated as appropriate on the demographic variables. The properties of the measures used were assessed using Cronbach's alpha for reliability (internal consistency).

To determine the relationship between the Corporate social responsibility services, and customers' satisfaction a series of stepwise multiple regression analyses were undertaken. This approach also determined relationships between the corporate social responsibility services, and financial performance. An alpha level of 0.05 was used for all statistical tests.

## FINDINGS

i) The Relationship between Corporate social responsibility services and customer satisfaction: Testing Hypothesis

There are positive relationships between social responsibility services,  and customer satisfaction ($H_1$).
Figure 1 illustrates the directional relationships of this set of hypotheses as well as the direct effect for each independent variable (IV) (corporate social responsibility services ($X_1$), which were derived as the direct effect component for IV from the decomposition of the computation of path coefficients.

**Table1.** A to B Regression analysis hypothesis H₁. independent variables ( social responsibility) and dependent variables (customer satisfaction)

| | Hypothesis | Path Coefficient | Standardized Coefficients $\beta$(Beta) | T | Sig. 1-tailed | Collinearity Statistics Tolerance | VIF |
|---|---|---|---|---|---|---|---|
| (Constant) | | | | 6.517 | 0.000 | | |
| Social Responsilbility | $H_1$. | $P_{21}$ | 0.520 | 11.726 | 0.000 | 0.787 | 1.271 |
| Adjusted R Square | 681 | | | | | | |
| F (3,187 ) | 136.321 | | | | | | |
| Sig. | 0.001 | | | | | | |

Dependent variable: customer satisfaction

**Table 2.** A to B to C Regression analysis hypothesis $H_{2.1}$, $H_{2.2}$, $H_{2.3}$ and $H_3$ consisting of two IVs ( social responsibility,  and customers' satisfaction) on dependent variable: financial performance

| | Hypothesis | Path Coefficient | Standardized Coefficients B(Beta) | T | Sig. 1-tailed | Collinearity Statistics Tolerance | VIF |
|---|---|---|---|---|---|---|---|
| (Constant) | | | | 5.965 | 0.000 | | |
| Sub-section | | | | | | | |
| Social Responsibility | $H_2$. | $P_{3.1}$ | 0.072 | 3.034 | 0.023 | 0.454 | 2.205 |
| Sub-section | | | | | | | |
| Customer's Satisfaction | $H_3$ | $P_{3.2}$ | 0.295 | 3.235 | 0.001 | 0.314 | 3.187 |
| Adjusted R Square | 0.425 | | | | | | |
| F (4,370 ) | 40.188 | | | | | | |
| Sig. | < 0.001 | | | | | | |

Dependent variable: financial performance

The result in Table 1 show the regression has an adjusted $R^2$ = 0.681 and the alternate hypothesizes $H_1$ being partially supported with the statistics suggesting the null hypothesis not be accepted only at < 0.10 (F = 136.321, $\alpha$ = 0.001).

However, there are significant results for the hypotheses ($H_1$.). The results   provide a positive and significant relationship ($\beta$ = 0.520, $\alpha$ < 0.001) between the Social Responsibility services and customer satisfaction ($H_1$.).

(ii)   The Relationship between (, social responsibility, and Sharia'h compliance) and Financial Performance: Testing Hypotheses $H_2$.

Hypothesises $H_2$. predict  a positive relationships between  (social responsibility services ) and financial performance.

The results in Table 2 show the regression for the   IV (social responsibility services ) on the DV (financial performance). The adjusted $R^2$ = 0.452 indicates that this model explains 42.5% of the variance in financial performance. The statistics suggest that there is support for the alternate hypotheses tested by this equation because the null hypothesis cannot be accepted at < 0.001 (F = 40.188, $\alpha$ < 0.001).

There  are significant results for hypotheses ($H_2$. and

$H_{.3}$). Firstly, the results   provide a positive and significant relationship ($\beta$ = 0.072, $\alpha$ = 0.023) between the Social Responsibility services and financial performance ($H_2$)

(iii)   The relationship between customer satisfaction and financial performance

There is a positive and significant relationship ($\beta$ = 0.295, $\alpha$ = 0.001) has been found between customer satisfaction and financial performance ($H_3$).

(iv)   Calculations and Discussions on the Direct, Indirect and Total Effects of the t (, social responsibility services, ) on Financial Performance.

Calculations and discussions of the direct, indirect, and total effects of the  ( social responsibility, ) on Financial Performance are contained in this section. The purpose of the computations in this section is to provide a basis for meaningful discussion about the mediating effects of customer satisfaction ($x_2$), which was postulated in hypotheses $H_2$, $H_3$

Table 3 contains a summary of the statistics for each path coefficient together with the relevant hypothesis. Significant path coefficients provide a significant IE. However, Bartol (1983) indicated that non-significant path coefficients pass the test of being meaningful when they are greater than or equal to 0.065.

**Table 3.** Statistics summary of Path coefficients for Housing banks

| Explanatory variable | Hypothesis | Path Coefficient | β(Beta) | Sig. |
|---|---|---|---|---|
| Sub-section Table (IE) | | | | |
| Social Responsibility- Customer's Satisfaction Sub-section Table (DE) | $H_1$. | $P_{.21}$ | 0.520 | **** |
| Social Responsibility- Financial performance Sub-section Table (IE) | $H_2$. | $P_{31}$ | 0.072 | **** |
| Customer's Satisfaction- Financial performance | $H_3$ | $P_{32}$ | 0.295 | *** |

*** = < 0.01; **** = < 0.001= level significant and meaningful path coefficient DE =   direct effect path coefficient; (IE = Path coefficient that are components of the varies IEs

**Table 4.** Calculations of IE, DE, and TE for Hypothesis $H_1$ $H_2$ and $H_3$ for Housing banks

| $H_2$(Social Responsibility - Customer's Satisfaction- Financial performance) | | | |
|---|---|---|---|
| IE | $= P_{32} \times P_{21}$ | $= 0.310 \times 0.541$ | = 0.168 |
| *DE* | $= P_{31}$ | =0.072 | = 0.083 |
| TE | $= P_{31}+(P_{32} \times P_{21})$ | =0.072+(0.310$\times$ 0.541) | = 0.251 |

Four path coefficients, labelled IE in Table 3, are used to calculate the four IE shown in Table 4. The three path coefficients, labelled DE in Table 3, are used to calculate the total effect (TE) calculated in Table 4.

The results summaries in Table 3 show that three IE path coefficients are significant, at less than 0.001 while the remaining IE path coefficient is significant at less than 0.01. All of the three DE path coefficients are significant at less than 0.001.

The DE is depicted by the specific path coefficient (i.e., $P_{51}$ to $P_{53}$) that is relevant to the specific hypothesis), while the IE involves the multiplication of the path coefficient ($P_{32}$, $P_{31}$) by one of the path coefficients ($P_{21}$) which is relevant to the specific hypothesis.

Using the relevant statistics and path coefficients from Table 4, DEs are identified and IEs calculated to enable TEs to be computed. Calculations relevant to the hypotheses $H_1$, shown  the positive significant path coefficients that form the IE (0.168) in Table 4 supports the intervening effect of customer satisfaction hypothesised in hypothesis $H_2$, The result indicates customer satisfaction has a positive mediating effect on the relationship.

## DISCUSSION

Hypothesises $H_1$. Proposed that there are a positive and significant relationships between the provision of the (corporate social responsibility services), by Housing banks and customers' satisfaction. The results in Table 1 show positive and significant relationships for these paths coefficient ($P_{21}$). Therefore, the results do support hypothesises $H_1$. These findings are consistent with the

results of the past studies (Hamid and Norden, 2001; TantaKalim and Lee, 2006).

Hypothesises $H_2$ proposed that there are positive relationships between the provision of the (corporate social responsibility services,) by Housing banks and financial performance. The results in Table 2 show positive and significant relationships for these paths coefficient ($P_{31}$). Therefore, the results do support hypothesises $H_2$ These evidences support the findings predicted by the prior studies ( Dusuki and Dar, 2006).

Results in Table 2 show a significant and positive-path coefficient $P_{32}$ which support hypothesis $H_3$. The findings are consistent with results of prior studies (Dusuki and Dar, 2006).

Results in Table 4 show a positive IE for the mediating effect of customers' satisfaction on the relationships between the provision of the ( corporate social responsibility services,) by Housing banks and financial performance, the positive paths coefficient $P_{21}$, significant and therefore the IE does support hypothesises $H_4$ the IE provides a meaningful indication of the intervening effect of customers' satisfaction as hypothesised in hypothesises $H_4$ because paths coefficient $P_{31}$, less than 0.001. Therefore, it can be argued that the positive IE result for customers' satisfaction suggests customers' satisfaction has a positive mediating effect on the relationships between the provision of the (corporate social responsibility services) by Housing banks and financial performance.

## CONCLUSIONS

The hypothesized relationships between (CSR

services) and customer satisfaction were found to be positively significant.

The hypothesized relationships between (CSR services) and financial performance were found to be positively significant.

All the hypothesized relationships between (CSR services) and financial performance mediated by customer satisfaction were found to be positively significant.

A positive relationship was found between customer satisfaction and financial performance consistent with results of past studies (Carden, R. and Dellifrain, 2004; Eugene et al, 2004; Tantakasem, 2006).

The finding about CSR services adds to the body of extant knowledge because no previous study has investigated the mediating effect of customer satisfaction on the relationship between CSR services and financial performance in Jordanian banking industry.

## Limitations

Data from one bank in an undeveloped country may not generalize to the developed world; the precarious world background with its culture polarization may not be ready to add CSR service; and given the present world financial context the present findings may not be stable over time.

## Contributions of outcomes to research theory

Further evidence was found to help overcome the paucity or inconsistency of results for the relationships between CSR bank services and satisfaction of Jordanian bank customers. Provision of this evidence adds to the limited investigation, inconsistency of results, or absence of examination of the relationships between CSR services and the financial performance of Jordanian banks.

Calculation of the indirect effects (IE) of CSR services and financial performance of Jordanian banks was via customer satisfaction. This was unexamined within management accounting literature or in customer satisfaction literature, so computation of results for these relationships will provide new evidence about its mediating effect.

## Implications for service theory and practice

There are exciting implications for practice: for the banking market in an uncertain financial environment, using CSR services as an alternative added to their products can maintain sustainable business practices and customer satisfaction (as an important stakeholder group).

The conventional banks' shareholders where the infrastructure already exists, must retain existing and

potential customer in a world increasingly sensitive to and demanding of social justice. The significant findings of the current study about customer satisfaction and financial performance have implications for banking management policies to broaden their product offerings in a competitive world interested largely in profits. For society, banks should be more socially responsible financial institutions.

## Suggestions for future research

Knowledge about these relationships should help future research explore important emergent areas of Internet banking in Jordanian banking industry. This study can be replicated in other developed and developing countries to test for consistency in other markets, cultures, and populations. It lends support to the proposition that CSR principles are financially practical as well as beneficial to society, which may be strengthened by results of future studies in other countries.

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