IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER LOYALTY IN THE TELECOMMUNICATION INDUSTRY

BY

MWEU RUTH NYAMBURA

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2018
IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER LOYALTY IN THE TELECOMMUNICATION INDUSTRY

BY

MWEU RUTH NYAMBURA

A Research Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

SUMMER 2018
STUDENT DECLARATION

I, the undersigned declare that this is my original work and has not been submitted to any other college, institution or university other than United States International University-Africa, Nairobi for academic credit.

Signed: ___________________________  Date: ______________________________
Mweu Ruth Nyambura (ID: 630743)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________  Date: ______________________________
Dr. Joseph Ngugi Kamau

Signed: ___________________________  Date: ______________________________
Dean, Chandaria School of Business
ABSTRACT

This study set to establish the impact of CSR activities on customer loyalty. The study was guided by the following objectives: (1) To find out the effect of philanthropic responsibilities on Customer Loyalty in the telecommunication industry. (2) To establish the impact of legal responsibilities on Customer Loyalty in the telecommunication industry. (3) To show the effects of ethical responsibilities on Customer Loyalty in the telecommunication industry. A purposive random sample research design was used in the study and it was correlational. Questionnaires were administered to 100 students of USIU-A who had been or are current customers of any of the main players in the telecommunications industry. However, the response rate was 89%. Data for this study was collected in the form of questionnaires. Both descriptive and inferential statistics were used in analyzing the data collected.

From the analysis, the effect of philanthropic, legal and ethical responsibility were found to have a positive and statistically significant relationship with customer loyalty. The regression estimates were (β=0.208, r=0.681, p<0.05). The positive relationship means if Philanthropic Responsibility increases by one unit, Customer Loyalty will increase by 0.208. Legal Responsibility was found to have a positive influence on Customer Loyalty (β= 0.308, r=0.517, p<0.05). The positive relationship means if Legal Responsibility increases by one unit, Customer Loyalty will increase by 0.308. Ethical Responsibility was found to have a positive influence on Customer Loyalty (β=0.579, r=343, p<0.05). The positive relationship means if Ethical Responsibility increases by one unit, Customer Loyalty will increase by 0.579. Regression analysis, R² amounted to 0.43 indicating that ethical responsibilities, legal responsibilities and philanthropic responsibilities can account for 43% of the variance in the Customer loyalty.

The study concluded that philanthropic, legal and ethical responsibilities of an organization are directly related to customer loyalty. The more philanthropic, ethical and legal responsibilities an organization provides to the community, the more they obtain customer loyalty from the community. Therefore, it is important that the management incorporate philanthropic responsibilities onto the organizational strategic plan for it to obtain customer loyalty.

The study recommended that philanthropic responsibilities provided by organizations in the telecommunications industry in Kenya should be aligned within the strategic plan as opposed
to picking strategies randomly as they come, because they are important in creating customer loyalty which is important for the organization.

The findings of this study, it is hoped, will contribute to the existing body of knowledge and form basis for future researchers. The research recommended that future studies seek to obtain feedback from CSR beneficiaries, especially the community on the impact of economic responsibility to the community. The study’s was to establish the effects of corporate social responsibility on customer loyalty in the telecommunication industry. It was established that majority of the respondents agreed that the firms support culture and activities of local community while majority of them agreed that employees participate in charitable activities of local communities.
ACKNOWLEDGEMENT

I would like to take this opportunity to thank my family: Isaac Nzuki, Debrah Mweu, Esther Mwende & Derrick Wambua for their endless support throughout my studies.

I would also like to thank my supervisor Dr Ngugi for his continued support towards the completion of this project.

I am sincerely grateful to my mentor Noreen McCarthy for always encouraging me to always encouraging to believe in myself.
DEDICATION

Dedicated to my family. Thank you for your patience and insight. Always.
# TABLE OF CONTENTS

STUDENT DECLARATION ........................................................................................................ ii

ABSTRACT .......................................................................................................................... iii

ACKNOWLEDGEMENT ....................................................................................................... v

DEDICATION ........................................................................................................................ vi

TABLE OF CONTENTS ....................................................................................................... vii

LIST OF TABLES ................................................................................................................ x

LIST OF FIGURES ............................................................................................................... xi

LIST OF ACRONYMS AND ABBREVIATIONS .................................................................. xii

CHAPTER ONE .................................................................................................................. 1

1.0 INTRODUCTION ......................................................................................................... 1

1.1 Background of the Study ............................................................................................ 1

1.2 Problem Statement .................................................................................................... 6

1.3 Purpose of the Study .................................................................................................. 7

1.4 Research Questions ................................................................................................... 7

1.5 Significance of the Study .......................................................................................... 7

1.6 Scope of the Study ..................................................................................................... 8

1.7 Definition of Terms .................................................................................................. 8

1.8 Chapter Summary ..................................................................................................... 9

CHAPTER TWO .................................................................................................................. 10

2.0 LITERATURE REVIEW .............................................................................................. 10

2.1 Introduction ................................................................................................................. 10
2.2 Effects of Philanthropic Responsibilities on Customer Loyalty........................................10
2.3 Effects of Legal Responsibility on Customer Loyalty..................................................16
2.4 Effects of Ethical Responsibility on Customer Loyalty ..............................................21
2.5 Chapter Summary ........................................................................................................26

CHAPTER THREE ........................................................................................................... 27

3.0 RESEARCH METHODOLOGY .................................................................................... 27
3.1 Introduction .................................................................................................................. 27
3.2 Research Design ......................................................................................................... 27
3.3 Population and Sampling Design .............................................................................. 28
3.4 Data Collection Methods ......................................................................................... 29
3.5 Research Procedures ................................................................................................. 30
3.6 Data Analysis Methods ............................................................................................ 31
3.7 Chapter Summary ....................................................................................................... 31

CHAPTER FOUR .............................................................................................................. 33

4.0 RESEARCH FINDINGS AND DISCUSSION ............................................................ 33
4.1 Introduction ................................................................................................................ 33
4.2 Response Rate .......................................................................................................... 33
4.3 Demographic Information ....................................................................................... 33
4.4 Descriptive Statistics of Study Variables .................................................................. 36
4.5 Inferential Statistics ................................................................................................. 39
4.6 Chapter Summary ..................................................................................................... 42

CHAPTER FIVE .............................................................................................................. 43
5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS ....................... 43

5.1 Introduction .......................................................................................... 43
5.2 Summary of the Study Findings ............................................................... 43
5.3 Discussion of Results .............................................................................. 45
5.4 Conclusions ............................................................................................ 50
5.5 Recommendations .................................................................................. 51

REFERENCES ............................................................................................. 52

APPENDIX II: QUESTIONNAIRE .................................................................. 64

APPENDIX III: RESEARCH BUDGET ............................................................ 68
LIST OF TABLES

Table 3.1: Target Population .................................................................................................................. 28
Table 4.1: Response Rate .......................................................................................................................... 33
Table 4.2: Philanthropic Responsibilities Effect on Customer Loyalty ..................................................... 36
Table 4.3: Legal Responsibilities Influence on Customer Loyalty ............................................................ 37
Table 4.4: Ethical Responsibilities Influence on Customers’ Loyalty ....................................................... 38
Table 4.5: Customers’ Loyalty .................................................................................................................. 38
Table 4.6: Exploratory Factor Analysis, Reliability and Normality of Study Variables ............................. 39
Table 4.7: Correlation Matrix .................................................................................................................. 40
Table 4.8: Regression Estimates for the Model .......................................................................................... 42
LIST OF FIGURES

Figure 4.1: Gender .................................................................................................................. 34
Figure 4.2: Age of Respondents .......................................................................................... 34
Figure 4.3: Highest Level of Education .............................................................................. 35
Figure 4.4: Company Worked with ..................................................................................... 35
Figure 4.5: Respondents Work Experience ....................................................................... 36
Figure 4.6: Model Representing Relationships .................................................................. 41
# LIST OF ACRONYMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>BAT</td>
<td>British American Tobacco</td>
</tr>
<tr>
<td>CL</td>
<td>Customer Loyalty</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>PC</td>
<td>Production Control</td>
</tr>
<tr>
<td>QC</td>
<td>Quality Control</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for Social Scientists</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Corporate social responsibility is associated with good corporate governance. CSR has a positive influence on customer behavior. In addition, beside profitability and earnings performance, stakeholders have developed interest in CSR projects that organizations engage in. In other words, organizations are also measured by their concerns about the society in which they operate. Organizations have a large, positive or negative, direct or indirect influence on every party in society (Yasemin, 2010). There are different definitions of CSR, The World Bank defines CSR as “the commitment of business to contribute to sustainable economic development working with employees, their families, the local community, and society to improve their quality of life, in ways that are both good for business and good for development” (Ki-Han, Ji-Eun, Myeong-Guk, & Jae-Ik, 2015). According to the European Commission, CSR is defined as “the responsibility of enterprises for their impacts on society.” Specifically, the responsibility of companies is made through the integration of social, environmental, and ethical issues as well as human rights and consumer concerns into business operations and core strategies in close collaboration with stakeholders.

This study prefers Joyner and Raibom’s, (2002) definition of CSR. It is defined as categories of economic, legal, ethical and discretionary activities of a business entity as adapted to contribute to the values and expectations of society (Joyner & Raibom, 2002). CSR is also the continuing commitments by any business organization whereby they emphasize the ethical elements in their management and overall organizational structure (Richardson., Welker and Hutchinson, 2003). At the same time, companies are responsible for national economic development by improving the quality of life of the whole workforce and their families as well (Abbott & Monsen, 2002).

CSR aspects Jouner and Rainbom (2002) illustrate, those of economic factors, legal requirements extend to all the stakeholders. The shareholders are defined as any individual or group that can affect activities, decisions, policies, procedures or goals (Danko, Goldberg, Goldberg and Grant, 2008). In this high-tech era, business environments are susceptible to changes in these factors. CSR shows what the company has done to fulfill its
corporate duty to ensure the firm is not only good in providing the service but also plays its roles by contributing something to the community (Ofunya, 2015). In order to have a good relationship with the community, the firm should do something beneficial for the community. Within the company itself, there is also a platform for social contribution especially to the employees.

This study looked at the influence of CSR-related factors of philanthropy, legal and ethical responsibilities of the organizations on customer loyalty in the telecommunications industry in Kenya. Chaffey (2008) defined consumer loyalty as a desire on the part of the customer to continue to conduct business with a given company over time. Kotler and Armstrong (2008) use the idea of repetitive buying patterns of a particular brand as an indication of consumer loyalty. This also includes a verbal promotion of the currently used product or services by the incumbent consumer to others who have yet to try a particular product or service (Kotler & Armstrong, 2008).

Many organizations may have different motives to adopt the concept of CSR and these may range from meeting basic legal requirements meant to regulate destructive business activities, to the consideration of CSR as a tool for increased productivity and improved financial performance. Today, not only legal requirements can be seen as determinants of a company’s CSR activities according to Ofunya (2015), instead stakeholder expectations may also be something that may determine the way organizations deal with CSR. In 1995, a study showed that next to the quality of products, corporate responsibility was the second most important factor in a company’s reputation (Erceg, Henderson, & Levin, 2000). Subsequently more and more companies seem to recognize that corporate social responsibility is not only morally right, but that it makes good business sense whereby management of various firms has recognized that CSR as a business component yields tangible benefits.

Since the recognition of the role of Customer Loyalty (CL) in business success (Kotler & Armstrong, 2008), there have been recent attempts to incorporate CSR into the CL model (Mandhachitara & Poorthong, 2011; Choi & La, 2013). However, most research topics on CL or Relationship Maintenance (RM) have been in the manufacturing industries due to distinctly different characteristics from intangible services (Lewis & Soureli, 2006). In the
service industries, reliability and confidence play an important role in building and maintaining loyalty.

Consumers evaluate companies as well as products in terms of CSR, whereby negative CSR associations are more influential and have a more detrimental effect than positive ones. However, positive associations do boost company and product evaluations. The influence of CSR on consumers’ purchase intentions is more complex than previously thought, in that CSR can affect purchase intentions directly or indirectly. To win loyalty in today’s markets, companies have to focus on building and maintaining customer loyalty and CSR has become a useful tool in this regard. However, the relationship between CSR and customer loyalty remains largely unexplored (Liu & Zhou, 2010). CSR might affect the value of a company's brand. Intense competition has in many markets decreased the prospects for differentiation in terms of technology and product/service quality. For this reason, CSR is an important attribute that can enhance a company's image (Ahmad & Jaseem, 2006).

Yoon, Zeynep and Schwarz (2006) notes that to date, corporate social responsibility (CSR) has primarily been treated as a corporate issue. The majority of the literature on this topic takes a management perspective. It discusses how companies can best respond to specific demands of largely external stakeholders, which CSR initiatives enhance corporate performance, and what motivates companies come engaged in CSR. A survey shows that 76 percent of executives believe that CSR contributes positively to long-term shareholder value, and 55 percent agree that the sustainability helps their companies build a strong reputation.

In addition, the degree of CSR level can display the whole performance of the company and what kind of company it is. Indeed, CSR efforts are driven not just by ideological thinking that corporations can be a powerful and positive force for social change, but more by the multi-faceted business returns that corporations can potentially reap from their CSR endeavors. Green and Peloza (2011) in their research on how corporate social responsibility creates value for consumers found that majority of consumers considered functional values in a product when combined with CSR. Consumers reported more positively to traditional CSR activities (recycling) when they are combined with functional benefits.
Sen, Bhattacharya, and Korscchun, (2006) in his research on the role of corporate social responsibility in strengthening multiple stakeholder relationships findings revealed that there was a positive relationship between CSR activities and customer loyalty. According to research done by Webb, Mohr and Harris (2008) on a re-examination of socially responsible consumption and its measurement it was revealed that a lot of consumers in America are willing to penalize organizations that do not conduct social responsibility and reward companies that conduct cooperate social responsibility.

Consumers are willing to switch brands and avoid buying certain companies shares. Companies in Indonesia are facing a challenge in conducting CSR due to weak legal system, lack of competent managers and high percentage of low income families (Arli & Losmono, 2010). Gigauri, (2012). Consumers are demanding that companies should conduct CSR activities demanding that companies apply CSR regardless of their size, shape and origin. Since the societies around the world encounter various social problems, customers expect companies to help solving these problems using their resources effectively.

Pomerong and Dolnicar (2009) in their study on level of customer awareness about CSR initiatives in banking sector of Australia findings revealed that in Australia, there was a low level of awareness amongst customers. Alam and Rubel (2014), in their study on the impact of corporate social responsibility on customer satisfaction in the Telecom industry in Bangladesh study revealed that there was no relationship between awareness of corporate social responsibility and purchase intention. In the UK publicly listed companies are required to disclose ethical, social and environmental risk in its annual report (Porter & Kramer, 2011).

In a study conducted by Saunders (2006), it was found that the percentage of consumers who are more likely to recommend a brand that supports a good cause over the one that does not is 52%. Meanwhile 55% of consumers contend that in a recession they will buy from brands that support good causes even if they are not necessarily the cheapest. Companies that have made CSR a central part of their businesses are reaping the benefits in the form of company sustainability, reducing liabilities, and insurance costs, as well as improved brand image (Saunders, 2006). Today, corporations know that CSR is inextricably linked to their reputation and brand identity (Ahearne, Bhattacharya & Gruen, 2010). The consumers' idea of a company comprises perception in two broad categories,
brand performance and brand equity. Brand equity refers to the perception consumers have about a company above and beyond those that are narrowly reflected via product quality and company performance (Pokorny, 1995). Brand performance refers to the contribution of the brand towards the business performance as a whole (Pokorny, 1995). Ahearne, Bhattacharya and Gruen (2010) relate brand performance to tangible and measurable outcomes that a brand possesses with regard to the economic value of a company.

According to Paruzie (2014), Ghana Business Code (GHBC) was launched in 2006 to introduce CSR practice. CSR is mainly practiced by multinational companies this is because indigenous companies engage in retail business hence do not earn much to carry out social course of actions. Furthermore, according to a study done by Ocran (2011) on effect of corporate social responsibility (CSR) on performance of multinational companies it was revealed that even though Nestle Ghana conducts CSR activities customers are still not aware of such activities. According to a study done by Ali, Rehman, Yilmaz, Nazir and Ali (2010) on effects of corporate social responsibility on consumer retention in cellular industry of Pakistan findings revealed that customers are not aware of CSR activities conducted by companies. It was also revealed that there was no relationship between CSR and customers purchase intention. In Nigeria, based on their legislation companies are recommended to pay 3.5% of their gross profit to CSR initiatives (Idemudia, 2011).

According to Ufadhili Kenya (2010), corporate organizations should adopt the use of CSR. Arli and Losmono (2010) CSR conducted by companies in developing countries is not of much importance to the consumers hence it does not affect their buying decision whereas in developed countries CSR does matter and customers support companies that conduct CSR activities. However, according to Jaquinvidah (2013) in Kenya a lot of companies are conducting CSR activities to reach out to local communities. Companies are participating in community projects sinking, boreholes, providing educational scholarships, and sponsoring charity events. Furthermore, companies use CSR as a competitive marketing strategy. Organizations have formed foundations to help them implement their CSR programs (Njiru, 2014)

Mandhachitara and Poolthong (2011); Choi and La, (2013); Lewis and Soureli, (2006) research shows that majority of the CRS-related research focuses on the manufacturing industry. This study focuses on the service industry, thus the telecommunications industry. The Communications Authority of Kenya (2017) sector statistical reports shows that the
telecommunications sector provides mobile and fixed telephony services, data/internet services, broadcasting services, postal services and tariffs services. The main players are Safaricom Ltd, Airtel Networks Kenya Ltd and Telcom Kenya Ltd serving a total population of 40.2 million Kenyans out of the total Kenya’s estimated population of 49.7 million Kenyans in data (Worldometers, 2017). This makes it the best sector for this study.

A closer look at Safaricom Ltd which holds the largest market share of 77.1% in data and internet provision shows that the company has CSR activities aligned to the company goals. These are contained in the Safaricom’s sustainability reports (2017). Most of the CSR activities are communal; Take for instance the Mpesa Foundation Academy CSR which is aligned to the sustainable development goal of education for all or that of its WEEE Centre which collects e-waste for recycling and preoperative disposal. Both activities are community based (Safaricom, 2017). Both activities are important and aligned to the company goals, termed as management goals, the effect of these activities are chosen depending on the organizations goals and not to what the consumer may or may not need and they are usually not legally binding. Therefore, whether the consumer gains or not is not the problem of the provider. This is why this study is very crucial by evaluating the impact of CSR activities on consumer behavior and its legality to the common “Mwananchi”.

1.2 Problem Statement

A lot of research has been carried out on CSR, Abbott and Monsen, (2002); Bediako, (2017) and Chaffey, (2008), focusing on the economic responsibility of CSR to an organization, however, very little research has been carried out on the philanthropic, legal and ethical factors of CSR especially in the telecommunications industry in Kenya. This research was also motivated by Ofunya (2015) research, which recommends that studies be carried out seeking to determine the impact of corporate social responsibility by focusing on responses from the beneficiaries, who include community members, this kind of research has not been carried before. Homburg, Stierl and Bornemann, (2013) research on corporate social responsibility in Business-to-Business markets revealed that there was a positive relationship between CSR components of philanthropic, legal and ethical responsibility and customer loyalty. Pérez, and Bosque, (2015) conducted a study on corporate social responsibility and customer loyalty.
In his study in CSR and competitive advantage by commercial banks in Kenya Kagendo (2013) revealed that CSR increases customer awareness, improves customer loyalty, reduces advertising cost and enhances companies’ image. Okeyo (2013) conducted a study on the correlation between CSR and customer loyalty in the banking industry. It was revealed that CSR influences customer behavior and attitude hence leading to customer satisfaction. As customer loyalty is considered a vital objective for a firm’s survival and growth, building a loyal customer base has not only become a major marketing goal, but it is also an important basis for developing a sustainable competitive advantage (Paruzie, 2014).

Salmones, Crespo and Rodríguez (2005) research measured the direct and indirect relationship between CSR and customer loyalty in the mobile telephone industry. The results showed no significant direct relation between the CSR and customer loyalty. Kwalanda (2007) studied corporate social responsibility practices at Safaricom Limited. This research focuses on the impact of CSR on customer loyalty in the telecommunications industry.

1.3 Purpose of the Study
The purpose of the study was to analyze the impact of Corporate Social Responsibility on customer loyalty in the telecommunication industry.

1.4 Research Questions
1.4.1 What is the effect of philanthropic responsibilities on customer loyalty in the telecommunication industry?
1.4.2 What is the impact of legal responsibilities on customer loyalty in the telecommunication industry?
1.4.3 What is the effects of ethical responsibilities on customer loyalty in the telecommunication industry?

1.5 Significance of the Study
1.5.1 Government
Government agencies may use findings from this research to come up with strategies and polices that will enable companies to develop CSR that are in line with their policies.
1.5.2 Academicians and Researchers
With the increasing interest in corporate social responsibility and how it fits in the overall business strategy, this study will add to the pool of research that has been carried out in the area of CSR and will be used by other academicians and researchers as a point of reference.

1.5.3 Organizations.
The study will provide organizations with successful ways of handling CSR programs especially in the Kenyan telecommunications industry. It will help in setting the scene and will be used to understand how businesses and consumers look at companies and how they are ‘behaving’, and to measure changes in opinion over time.

1.6 Scope of the Study
The study was conducted in telecommunication industries in Kenya. This was a quantitative study, which used SERVQUAL tool to collect data from the target population. The target population was students at USIU-A, who have worked or are customers of any of the telecommunications companies existing in Kenya. Limitation of the study were time spent in the field distributing questionnaires. This is because many respondents were unwilling to answer and return the questionnaires. The study was conducted between January and April 2018.

1.7 Definition of Terms
1.7.1 Corporate Social Responsibility
Corporate Social Responsibility is the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve the quality of life, in ways that are both good for the business and good for development (Dahlsrud, 2008).

1.7.2 Customer Perception
Customer perception is the process in which customers select, arrange and interpret stimuli (Hawkins & Mothersbaugh 2010).
1.7.3 Customer Loyalty

Customer loyalty is the extent to which a customer remains and is willing to remain committed to one brand (Srivastava, 2015)

1.7.4 Customer Behavior

Consumer behavior is defined as the behavior that consumers display in searching for, purchasing, using, evaluating and disposing of products and services that they expect will satisfy their needs (Schiffman and Kanuk, 2010)

1.8 Chapter Summary

This chapter lays the foundation for the study. It documents a brief background on CSR. In doing so, the purpose of the study the impact of Corporate Social Responsibility on customer loyalty in the telecommunication industry has been summarized and research questions propagated. The significance and scope of the study have been examined to ascertain the importance of the study. The next chapter provides the literature review based on the research questions after which the research methodology, results and findings will be discussed.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This section presents the literature review based on the specific research questions, and the study analyzed past studies in order to have a better incite on the topic of interest, focusing on the impact of philanthropic, legal and ethical responsibility on customer loyalty in the telecommunications industry in Kenya.

2.2 Effects of Philanthropic Responsibilities on Customer Loyalty

2.2.1 Corporate Philanthropy and Customer Loyalty

Corporate philanthropy, or corporate giving, is the act of a corporation voluntarily contributing to the local, national, or overseas societies, done usually in partnership with nonprofit organizations. This refers to actions beyond the traditional endeavors of businesses. Most corporations usually identify both the societal and business reasons for giving back to the surrounding community (Porter & Kramer, 2002). The highest aspirations for corporate philanthropy is believed to not only encourage but to also nurture the nonprofit and philanthropy communities. These sectors are vital to producing sane, civil societies necessary for an effective business competition (Monteiro, 2006). McDonald and Thiele (2007) study on Corporate social responsibility and bank customer satisfaction among 720 respondents in the UK revealed that although creating customer satisfaction is not a prime motivation for instituting CSR programs, research that link CSR strategies with positive customer outcomes, such as loyalty, has led to the expectation that these strategies generally have positive flow-on effects for customers.

In addition, corporate philanthropy offers direct benefits to the corporate as such strong corporate philanthropy programs aids in creation of employee recruitment, retention, skill-building, teamwork, and morale. Additionally, it can also foster improved relationships with customers, vendors, and suppliers. In some cases, philanthropy initiatives at time facilitate the creation of new products, and penetration into new markets regionally and abroad (Campbell., William, Shadish, Cook, & Campbell, 2002). It is recommended that corporations should develop programs that are customized to accommodate the corporates strengths. Often, a mixed portfolio of cash, volunteerism, in-kind contributions, and pro
bono services offers the most sustainable solution. It is the considered the role of each organization to define the business and any societal outcomes that it intends to achieve and what resources it is best suited to offer. Often, this entails leveraging the corporation's competitive business advantages (Benioff & Adler, 2007).

A study by Gary and Anna (2013) in the UK British American Tobacco (BAT) plant to determine Corporate Philanthropy, Political Influence, and Health Policy, between June 2009 and May 2011 and after analyzing 459 documents based on a qualitative methodology, the study identified philanthropy as a means of achieving political mileage either as a technique through sponsored events or via charitable donations to access the policy élites through creating goodwill. It was also concluded that use of corporate philanthropy aids a firm in constituency building, access and relationship building, enhancement of the company's status as a source of credible information, as well as gain direct political advantage.

Corporate philanthropy supersedes what bottom-line duties require. It is a way a firm demonstrates values the company stands for, that is making a difference and being part of the ‘solution’ even when the turnover and profit are not increased. According to Georg, Peter and Irina (2016) study on exclusive corporate philanthropy, the paper was based on a profound literature review and the purpose was to create a better understanding of relationship of corporate social responsibility (CSR) and corporate philanthropy. The authors argued that corporate philanthropy was exclusive to CSR because of their varied characteristics. The four fundaments of corporate philanthropy expounded on included economic, motivational, creative and moral.

In the absence of an actively pursued business case, corporate philanthropy relies predominantly on the social values, sensitivity, and awareness of a firm’s top management. It is forms part of the management’s value framework, company culture and core values. The values of the decision-makers in any corporation is the fundamental concept that guides the corporations preferences. Academic literature suggests four possible motivations for philanthropic involvement, strategic, altruistic, political and managerial utility (Campbell et al., 2002).

While the core purpose of corporate philanthropy is altruistic, it can help create a positive ‘moral capital’ among stakeholders and communities and far beyond the firm’s direct
business relationships. It strengthens the motivation of personnel by increasing their pride to their company. Such ‘moral capital stock offers to a company and its shareholders an insurance for its intangible assets in the event of any unfortunate incidents. When such unplanned eventualities occur, a corporation requires a moral capital to fend off the negative perceptions however; this must be created before a mishap occurs. It has been noted that use of corporate responsibility fosters a positive workplace environment, increase employee engagement and result into a better public image with more media coverage as well as enhanced relationships with consumers. This study will therefore link these benefits to customer loyalty.

2.2.2 Positive Work environment and Customer Loyalty

Corporate philanthropy can be both external philanthropy and internal philanthropy and while external philanthropy are done by a corporate to a third party, internal corporate philanthropy on the other hand denotes actions made by the corporate to its own employees (Balakrishnan & Sprinkle, 2011). Corporate philanthropy on one hand enhances the reputation, thus positively affects the emotional commitment for the employees (Liu, 2006). On the other hand, the internal corporate philanthropy has also been applauded for offering direct benefit to internal employees, by giving them a caring and positive atmosphere, which in turn offers a positive behavior that not only promote employees’ incentive but also motivate them to work harder and perform better (Ke, Sun & Qiu, 2014).

Employees play a vital role in shaping the perception customers carry in their minds with regard to any company through their actions and behavior. Companies spend large amounts of money to create customer loyalty but often ignore the critical aspect of enhancing employee motivation in order to achieve their financial and non-financial goals. In the conditions of intense competition that companies operate in today, employees can play a very important role in winning customers’ hearts and minds (Balakrishnan & Sprinkle, 2011). According to Owino (2014) study consumer identification because of economic and philanthropic corporate social responsibility in Safaricom limited company where the 325 Safaricom clients of Kajiado County in Kenya was used as the target population. The study found out that both economic CSR and philanthropic CSR had a positive significant relationship with regard to consumer identification.
Besides, based on Social Exchange Theory, the association between the firm and its employees follows a principle of reciprocity where when individuals receive economic and social emotional resources that are offered by organization, they tend to feel certain obligation to give back to the organization (Cropanzano & Mitchell, 2005). Therefore, corporate philanthropy strengthens employees’ organizational recognition, commitment and improve their working performance. Similar results by Ke, Qiu and Jiang (2015) to examine the effect of corporate philanthropy on employees' organization commitment and job performance through the angle of workplace spirituality in different corporations in Beijing, using data collected from 347 employees revealed that corporate philanthropy positively affected organization commitment and job performance.

Motivated employees can bring better results as compared to unsatisfied employees. Employees perform their duty efficiently when they feel satisfied from their company (Zerbe, Dobni & Harel, 1998). Simon and DeVaro (2006) argued that investment in developing motivated employees is an expense for the firm that would benefit the organization in the end as it improves employee efficiency and quality of the service. Gittell, Nordenflycht, and Kochan (2004) warned that it must be remembered that minimizing the employee cost may lead to lower employee productivity and service quality.

2.2.3 Employee engagement and Customer Loyalty

Employees are attracted to an organization that is performing well. Everybody wants associated with success, and this includes everyone in an organization. Customers become loyal and this leads to sustainable competitive advantage making the organization in question stand out among many others in terms of success. It becomes the envy of many. Liao (2014) suggests that employees are at the core of a business success. People looking for jobs are attracted to such a company. They want part of the big team that makes it happen and recognized for their good work. Most of them want to do their very best to make sure that they are employed by such a company so they can contribute to its success. This is the reason one finds so many applications from different people when vacancies are announced for such organizations (Barney, 2013).

Getting new employees is not a difficult task since qualified people will always be there looking for jobs. Once employed, employers have to make sure that they satisfy them and make them feel comfortable around their work areas. The organization has to satisfy in order for them to give their best to the organization (Liao, 2014). Their morale affects each
other and even their customers. So once an organization has employed them, it should make sure that it motivates them and encourages them to grow always. Happy employees are easy to retain. Incentives work best in boosting the morale of employees (Liao, 2014). Incentives could range from fully paid holidays, commission on their sales, increase in their wages among others. A company that has loyal customers’ hence sustainable competitive advantage most likely will record good returns. Part of these should be making the employees happy by rewarding them from time to time (Oliver, 2013).

According to Öberseder, Schlegelmilch, and Murphy (2013) study on CSR practices and consumer perceptions, 30 in-depth interviews were done on managers and consumers. The interview protocols being one for managers and one for consumers. They were developed in consultation with several researchers who have extensively published in the field of CSR. The findings show that corporations and consumers distinguish carefully and differently among CSR domains. Employee, customer, environmental, and supplier domains are the most relevant for marketing management. Companies that plan the use of CSR as a part of their differentiation strategy should especially consider these domains in their communication campaigns, positioning, and even market segmentation.

2.2.4 Public Image and Customer Loyalty

Strategic corporate philanthropy on the other hand describes a contribution concept adopted by the corporate where present or future business functions are supported while at the same time creating some measurable social value. This style of philanthropy helps in improving the corporation’s financial performance and, thus, focuses on specific strategic interest to the institution. Recent years have illustrated a growth in strategic corporate philanthropy. Integrated with the corporate strategic plan and it endeavors to incorporate both the business interests and community needs. This is based on rational economic choice, where firms invest only in activities that create measurable value for shareholders.

Among the motivations for engaging in corporate philanthropy is to create a good relation with political stakeholders (Liston-Heyes & Ceton, 2007). Firms find it very lucrative to engage in areas traditionally looked after by the government. A previous study by Liston-Heyes and Ceton (2007) examined how CSR strategies of leading corporations in US impacted on and influenced by the political arena in which they operate. They established that the redistribution of funds from the institution to the public if properly done can help
in delivering a political mandate of an elected candidate, this thereby increase their chances of re-election back to office or promotion within the a political organ.

Campbell et al., (2002) emphasizes that the human element acts as an engine for corporate philanthropy. They add that managers may be in a position to use their position to express personal altruism (Arulampalam & Stoneman, 1995). Such personal attitudes may interact and facilitate a firm’s decision to engage in philanthropic functions by giving in to causes that are favored by managers in their personal capacity. There has also been established correlation between how decision makers feelings about social issues and their giving behavior (Córdoba & Campbell, 1999).

In nature, consumers should have a positive view about proactive corporate philanthropic activities. Previous studies done by Drumwright (1996) reported that over 65 percent of American adults had the belief that marketing should be incorporated as a standard part of a company’s activity; In addition, 79 percent would be more interested in buying product associated with what they cared about; and 84 percent believed such marketing created a positive company image. The Michael Peters Group (1991) reported that over 75 percent of consumers stated that their product decisions were in a way influenced by the overall image or reputation of the companies they interacted with on issues of social/environmental in nature. These surveys emphasized the importance of a good corporate image. Despite this, there also exists empirical evidence to support the relationship between a corporate image and purchase decisions. For instance, Keller & Aaker (1995) as cited in Szocs (2013) found out that there was a difference in behaviour between boycotter versus non-boycotters, it was also established that corporate image had an effect on attitudes toward the product for non-boycotters.

Wansink (1989) as cited in Szocs (2013) established that retailer’s reputation affected how consumers evaluated the attributes missing from their advertisements. Similarly, Brown and Dacin (1997) also noted that corporate ability and corporate social responsibility, influenced product evaluations through corporate evaluations. Netemeyer et al., (2001) also established that the organizations influence of being a “good corporate citizen” was directly related to consumers’ willingness to pay a price premium for the brand.
2.3 Effects of Legal Responsibility on Customer Loyalty

2.3.1 Legal Responsibility in the Business Sector

Society has not only sanctioned business to operate according to the profit motive; at the same time business is expected to comply with the laws and regulations promulgated by federal, state, and local governments as the ground rules under which business must operate. As a partial fulfillment of the "social contract" between business and society, firms are expected to pursue their economic missions within the framework of the law. Legal responsibilities reflect a view of "codified ethics" in the sense that they embody basic notions of fair operations as established by our lawmakers. They are appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system (Clarke, 1984).

Further Carroll, Lipartito, Post, Werhane and Goodpaster (2012) indicate that businesses are required to comply with the laws and regulations as a prerequisite of operating in the industry. Due to this, compliance officers have now become important in the business sector and hold high level position in many company organization charts. It is the expectation a of business unit that in synergy the firm ought to perform in a manner consistent with expectations of government and law. Complying by the set rules and regulations, conducting themselves as law-abiding corporate citizens and fulfilling all their legal obligations as well as offer goods and services that meet the minimal legal requirements set up (Carroll, 2015).

A case study carried out by Bediako (2017) indicated that the legal component of CSR does have an effect on customer loyalty. The case study showed majority of the customers strongly agree that their loyalty to the company was because of the compliance with the statutory laws and legal framework in the business operations. This means that the more a company carries out its business operations in a way that is acceptable to the government laws, the more loyal their customers become.

In Kenya, Ofunya (2015) study indicates that legal responsibility is one of the key factors influencing participation in corporate social responsibility by commercial banks in Kenya. In addition, Mutuku (2015) concludes that legal responsibility has a positive impact on an organizations performance. The specific legal responsibilities that Ofunya (2015) indicated
that had been carried out in the banking sector were undertaking the enactment of laws and regulations to comply with country laws, adhering to the code of ethics and conduct. Banks were dedicated to performing jobs with an even greater commitment to compliance and ethics undertaking the filing of timely financial performance returns, involvement in environmental protection, which include resource recycling and waste reduction, provision of litterbins at strategic locations and participation in cleaning exercises.

Rise in market competitiveness requires firms to have a constant attention towards the improvement of their products and services towards the satisfaction of customers’ growing demands. At this rate, it is not only the price and quality that influence purchase decisions but also the numerous requirements before the companies, which companies need to fulfill if to maintain their competitive position. Business strategy needs to recognize the interests of all of them. Therefore, management is facing new, bigger challenges than before. One possible option for companies may be to develop business strategy based on the concept of CSR, which means doing business with respect to the interests of all stakeholders and social norms.

In order to measure the effects of Legal responsibility on customer loyalty, we will look at it from the various antecedents either customer related factor such as overall satisfaction with the product. This are in line with Oliver (1997) study to determine customer delight: foundations, findings, and managerial insight. The paper attempted to provide a first step toward establishing a behavioral basis for customer delight, empirically testing its hypothesized antecedents and consequences, and exploring the resulting implications. The findings revealed that satisfaction was strongly related to pleasure and disconfirmation and had a clear effect on behavioral intention; the effect of delight on intention, however, appears moderated by the service context.

Trustworthiness of the firm is also a factor that influences loyalty. Chaudhuri and Holbrook (2001) research to establish chain of effects from brand trust and brand affect to brand performance on the role of brand loyalty. The authors compile an aggregate data set for 107 brands from three separate surveys of consumers and brand managers and the results have shown that brand trust is directly related to both purchase and attitudinal loyalty. Secondly, there are product related factors. Which include the product quality and brand image as noted in Pan and Li (2011) study where linguistic structure of destination image were
examined using China as an example. This study adopted two different data sources. The first one was the results of an online panel survey and the second involves Google search volume data for certain keywords as reported by Google Ad Words. It was concluded that destination-marketing organizations should promote the niche images as well as the commonly held images in their online marketing effort.

2.3.2 Effects of Legal Responsibility on Customer Satisfaction

A spate of identity thefts, data breaches and relentless media coverage of these issues has brought security issues to the forefront of not only consumers but also policy makers. This is even more important for financial industry (Somanchi & Telang, 2016). Users trust their banks to protect their financial assets and information. Unfortunately, hackers also realize that financial firms are an attractive target. Phishing attacks, social engineering, DDoS attacks are good examples of various ways the hackers try to breach firms’ security. They use these techniques to gain access to users’ credit card numbers, or bank account passwords and commit financial fraud. Policy makers have struggled to come to a consensus on how to protect users and reduce the number of breaches, frauds, identity thefts and so on.

There is a belief that firms’ incentives are not as well aligned with user incentives. After all, end users pay a significant price for insecurity and fraud. However, passing stringent regulations are also opposed by industry arguing that many regulations are ineffective and increase the cost of business. That said, a key goal of policy makers has been to increase the transparency of business practices. For example, the data breach notification laws passed by majority of states over the last decade force firms to notify users of potential data breaches. In fact, a large number of data breaches reported in the newspapers is possibly an outcome of these regulations where, firms were forced to disclose breaches. The goal of transparency and disclosure is to name and shame the firm, and allow users to take appropriate steps in protecting themselves. Thus, transparency improves competition since users start paying attention to firm practices. Similarly, firms are wary of bad press and hence have incentives to protect customers (Romanosky et al., 2011). Financial firms also face other regulations that ensure that they protect customer accounts.

2.3.3 Effects of Product Quality on Customer Loyalty

According to Susanti (2014) study to determine the effect of product quality and service quality towards customer satisfaction and customer loyalty in traditional restaurants in east
This research found out that product quality and service quality has significant effect on customer satisfaction. Customer satisfaction has a significant effect on brand loyalty. In addition, customer satisfaction acts as a mediator between exogenous variables to consumer loyalty. These results indicate that exogenous variables significantly influencing on brand loyalty are product quality and service quality. These results suggest that company should improve product quality and service quality that affect customer satisfaction and customer loyalty.

Similarly, Yuen and Chan (2010) study attempted to examine the impacts of the retail service quality dimension (Interaction, Policy, Physical Aspects, Reliability and Problem Solving) and the product quality dimension (including Features, Aesthetics and Customer-perceived Quality) on customer loyalty. It focused on the 200 store and staff levels of retail relationships, in particular on a specific sector of the retail industry, the curtain retail sector. Data was collected through a survey of existing customers of a window fashion gallery and further coded using the Statistical Package for the Social Sciences. The study shows that only three dimensions (Physical Aspects, Reliability and Problem Solving) are positively related to customer loyalty to store, and one dimension (Personal Interaction) of retail service quality is positively associated with customer loyalty to staff.

In previous studies like Flavio, Filho, and Bonney (2009) paper to present a practical proposal for integrating production control (PC) and quality control (QC) at the shop floor level of the world’ largest pencil factory which is situated in Brazil between 2004 and 2005, and Golder, Mitra, and Moorman (2012) research where the authors presented an integrative framework of quality that captures how firms and customers produce quality (the quality production process), how firms deliver and customers experience quality (the quality experience process), and how customers evaluate quality (the quality evaluation process). Both which offers support to Deming (1982) classical quality control of high-product quality hypothesis. Their findings posit that production management functionaries should aim at measuring, understanding, and improving production process and material flow.

Good services can be produced in accordance to enhanced safety specifications to meet or exceed prevailing consumer flavor and expectations to enhance revenue acquisitions for businesses. Feigenbaum (1991) and Flavio, Filho and Bonney (2009) argued for the adoption of the importance of production control (PC). Their findings posit that PC
determines and regulates schedules, coordination, commands and monitor material flows and activities in production system in short-term measures to improve customer satisfaction and promote sustainable consumption (Zaifang and Xueling, 2010). Flavio et al., (2009) and Verhoef and Lemon, (2013) believed there is a way to integrate product quality and quality control for repetitive production systems on the production line to boost customer satisfaction.

Interestingly, Hohner, Kagemann, and Inman (2010) findings did not find or mention any practical method(s) for establishing the relationship between the product quality and the quality control. Raturi and Evans (2004); Xu, Leung, and Yan, (2013) believed consumers have the final say on quality, which means that quality efforts not only focus on simply meeting the specifications and reducing defects and variations but also ensuring the reliability of products when they reached the consumers. Increased product durability or design lifetime mapped into an additional flow of utility from the system (Saleh, 2008). Product quality has direct link with positive effect on market share (Tellis, Yin and Niraj, 2009). Improving insights of the quality of goods motivate customer satisfaction (Cameroon, Moizer and Pettinicchio, 2010).

Hence, quality impact on customer satisfaction affects higher lifetime value for consumers and businesses, for instance Fetscherin and Toncar (2009) research using objective data from the largest German Automobile Association, including actual prices, objective quality ratings of product attributes and market share of brands, were used to estimate their effect on the actual price set by the manufacturer and paid by consumers for those automobiles in Germany. By conducting multiple hedonic regressions, the results show that five out of the eight product attribute categories used in this research (chassis, interior, comfort, engine and safety) influenced the price paid by consumers. In addition, when brand dummy variables are added to the model, the explanatory power of the proposed model increases.

Superior product quality (Besio and Pronzini (2010); Knudsen (2010); Tsekeris (2010); Fetscherin and Toncar (2009); Wolf (1986) lead to good reputation of firms (YenKuandKung-Don, 2009) hence, great number of CEOs establish strategic goals for quality improvement and performance monitoring to improve product quality (Joanna, Lockee & Bass, 2008). Therefore, taking corrective actions to improve customer perception of quality changes is of paramount importance because the strategies motivate consumer behaviors to incremental revenue acquisitions (Iyer & Kuksov, 2010). Herrington and
Weaven (2009) echoed Feigenbaum (1991) findings and argued for the introduction of quality control and high-quality production to appraise product safety that leads consumer satisfactions. The postulation of Weaven (2009) contain a range of diversified knowledge of quality product and services, such as total quality control, buyer's profile, quality responsibility, system approach to quality, quality assurance inspection, modern quality-control equipment, and product reliability. These concepts argue for product control systems that minimize product cost without negatively compromising on product costs so that consumer satisfactions related to safety achieved (Mahapatra, Kumar & Chauhan (2010); McCollough, (2010).

2.4 Effects of Ethical Responsibility on Customer Loyalty

Ofunya (2015) defines ethical responsibility as the adherence to responsible practices such as accountability, human rights and environmental awareness, ensuring priced products and services to the customers’ satisfaction, adherence to ethical marketing, and compliance with disclosure requirements. Clarke (1984) showed that ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law. Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights.

In one sense, changing values precede the establishment of law because they become the driving force behind the very creation of laws or regulations. For example, the environmental, civil rights, and consumer movements reflected basic alterations in societal values and thus may be seen as ethical bellwethers foreshadowing and resulting in the later legislation. In another sense, ethical responsibilities may be seen as embracing newly emerging values and norms society expects business to meet, even though such values and norms may reflect a higher standard of performance than that currently required by law. Ethical responsibilities in this sense are often ill defined or continually under public debate as to their legitimacy, and thus are frequently difficult for business to deal with (Clarke, 1984).

Generally, ethics is the study of what is right and what is wrong. Organizations normally use business ethics that is therefore the study of what is right and what is wrong in business
by having ethical managers striving to act “right” and do good things while avoiding the “evil” things such as protection of life, fairness, obedience to law and holding honesty in the organization’s dealings. The purpose of having a clear view of ethical values in an organization is that it can work as a mechanism, which can control employees’ behavior, and the strongest forces that affect different code of conducts are viewed as leadership, strategies and policies, organization culture and individual characteristics (Steiner & Steiner, 2002). According Ornstein (2004), CSR strategies, more so ethical programs benefit both the company and the community.

Ofunya’s (2015) study findings showed that that out of the 24 banks that participated in his study, 23 of them were influenced to participate in CSR by the fact that it facilitates adherence to responsible practices such as accountability, human rights and environmental awareness. 22 of the banks were influenced to participate in corporate social responsibility because of its ability to ensure that products and are priced to the customers’ satisfaction. The findings further show that 23 of the banks were influenced by CSR’ ability to ensure adherence to ethical marketing and another 23 banks were influenced by CSR’s ability to ensure compliance with disclosure requirements. In view of the business ethics and its effect on customer loyalty, the study will focus on ethical responsibility with regard to the role of the employee, specific the sales and marketing team as discussed next.

2.4.1 Ethical Sales Behaviour and Customer Loyalty

Nowadays, smart managers have been looking beyond customer satisfaction toward customer loyalty because customer satisfaction is not the sign of repurchasing. In marketing management, it is crucial to ensure customer loyalty and obtain benefits from extending customer life as profitable and long-term investments for any business. In general, customer loyalty has been recognized as an important source of sustainable competitive advantages due to customer retention, repurchase, and long-term customer relationships (Rust, Zeithaml, & Lemon, 2000). Ganesh, Arnold, and Reynolds’ (2000) research to establish an understanding the customer base of service providers, an examination of the differences between switchers and Stayers and using 200 usable responses, noted similar findings.

In service organizations, salespersons are most visible representatives (Crosby, Evans, & Cowles, 1990) and their face-to-face interactions with customers have been traditionally considered as one of the most important determinants of customer loyalty (Grönroos, 1990). However, such a relationship may be ruined by salespersons’ dishonest and
untrustworthy behaviors (Kelly & Schine, 1992). Those immoral actions not only influence customers’ perspectives, but also hurt the customer commitment, trust, and loyalty. Many previous studies mentioned the ethical sales behavior under supervisor’s perceptions (Ramsey, Marshall, Johnston & Deeter-Schmelz, 2007).

Nevertheless, this current study will dwell on the concept of ethical sales behaviors from the customers’ perspectives. A salesperson who behaves ethically is more effective at building customer relationships, as well as getting customers satisfied, trusted, and committed (Hansen & Riggle, 2009). Consumers often rely on salespersons who are representatives of business to provide the correct information and proper guidance (Howe, Hoffman, & Hardigree, 1994). Therefore, good ethics in business can enhance business results, which leads to sustainable development of organizations (Weeks, Loe, Chonko, & Wakefield, 2006). Notwithstanding the influences of ethical sales behaviors on customer loyalty are generally recognized, there have been limited empirical demonstrations in reality (Hansen & Riggle, 2009).

Nowadays, ethical sales behavior plays a vital role in promoting customer welfare for organizations (Roman & Ruiz, 2005). An organization is perceived as ethical when its customers expect its ethical sales behaviors (Ganesh et al., 2000). Ethical behaviors of salespersons are defined as conformance to social norms including fair play, honesty, and full disclosure (Roberson & Anderson, 1993), which enable salespersons to foster customer long-term relationship based on customer satisfaction and trust (Roman & Munuera, 2005). However, it is often very difficult to draw the line between ethical behaviors and unethical ones because we must base on proposed acts, which are about right versus wrong, good versus evil, fair versus unfair, or just versus unjust (Roman, 2003). Moreover, a salesperson is only perceived ethical in a specific situation with ambiguous constructs (Lagace, Dahlstrom, & Gassenheimer, 1991).

In other words, ethical sales behavior is regarded as a mutual relationship in fair and equitable exchange; and when customers perceive a favorable relationship, positive feedback will probably be initiated. Previous studies; Hansen and Riggle (2009); Lagace et al., (1991); Roman and Ruiz (2005) pointed out that in the short-run salesperson’s behavior that can enable them to gain at the expense of customers is considered unethical sales behavior. More specific, those activities include giving deceiving benefits of a product/service; lying or exaggerating product availability, or the competitor’s information;
selling obsolete products/services; responding to customers with unreliable answers; and implementing pressing selling techniques (Cooper & Frank, 2002; Futrell, 2002), which can give rise to customer frustration, bad images, loss of sales and profits (Burnett, Pettijohn & Keith, 2008). This current study used the definition of Roman (2003) which focuses on the salesperson ethical behavior perceived by customers during interaction.

Various studies have shown that customer trust in a salesperson can be earned through his/her honest actions (Alrubaiee (2012); Swan, Bowers and Richardson (1999). Swan et al., (1998) concluded that salespersons’ behaviors could help to establish trust between themselves and their customers. Chen and Mau (2007) also showed that ethical or unethical behaviors of salespersons could develop or ruin customer trust. Furthermore, there were empirical evidences in B2C to support the idea that a salesperson’s ethical behavior positively affects customer trust (Roman & Ruiz, 2005), and similar results were observed in B2B fields (Hansen & Riggle, 2009). Hansen and Riggle (2009) pointed out that the influence of ethical sales behavior on customer commitment is totally mediated by customer trust to the salesperson. Nonetheless, because we wanted to fully investigate the impact of ethical sales behavior on other constructs in a different context, the following hypothesis was set up for testing.

2.4.2 Effects of Trust on Customer Loyalty

For many decades, the conception of trust has achieved appreciable implication in the field of marketing, not only for products as well as for services (Kantsperger & Kunz, 2010). Harridge-March (2006) depict that when we have to make a choice among different products of a same category then trust involves. It is an essential asset of a person, product, organization, institution and skill, the buyer will go for trust worthy asset mention above. Al Hawari (2011) suggested customer trust as an important variable that enhance customer commitment, he also stated that quality of services enhances customer trust. Loyalty, for years, has an important and fundamental ingredient of marketing (Ball, Coelho, & Macha’s, 2003). It has been a burning subject matter in marketing, not only for commerce academics, but also for industry managers (Vieira & Damacena, 2007).

After restraining the state of trust customer tends towards loyalty. As Ndubisi (2007) find that trust is very important factor that built loyalty and there is a significant and positive relationship between trust and loyalty. Building customer confidence and providing quality service leads the organization towards enhancing customer trust and at the end trust make
the customer loyal. Customer retention has been a noteworthy issue since the mid-1990s (Ang & Buttle, 2005). So for the application of marketing plans, marketing department need a lot of financial, technological and human resources. The marketing department of every company realizes that its cost lesser to retain the prior customer than getting in hands new customers (Coyles & Gokey, 2005). Customer retention is a serious business intention (Farquahar, 2003), because it requires more finance as cost to sell the products or services to fresh customers rather than selling these products or services to the existing customers (Aydin & Ozer, 2004).

Trust is the most important element in the field of economics, management, philosophy and psychology. Davis and Schoorman (1995) elaborated that trust is willingness of one party upon another party to act as expected and perform a particular action. Trust has significant effect between long-term relationships and customer loyalty (Bowen & Shoemaker (2003) and Chu (2009). Aydin & Ozar (2005) explain that mobile service providers can develop subscriber loyalty by raising service quality, establish trust and making attractive option. Ling and Wang (2005) explained that trust and perceived value have a positive effect on customer retention and customer loyalty. According to Gaunaras (2003), trust is an essential part in all types of relationships. In short, trust have a positive effect on loyalty, outcomes and repurchase behaviour (Doney et al., 2007). Trust is also used to develop a relationship between two parties, which leads to retention behaviour. When we study retention elements in service sector it is linked to satisfaction, trust and commitment (Garbarino & Johnson, 1999). The researchers may also conclude that service quality, corporate image, trust and switching cost are those elements that are antecedents of customer retention and loyalty.

2.4.3 Effects of Commitment on Customer Loyalty

Commitment is an important element to create a successful relationship between two parties. This concept is valid by many scholars (Bansal et al., 2004; Sanchez and Iniesta (2004); Hess and Story (2005) who explain that commitment affects the customer retention. Moorman et al., (1992) define that commitment is an important element in customer retention and argue, “It is a long term desire to maintain a valued relationship”. The level of trust influences commitment because when trust exists and parties has confidence they will not make commitment with other parties. Furthermore, commitment is a part that develops long-term relationship and maintains customer loyalty (Sanchez & Iniesta, 2004).
Previous study indebted that commitment is playing an essential role in retention behavior and defines consumer issues (Lachman et al., 1979). Commitment has two dimensions: affective commitment and calculative commitment. Calculative commitment is economically based and most rational due to switching costs, but affective commitment is emotional based and involves personal attachment of the customer to the company (Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Commitment has not a significant effect on trust and dependence. Quality is an essential part in creating affective commitment in the future. When a customer gets quality service from the organization, it increases satisfaction level and leads to affective commitment.

2.5 Chapter Summary

This chapter presented the literature review in line with the research questions, which were to determine the effect of philanthropic responsibilities on Customer Loyalty in the telecommunication industry; the impact of legal responsibilities on Customer Loyalty in the telecommunication industry, and the effects of ethical responsibilities on Customer Loyalty in the telecommunication industry. The next chapter provides the methodology of the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology for the study on finding out the impact of CSR on customer loyalty. The chapter highlights the research design used in the study, identifies, and describes the population of the study. It defines and explains the sampling design for the study and determines the sample size of the study. This Chapter further explains the data collection instrument for the study, research procedure and the data analysis methods used.

3.2 Research Design

Research design is the overall plan of connecting the conceptual research problem to the empirical research (Cooper & Schindler, 2014). In other words, research design articulates what data is required, what methods is going to be used to collect and analyze data, and how the data is used to answer the research question. The research design can be explanatory, exploratory, predictive, descriptive and evaluative (Saunders, Lewis, & Thornhill, 2016).

Exploratory research design is applied when the projects or research addressed has high levels of uncertainty and ignorance about the subject and when the problem is not very well understood. This research design is flexible and there is no formal structure due to the nature of the research that is being addressed. Descriptive research design is more structured than exploratory design. The objective of the descriptive research design is to provide an accurate and valid representation of the factors or variables that are relevant to the research question. Explanatory research design is applied when the researcher is analyzing causal effects between variables in the research. It is analytical in nature and structured (Cresswell, 2013). The study adopted descriptive correlational design because it sought to establish relationships between the variables (Creswell, 2014). This research design was appropriate because it examines the effect on one variable on another. It allows inferences drawn about associations or relationships between variables (Saunders, Lewis & Thornhill, 2016).
3.3 Population and Sampling Design

3.3.1 Population

Saunders *et al.*, (2016) define the target population as the total number of individuals where the sample can be drawn from. A population contains members of a group that the researcher is interested in studying. This study targeted customers/employees of the three main telecommunications companies in Kenya. Due to the time constraints, the population therefore constituted of USIU-A alumni students who had worked in the telecommunications industry more, because majority of them are business students that is the area related to this study. The list was obtained from the USIU-A Alumni office and LinkedIn. It was then circulated to the target population via e-mail. The distribution of target population is shown in Table 3.1.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Category</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Safaricom Ltd</td>
<td>43</td>
</tr>
<tr>
<td>Airtel Ltd</td>
<td>36</td>
</tr>
<tr>
<td>Orange(Telcom)</td>
<td>21</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

(Source USIU-A Alumni Office, 2018 & LinkedIn).

3.3.2 Sampling Design

Sampling design is defined as the method of collecting items observed for the given study that aims to combine relevance to the research purpose with economy in procedure. It is also the method chosen to select the sample from the overall population (Creswell, 2014). It consists of the sampling frame, sampling technique and sample size described next.

3.3.2.1 Sampling Frame

A sampling frame is defined as a pool from which sample is drawn. It should be comprehensive, reliable, correct and appropriate and it should be as representative of the population as possible (Cooper & Schindler, 2014). The sampling frame was drawn from the USIU-A’ Alumni list. Focusing on the alumnus who had worked in the telecommunications industry. Therefore, the sample frame opted for the study comprised of 100 USIU-A, alumni students.
3.3.2.2 Sampling Technique

The study used a stratified sampling technique. As noted by Cooper and Schindler (2008) analysis, stratified technique of sampling brings in sub sets of population segmentation termed as strata where a special population sample is retrieved from different identified strata. USIU-A alumni were clustered according to the company they had worked for in the telecommunications industry. The three major players in the telecommunications industry in Kenya are Safaricom Ltd, Airtel and Telkom.

3.3.2.3 Sample Size

Kothari (2014) defined sample size as the number of items selected from a population to constitute a sample. He further stated that the sample size should be neither excessively large nor too small and it should fulfil the requirements of efficiency, representativeness, reliability and flexibility. This study utilized the sampling method that was developed by Yamane (1967) to calculate the sample size in his elementary sampling theory. This method was preferred due to its advantages of being easy to use and being well applicable in most populations and, being scientific. According to Yamane (1967), sample size can be calculated using the formula.

\[
n = \frac{N}{\left(1 + N(e^2)\right)}
\]

Where: \(n\) denotes the sample size, \(N\) denotes the size of the target population (100) and \(e\) denotes the precision error which in our case we shall use 0.01. If we apply these values into the formula the sample size becomes:

\[
n = \frac{100}{1+100(0.01)^2} = 99
\]

This implies that in our study we had a sample size of 99.

We can also use the rule of thumb for determining the sample size, where if the population is less than 100 the entire population is considered the sample size.

3.4 Data Collection Methods

Data collection methods refer to the techniques used to gather data for a study. Data collection can be done either through primary data collection or secondary data collection and sometimes both. Primary data is data collected afresh and for the first time therefore
implying original data. Secondary data refers to data which someone else has already collected and which has been passed through statistical processes (Creswell, 2014).

This research used primary data collection method by use of a structured questionnaire. The decision to use primary questionnaire was determined by the convenience of administration of the tool since the respondents could be located at their various organizations, the development and preparation of the tool was relatively less time consuming and inexpensive than other collection tools, it is free from bias, respondents have time to think about their answers as they respond, and most importantly, samples can be made use of which eventually leads to the data being highly dependable and reliable (Creswell, 2014). The instruments of measurement for the research questionnaire were developed using SERVEQUAL tool, which is survey tool, used to carry out similar studies especially service industry-related studies across sectors. The questionnaire was divided into two major categories. These categories covered; (i) demographic data, (ii) measurement items mainly on customer loyalty by Ishaq (2012) legal responsibility by Caroll and Shabana (2010), ethical responsibility and philanthropic responsibility. All items used for the study were measured on seven point Likert-type scale (1=strongly disagree and 7=strongly agree).

3.5 Research Procedures

These can be defined as the major steps for measuring variables and collecting data to test hypothesis. The first step was to develop the data collection tool. The data collection instrument was a structured questionnaire. The researcher developed the tool with assistance from the supervisor. The questionnaire contained two main sections, where section one covered the demographic data and section two covered measurement items mainly on customer loyalty by Ishaq (2012) legal responsibility by Caroll and Shabana (2010), ethical responsibility and philanthropic responsibility. All items used for the study were measured on seven point Likert-type scale (1=strongly disagree and 7=strongly agree). In order to proceed to the pilot study, the researcher sought permission to pilot from the supervisors and the Dean, Chandaria School of Business.
3.5.1 Pilot Study

A pilot study is a survey carried out before the main data collection procedure with an aim of testing the questionnaire; it is the rehearsal of the main study. It can be conducted with an aim of determining a more appropriate and efficient stratification plan and revealing the weaknesses of the questionnaire. The questionnaire may be edited in the light of the results of the pilot study. A pilot study can also help the researcher to come up with a reasonable approximation of the p value (proportion of the defectives in the population) (Kothari 2014). According to Cooper and Schindler (2014), a pilot study is valuable to the researcher as it helps him/her identify unclear or ambiguous items in the questionnaire. They state that it also helps the researcher identify practical problems of the research procedure. In this study, the pilot study was carried out by calculating sampling 15% of the sample in the different strata. This implies that a sample of 15 respondents filled the questionnaires for the purpose of the pilot study. The questionnaires were sent to the target population via e-mail to fill in and return via e-mail.

3.6 Data Analysis Methods

This study used quantitative method of data analysis. To ensure easy analysis, the questionnaires were coded accordingly and analyzed using Statistical Package for Social Sciences (SPSS) program. The analysis process involved the process of transforming raw data into tables, charts, with frequency distribution and percentages to provide key answers to the research questions. The quantitative analysis comprised of both descriptive and inferential analyses. In finding out the association between the variables of the study, regression analysis, cross-tabulations and correlations were conducted permit further interpretation of the data.

3.7. Chapter Summary

The chapter outlined the methodology for the study. The chapter also identified and described the research design for the study as explanatory research design. It also noted that this design facilitated the answering of the three research questions. The chapter also defined the population for the study and identified the sampling design used in the study. The chapter has also identified the sample size and the data collection methods applied in the study. The chapter indicates that the study used a structured questionnaire to collect relevant data from the research participants. The research procedure and the intended
method for data analysis was also defined. The chapter points out that a spectrum of descriptive and inferential statistics was used to present the research results and to interpret the data. These include the use of pie charts, column and bar graphs, as well as cross-tabulations, correlations. Chapter four presents the results of the study while chapter five provides a recap of the study including the summary of the major findings, discussion, conclusion and recommendations.
CHAPTER FOUR

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction
This chapter details the analysis of data collected. Data was analyzed using both descriptive and inferential analysis techniques. The results were presented according to the research questions. The study aimed to collect data from a purposive random sample of 100 students who had been or are current customers of any of the main players in the telecommunications industry. The study was to find the impact of philanthropic responsibility, legal responsibility, and ethical responsibility on customer loyalty.

4.2 Response Rate
Data for this study was collected in the form of questionnaires. Participants were asked to indicate the extent to which they agreed with statements on philanthropic, legal, ethical, economic responsibilities and customer loyalty of the respondent towards the respective companies. One hundred questionnaires were handed out to respondents and 89 were returned. Therefore, representing a response rate of 89%. The response rate helps to produce accurate useful results that represent the target population.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responded</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td>Did not respond</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 Demographic Information
In this section, the demographic analysis of the respondents is presented. The demographic features presented in the study included the gender of the respondents, age of the respondents, highest level of education attained, length of service of the respondents while working for or being served by the company, level of CSR knowledge and . Data was presented in figures to give a clear picture of the features being reviewed.
4.3.1 Gender
According to the results, a majority of the respondents 64% were female while the male respondents were 36%. This is illustrated in figure 4.3.1.

![Gender Pie Chart](image)

**Figure 4.1: Gender**

4.3.2 Age of Respondents
The study presented the distribution of the respondent’s age. The findings obtained indicate that 73% of the respondents were aged between 21-29 years, 24% were aged between 30-39 years while 3% were aged 40-49 years. The findings were presented in figure 4.2.

![Age Bar Chart](image)

**Figure 4.2: Age of Respondents**

4.3.3 Respondents Highest Level of Education
The results showed that majority of the respondents, 94% had a bachelor’s degree and 6% had a diploma.
4.3.4: Response on Telecommunication Company Respondents has worked with
Figure 4.4 showed that majority 29% were employees of Safaricom Ltd, 49% were employees of Airtel and 21% were employees of Telcom (K) Ltd.

4.3.5 Respondents Work Experience
The study sought to find out the work experience of the respondents. The results on figure 4.5 showed that 70% had worked for a period of 0-5 years, 17% had worked for a period of between 11-15 years and 13% had worked for 6-10 years.
4.4 Descriptive Statistics of Study Variables

This section provides the descriptive statistics of the statements measuring study variables. The analysis is organized in accordance to research questions.

4.4.1 Influence of Philanthropic Responsibilities on Customer Loyalty

The study sought to establish the effect of philanthropic responsibilities on Customer Loyalty. The findings presented in table 4.2 indicate that 44% of the respondents agreed that the firm supports culture and activities of local community. Thirty-nine percent of the respondents agreed that employees participate in charitable activities of local community. Forty-five percent agreed that organization supports private and public educational institutions and 54% agreed that organization assists in enhancing local community's quality of life. The standard deviation of the respondents was low and ranged from 1.142 to 1.550 indicating that the responses given by the respondents were almost similar.

<table>
<thead>
<tr>
<th>Item</th>
<th>Philanthropic Responsibilities</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR1</td>
<td>Firm supports culture and activities of local community</td>
<td>22</td>
<td>10</td>
<td>22</td>
<td>12</td>
<td>33</td>
<td>3.22</td>
<td>1.550</td>
</tr>
<tr>
<td>PR2</td>
<td>Employees participate in charitable activities of local community</td>
<td>10</td>
<td>22</td>
<td>28</td>
<td>30</td>
<td>9</td>
<td>3.06</td>
<td>1.142</td>
</tr>
<tr>
<td>PR3</td>
<td>Org supports private and public educational institutions</td>
<td>30</td>
<td>7</td>
<td>18</td>
<td>29</td>
<td>16</td>
<td>2.93</td>
<td>1.491</td>
</tr>
<tr>
<td>PR4</td>
<td>Org assists in enhancing local community's quality of life</td>
<td>13</td>
<td>17</td>
<td>16</td>
<td>25</td>
<td>29</td>
<td>3.39</td>
<td>1.411</td>
</tr>
</tbody>
</table>
4.4.2 Influence of Legal Responsibilities on Customer Loyalty

The study sought to establish the effect of legal responsibilities on Customer Loyalty. The findings presented in table 4.3 indicate that 67% of the respondents agreed that their organization operates consistently with government expectations and law. Sixty-four percent of the respondents agreed that their organization obeys federal, state and local regulations in terms of CSR. Fifty-eight percent of the respondents agreed that their organization fulfils its legal obligation in terms of CSR and 60% of the respondents agreed that their organization meets minimal legal requirements related to goods & service. The standard deviation of the respondents responses were low and ranged from 1.186 to 1.301 indicating that the responses given by the respondents were almost similar.

Table 4.3: Legal Responsibilities Influence on Customer Loyalty

<table>
<thead>
<tr>
<th>Item</th>
<th>legal responsibilities</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>LR1</td>
<td>Org operates consistently with government expectations and law</td>
<td>6</td>
<td>6</td>
<td>21</td>
<td>22</td>
<td>45</td>
<td>3.96</td>
<td>1.186</td>
</tr>
<tr>
<td>LR2</td>
<td>Org obeys federal, state and local regulations in terms of CSR</td>
<td>11</td>
<td>3</td>
<td>21</td>
<td>30</td>
<td>34</td>
<td>3.72</td>
<td>1.279</td>
</tr>
<tr>
<td>LR3</td>
<td>Org fulfils its legal obligation in terms of CSR</td>
<td>9</td>
<td>10</td>
<td>22</td>
<td>29</td>
<td>29</td>
<td>3.60</td>
<td>1.259</td>
</tr>
<tr>
<td>LR4</td>
<td>Org meets minimal legal requirements related to goods &amp; service</td>
<td>9</td>
<td>6</td>
<td>26</td>
<td>17</td>
<td>43</td>
<td>3.79</td>
<td>1.301</td>
</tr>
</tbody>
</table>

4.4.3 Influence of Ethical Responsibilities on Customer Loyalty

The study sought to establish the effect of ethical responsibilities on Customer Loyalty. The findings presented in table 4.4 indicate that 62% agreed that their organization focuses on maximizing earnings. Sixty-seven percent were in agreement that their organization prevents unethical behaviors to achieve org goals. Seventy-nine percent agreed that their organization makes an effort to good citizenship. Sixty-eight percent agreed that their organization makes a follow-up on all CSR activities. Fifty-six percent agreed that the policy of CSR of organization meets my expectations. Sixty-two percent agreed that the overall satisfaction with CSR activities of the firm. Fifty-eight percent agreed that the overall satisfaction with product/services of firm. The standard deviation of the respondents...
responses regarding statements measuring ethical responsibilities were low and ranged from 1.002 to 1.428 indicating that the responses given by the respondents were almost similar.

Table 4.4: Ethical Responsibilities Influence on Customers’ Loyalty

<table>
<thead>
<tr>
<th>Item</th>
<th>Ethical responsibilities</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER1</td>
<td>Org focuses on maximizing earnings</td>
<td>10</td>
<td>17</td>
<td>11</td>
<td>19</td>
<td>43</td>
<td>3.67</td>
<td>1.428</td>
</tr>
<tr>
<td>ER2</td>
<td>Org prevents unethical behaviors to achieve org goals</td>
<td>2</td>
<td>18</td>
<td>12</td>
<td>30</td>
<td>37</td>
<td>3.82</td>
<td>1.183</td>
</tr>
<tr>
<td>ER3</td>
<td>Org makes an effort to good citizenship</td>
<td>2</td>
<td>6</td>
<td>13</td>
<td>34</td>
<td>45</td>
<td>4.13</td>
<td>1.002</td>
</tr>
<tr>
<td>ER4</td>
<td>Org makes a follow-up on all CSR activities</td>
<td>3</td>
<td>11</td>
<td>17</td>
<td>46</td>
<td>22</td>
<td>3.73</td>
<td>1.042</td>
</tr>
<tr>
<td>ER5</td>
<td>The policy of CSR of org meets my expectations</td>
<td>7</td>
<td>16</td>
<td>21</td>
<td>19</td>
<td>37</td>
<td>3.64</td>
<td>1.308</td>
</tr>
<tr>
<td>ER6</td>
<td>Overall satisfaction with CSR activities of the firm</td>
<td>6</td>
<td>15</td>
<td>17</td>
<td>31</td>
<td>31</td>
<td>3.69</td>
<td>1.221</td>
</tr>
<tr>
<td>ER7</td>
<td>Overall satisfaction with product/services of firm</td>
<td>6</td>
<td>17</td>
<td>19</td>
<td>16</td>
<td>43</td>
<td>3.73</td>
<td>1.321</td>
</tr>
</tbody>
</table>

4.4.4 Customers’ Loyalty

Respondents were asked to rate statements measuring customer loyalty. The findings presented in table 4.5 indicate that 72% agreed that they would like to positively speak to surrounding people about organization. Sixty-three percent agreed that they would like to patronize their organization. Seventy-eight percent agreed that they would like to recommend their organization to colleagues seeking advice. Fifty-eight percent agreed that the policy of CSR at organization meets expectations. Sixty-one percent agreed that they are satisfied with CSR activities of their firm and 63% agreed that they are satisfied with products/services of firm.

Table 4.5: Customers’ Loyalty

<table>
<thead>
<tr>
<th>Item</th>
<th>Customer Loyalty</th>
<th>SD (%)</th>
<th>D (%)</th>
<th>N (%)</th>
<th>A (%)</th>
<th>SA (%)</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CL1</td>
<td>Would like to positively speak to surrounding people about organization</td>
<td>8</td>
<td>10</td>
<td>10</td>
<td>27</td>
<td>45</td>
<td>3.91</td>
<td>1.294</td>
</tr>
<tr>
<td>CL2</td>
<td>Would like to patronize my organization</td>
<td>7</td>
<td>2</td>
<td>28</td>
<td>30</td>
<td>33</td>
<td>3.80</td>
<td>1.130</td>
</tr>
<tr>
<td>CL3</td>
<td>Would like to recommend org to colleagues seeking advice</td>
<td>7</td>
<td>7</td>
<td>8</td>
<td>40</td>
<td>38</td>
<td>3.97</td>
<td>1.162</td>
</tr>
</tbody>
</table>
4.5 Inferential Statistics

4.5.1 Exploratory Factor Analysis, Reliability Analysis and Normality

To identify the clustering of items to measure their respective constructs, exploratory factor analysis was conducted which consisted on assessment of sampling adequacy through Kaiser-Meyer-Olkin (KMO) measurement whereby high values close to one are accepted. Table 4.6 gives an evidence that KMO value attained 0.835, which is close to 1 and therefore implies that the data was sufficient for factor analysis (Bordens & Abbot, 2014). Principal component analysis (PCA) method with Promax rotation algorithm was then used to assess the dimensionality of each variable. Based on Kaiser’s criterion, four (4) factors out of twenty-four (24) factors were imputed. The four factors imputed had eigen values greater than one accounting for 80.130% of the variance in the original variables.

The internal consistency of the variables was evaluated using Cronbach’s Alpha. Results presents achievement of reliability since the values were above the threshold 0.7 (ethical responsibilities, α=0.906), (legal responsibilities, α=0.942), (Customer Loyalty, α=0.911) and (philanthropic responsibilities, α=0.896). The normality of the study variables was tested using skewness and kurtosis statistics. All of these values of skewness and kurtosis indices for all the variables did not exceed the absolute values of 1 and, therefore, the data set was considered to follow normal distribution and consequently the relationship would be tested using regression.

Table 4.6: Exploratory Factor Analysis, Reliability and Normality of Study Variables

<table>
<thead>
<tr>
<th>Items</th>
<th>Factors</th>
<th>ethical responsibilities</th>
<th>legal responsibilities</th>
<th>Customer Loyalty</th>
<th>philanthropic responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR1</td>
<td></td>
<td>0.912</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR2</td>
<td></td>
<td>0.938</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PR3</td>
<td></td>
<td>0.829</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.5.3 Correlation and Validity of the Model

Confirmatory factor analysis was conducted to assess the validity of the model. Validity was achieved since the average variance extracted (AVE) for all the constructs were greater than 0.5. Table 4.7 indicates the correlation coefficients between the constructs. Ethical responsibilities was found to be positive and significantly related to Customer Loyalty ($r=0.681$, $p$-value<0.05). Legal responsibilities was found to be positive and significantly related to Customer Loyalty ($r=0.517$, $p$-value<0.05). Philanthropic responsibilities was found to be positive and significantly related to Customer Loyalty ($r=0.343$, $p$-value<0.05).

Table 4.7: Correlation Matrix.

<table>
<thead>
<tr>
<th></th>
<th>AVE</th>
<th>Customer Loyalty</th>
<th>Ethical</th>
<th>Legal</th>
<th>Philanthropic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty</td>
<td>.722</td>
<td>.850</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethical</td>
<td>.670</td>
<td>.681**</td>
<td>.819</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal</td>
<td>.786</td>
<td>.517**</td>
<td>.637**</td>
<td>.887</td>
<td></td>
</tr>
<tr>
<td>Philanthropic</td>
<td>.689</td>
<td>.343**</td>
<td>.366*</td>
<td>.537**</td>
<td>.830</td>
</tr>
</tbody>
</table>

* $P < 0.1$, ** $p < 0.05$, *** $p < 0.001$, ns –not significance
4.5.4 Regression Analysis

The model fitness was assessed using (CFI), RMSEA and CMIN/DF. The fit statistics indices were within the satisfactory range therefore the model fit the data adequately. The predictive power of model was assessed by $R^2$, which shows the variance in the endogenous variable (Customer loyalty) that is explained by the exogenous variables (ethical responsibilities, legal responsibilities and philanthropic responsibilities). Based on the results reported in figure 4.6, the $R^2$ was found to be 0.43 indicating that ethical responsibilities, legal responsibilities and philanthropic responsibilities can account for 43% of the variance in the Customer loyalty.

Figure 4.6: Model Representing Relationships

The regression estimates for the relationship between dependent and independent variables are presented in figure 4.6 and table 4.8. Philanthropic Responsibility was found to have a positive influence on Customer Loyalty with a beta standardized coefficient estimate of 0.208 and significant at 5% level. The positive relationship means if Philanthropic
Responsibility increases by one unit, Customer Loyalty will increase by 0.208. Legal Responsibility was found to have a positive influence on Customer Loyalty with a beta standardized coefficient estimate of 0.308 and significant at 5% level. The positive relationship means if Legal Responsibility increases by one unit, Customer Loyalty will increase by 0.308. Ethical Responsibility was found to have a positive influence on Customer Loyalty with a beta standardized coefficient estimate of 0.579 and significant at 5% level. The positive relationship means if Ethical Responsibility increases by one unit, Customer Loyalty will increase by 0.579.

Table 4.8: Regression Estimates for the Model

<table>
<thead>
<tr>
<th>Path</th>
<th>unstandardized Estimate</th>
<th>Beta</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Loyalty &lt; Philanthropic Responsibility</td>
<td>.121</td>
<td>.208</td>
<td>.053</td>
<td>2.29</td>
<td>.022</td>
</tr>
<tr>
<td>Customer Loyalty &lt; Legal Responsibility</td>
<td>.215</td>
<td>.308</td>
<td>.064</td>
<td>3.37</td>
<td>.000</td>
</tr>
<tr>
<td>Customer Loyalty &lt; Ethical Responsibility</td>
<td>.607</td>
<td>.579</td>
<td>.12</td>
<td>5.05</td>
<td>.000</td>
</tr>
</tbody>
</table>

4.6 Chapter Summary

This chapter analyzed the data obtained from the field and presented the results and findings using charts and tables. This chapter covered information on the demographic information of the respondents, information on relationship between philanthropic, legal, ethical responsibilities on customer loyalty. The next chapter discuss the findings, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives an analysis of collected data, interpretation and discussion of the study findings. Data was analyzed at two levels using both descriptive and inferential analysis techniques. The results were presented according to the research objectives and questions. The background of the analysis part comprises of the response rate and the demographic characteristics of the study respondents.

5.2 Summary of the Study Findings

This study set to establish the impact of CSR activities on customer loyalty. The study was guided by the following objectives: (1) To find out the effect of philanthropic responsibilities on Customer Loyalty in the telecommunication industry; (2) to establish the impact of legal responsibilities on Customer Loyalty in the telecommunication industry and, (3) show the effects of ethical responsibilities on Customer Loyalty in the telecommunication industry.

A purposive random sample research design was used in the study and it was correlational. Questionnaires were administered to 100 students of USIU-A who had been or are current customers of any of the main players in the telecommunications industry. However, the response rate was 89%. Data for this study was collected in the form of questionnaires. Participants were asked to indicate the extent to which they agreed with statements on philanthropic, legal, ethical, economic responsibilities and customer loyalty of the respondent towards the respective companies. Both descriptive and inferential statistics were used in analyzing the data collected. Descriptive methods used comprised the percentages and frequencies, means and standard deviations that showed the trends in the data. Inferential methods included correlation and regression analysis and presentations were made in tables.

Descriptive statistics on the effect of philanthropic responsibilities on Customer Loyalty showed that majority of the respondents agreed that organizations assist in enhancing local community's quality of life. The study also showed that majority of the respondents were in agreement that legal responsibilities leads to customer loyalty especially whenever an organization operates consistently within the governmental expectation and law. The study
also found that ethical responsibilities lead to Customer Loyalty especially when an organization makes an effort to good citizenship and that employees were most likely to speak and recommend positively about their organization to the surrounding people.

To identify the clustering of items to measure their respective constructs, exploratory factor analysis was conducted which consisted on assessment of sampling adequacy through Kaiser-Meyer-Olkin (KMO). The KMO value attained 0.835, which is close to 1 and therefore implies that the data was sufficient for factor analysis. The internal consistency of the variables was evaluated using Cronbach’s Alpha. It was found out that the three objectives were reliable since the values were above the threshold 0.7 (ethical responsibilities, \( \alpha = 0.906 \)), (legal responsibilities, \( \alpha = 0.942 \)), (Customer Loyalty, \( \alpha = 0.911 \)) and (philanthropic responsibilities, \( \alpha = 0.896 \)). The normality of the study variables was tested using skewness and kurtosis statistics. All of these values of skewness and kurtosis indices for all the variables did not exceed the absolute values of 1 and, therefore, the data set was considered to follow normal distribution.

Inferential analysis showed that, the effect of philanthropic responsibility was found to have a positive and statistically significant relationship with customer loyalty. The regression estimates were (\( \beta = 0.208 \), \( r = 0.681 \), \( p < 0.05 \)). The positive relationship means if Philanthropic Responsibility increases by 1 unit, Customer Loyalty will increase by 20.8%.

Legal Responsibility was found to have a positive influence on Customer Loyalty (\( \beta = 0.308 \), \( r = 0.517 \), \( p < 0.05 \)). The positive relationship means if Legal Responsibility increases by 1 unit, Customer Loyalty will increase by 30.8%.

Ethical Responsibility was found to have a positive influence on Customer Loyalty (\( \beta = 0.579 \), \( r = 0.343 \), \( p < 0.05 \)). The positive relationship means if Ethical Responsibility increases by 1 unit, Customer Loyalty will increase by 57.9%.

In regression analysis, the \( R^2 \) amounted to 0.43 indicating that ethical responsibilities, legal responsibilities and philanthropic responsibilities can account for 43% of the variance in the Customer loyalty. Therefore, suggesting that other factors not included in this study contributed to 48% of the variation in achieving customer loyalty in the telecommunication industry Kenya.
5.3 Discussion of Results

5.3.1 The Effect of Philanthropic Responsibilities on Customers’ Loyalty in the Telecommunication Industry

The study’s was to establish the effect of philanthropic responsibilities on customer loyalty in the telecommunication industry. It was established that majority of the respondents agreed that the firms support culture and activities of local community while majority of them agreed that employees participate in charitable activities of local communities. Ki-Han et al., (2015) argues that organizations tend to do this because of the commitment of business to contribute to sustainable economic development and also by working with employees, their families, the local community and society to improve the quality of life, in ways that are both good for business and good for development. Ki-Han et al., (2015) argument also tallies with the established results that showed majority of the respondents agree that organizations assist in enhancing local community's quality of life.

This finding was important because it resonates with Campbell et al., (2002), argument top management involvement is paramount for the success of CSR strategies. Management value framework, company culture and core values and corporate responsibility, which include top management's social values, sensitivity, and awareness fosters a positive workplace environment, increases employee engagement and result into a better public image with more media coverage as well as enhanced relationships with consumers.

The study also established that majority of the respondents agreed that organizations support private and public educational institutions. Njiru, (2014) showed that the telecommunications organizations in Kenya CSR activates to reach out to local communities by participating in community projects such as sinking a borehole or offering educational scholarships. The findings showed a positive correlation between philanthropic responsibility and customer loyalty. This finding was in tandem with Porter and Kramer, (2002), who indicates that giving back to the surrounding community, enables the organization to nature the philanthropy communities leading to producing sane, civil societies necessary for an effective business competition.

The study’s’ positive correlation finding may be due to the finding that CSR benefits obtained by the community and the organization are two way. This argument is shown by
McDonald and Thiele (2007) who indicates that organizations motivation for carrying out philanthropic CSR activities is not only based on maximizing profits but also on the expectation that the philanthropic strategies will create a loyal customer. The ‘two-way’ positive correlation is further shown by Campbell et al., (2002) who indicates that corporates philanthropy provides direct benefits to the corporate by providing job employment, retention, skill-building, teamwork, and morale to the employees. Also by fostering improved relationships with customers, vendors, and suppliers. In some cases, philanthropy initiatives facilitate the creation of new products, and penetration into new markets regionally and abroad (Campbell et al., 2002). Alternately, Benioff and Adler, 2007 indicate that the communities gain through philanthropic activities such as offering cash, volunteering to carry out or offer a service or product, in-kind contributions, and pro bono service offerings.

The study established that the four constructs used for measuring the philanthropic responsibility objective were closely related and consistent because the standard deviation of the respondents were low and almost similar. The four constructs comprise of the main philanthropic areas recognized in the international sphere by most successful companies. This is attested by Benioff and Adler, (2007); Georg, Peter and Irina (2016) who argue that philanthropic programs using these constructs are customized to accommodate the corporates strengths. It is therefore evident that telecommunications organizations in Kenya, tend to use philanthropic programs in tandem with the organizations strengths and opportunities to capture customer loyalty.

The study findings is also explained by Gary and Anna (2013) who indicate that philanthropic responsibility is a means of organizations achieving political mileage either as a technique through sponsored events or via charitable donations to access the policy élites through creating goodwill, also, that the use of corporate philanthropy aids a firm in constituency building, access and relationship building, enhancement of the company's status as a source of credible information, as well as gain direct political leverage.

The research established that the regression attributed 43% to ethical, legal and philanthropic responsibilities of the variance in the Customer loyalty leaving out 48% of the variation to other factors in achieving customer loyalty in the telecommunication industry Kenya. Liston-Heyes and Ceton, (2007), who argue that philanthropic strategies
that an organization offers the community mostly outrides the community’s desire to seek for the company’s loyalty due to the CSR activities offered to them, it endeavors to incorporate both the business interests and community needs but seldom succeeds in achieving both, explain the finding. Arulampalam and Stoneman, (1995) maintains that organizations take precedence in offering philanthropic responsibility to the community using the managers’ personal altruism. Such personal attitudes interact and facilitate a firm’s decision to engage in philanthropic functions by giving in to causes that are favored by managers in their personal capacity.

5.3.2 The Impact of Legal Responsibilities on Customer Loyalty in the Telecommunication Industry

The study established a positive relationship between legal responsibility and customer loyalty. Chaudhuri and Holbrook (2001), argue that when a company complies with regulations, it creates customer loyalty because customers obtain trust on the organization. The study revealed that majority of the respondents agreed that their organizations operate consistently with government expectations and law. Bediako (2017) portends that the legal component of CSR does have an effect on customer loyalty.

His case study, Bediako (2017) showed majority of the customers strongly agreed that their loyalty to the company was because of the compliance with the statutory laws and legal framework in the business operations. This means that the more a company carries out its business operations in a way that is acceptable to the government laws, the more loyal their customers become. Bediako (2017) finding is in tandem with this study’s establishment because majority of the respondents agreed that their organizations obey federal, state and local regulations in terms of CSR. According to Clarke (1984) local governments provide ground rules under which business must operate. As a partial fulfillment of the "social contract" between business and society expecting firms to pursue their economic missions within the framework of the law. The local authorities therefore provides an environment of coexistence between an organizations economic responsibility as fundamental precepts of the free enterprise system.
Ofunya, (2015) argued that the exact legal government activities revolve around undertaking the enactment of laws and regulations to comply with country laws, adhering to the code of ethics and conduct. For instance an organization dedication in filing in tax returns, environmental protection through waste reduction by providing litter bins at strategic locations and participation in cleaning exercises. The study also established that majority of the respondents agreed that their organization obeys federal, state and local regulations in terms of CSR. Clarke, (1984) argues organizations that operate according to the federal, state and local regulations are often not seen as those with profit motive only, but also as those willing to fulfil the corporates mandate on a level ground with competitors. Clarke, (1984) attributes his argument to the fact organizations oblige to the ‘social contract’ through ‘codified ethics’ which makes an organization to be appropriately seen as coexisting with economic responsibilities as fundamental precepts of the free enterprise system.

It was revealed by majority of the respondents agreed that their organizations fulfil their legal obligation in terms of CSR and their organization meets minimal legal requirements related to goods and service. Carroll, (2015) attests that customers expect a business unit in synergy with the firm to perform its business in a manner consistent with expectations of government and law. Once this expectation is fulfilled, then customer loyalty increases.

5.3.3 The Effect of Ethical Responsibilities on Customer Loyalty in the Telecommunication Industry

The study revealed that there was a positive relationship between ethical responsibilities and Customer Loyalty, thus greater ethical responsibility is associated with greater customer loyalty. The study establishment was in agreement with Bernstein (2004) findings that showed that ethical CSR programs benefit both the company and the community. Ofunya (2015) argued that customers are influenced to participate in CSR by the fact that it could facilitate adherence to responsible practices such as accountability, human rights and environmental awareness; organizations ability to ensure that products and are priced to the customers’ satisfaction, organizations ability to ensure adherence to ethical marketing and ability to ensure compliance with disclosure requirements.

The study-established majority of the respondents agreed that telecommunication organizations in Kenya focus on maximizing earnings. This revelation is in tandem with
Yasemin, (2010), who indicates that beside profitability and earnings performance, stakeholders have developed interests in CSR projects that organizations engage in. In other words, organizations are also measured by their concerns about the society in which they operate. Organizations have a large, positive or negative, direct or indirect influence on every party in society.

The study revealed that organizations prevent unethical behaviors to achieve organizational goals. Crosby, Evans, and Cowles, (1990) support this revelation by indicating that ethical responsibility of the organization once used by an organization, will result into customer loyalty. This will arise because; the customers are provided with an avenue to contribute towards the organizations operations by, for instance, having transparency when a complaint comes from the customer due to dishonesty and untrustworthy communication from employees. Cooper and Frank (2002); Futrell, (2002) provide more specific activities resulting into this kind of scenario as arising giving deceiving benefits of a product/service; lying or exaggerating product availability, or the competitor’s information; selling obsolete products/services; responding to customers with unreliable answers; and implementing pressing selling techniques.

The study also revealed that majority of the respondents agreed that organizations make an effort to good citizenship. According to Kelly and Schine, (1992) for instance indicate that salespersons are most visible representatives and their face to face interactions with customers have been traditionally considered as one of the most important determinants of customer loyalty. However, such a relationship may be spoiled by salespersons’ dishonest and untrustworthy behaviors. Those immoral actions not only influence customers’ perspectives, but also hurt the customer commitment, trust, and loyalty.

The study also revealed that majority of the respondents agreed that organizations make a follow-up on all CSR activities. Hansen and Riggle, (2009) argues that follow-up on CSR activities breeds on the concept of ethical behavior because it helps in building customer relationships by getting the customers satisfied by earning the customers trust and commitment. It was revealed that majority of the respondents agreed that most organizations CSR policy meets expectations that their organizational CSR activities and the organizations products/services were satisfactory. Somanchi and Telang (2016) argue
that this is to prevent theft, data breaches such as hacking into network systems and other security-related issues.

The ethical responsibility of the organization once used by an organization will result into customer loyalty. This will arise because, the customers are provided with an avenue to contribute towards the organizations operations by, for instance, having transparency when a complaint comes from the customer. This kind of scenario would arise if an organization has honest and trustworthy. Crosby, Evans and Cowles, (1990) indicate that in service organizations, salespersons are most visible representatives and their face to face interactions with customers have been traditionally considered as one of the most important determinants of customer loyalty. However, such a relationship may be spoiled by salespersons’ dishonest and untrustworthy behaviors (Kelly & Schine, 1992). Those immoral actions not only influence customers’ perspectives, but also hurt the customer commitment, trust, and loyalty.

5.4 Conclusions

5.4.1 The Effect of Philanthropic Responsibilities on Customer Loyalty
The study concludes philanthropic responsibilities of an organization is directly related to customer loyalty. The more philanthropic activities an organization provides to the community, the more they obtain customer loyalty of the community. Therefore, it is important that the management incorporate philanthropic responsibilities onto the organizational strategic plan for it to obtain customer loyalty.

5.4.2 The Impact of Legal Responsibilities on Customer Loyalty
The study concludes legal responsibilities of an organization is directly related to customer loyalty. The more an organization complies with legal CSR-related responsibilities, the more they obtain customer loyalty from the community. Therefore, it is important that the management incorporate its legal obligations related to CSR onto the organizational strategic plan for it to obtain customer loyalty.

5.4.3 The Effect of Ethical Responsibilities on Customer Loyalty
The study concludes ethical responsibilities of an organization is directly related to customer loyalty. The more an organization complies with its ethical responsibilities, the more they obtain customer loyalty from the community. Therefore, it is important that the
management incorporate its ethical obligations related to CSR onto the organizational strategic plan for it to obtain customer loyalty.

5.5 Recommendations
5.5.1 Recommendation for Improvement
5.5.1.1 The Effect of Philanthropic Responsibilities on Customer Loyalty
The study recommends that philanthropic responsibilities provided by organizations in the telecommunications industry in Kenya should be aligned within the strategic plan as opposed to picking strategies randomly as they come, because they are important in creating customer loyalty, which is important for the organization.

5.5.1.2 The Impact of Legal Responsibilities on Customer Loyalty
The study recommends that legal responsibilities provided by telecommunications organizations in Kenya should be aligned within the strategic plan as opposed to picking strategies randomly as they come, because they are important in creating customer loyalty, which is important for the organization.

5.5.1.3 The Effect of Ethical Responsibilities on Customer Loyalty
The study recommends that ethical responsibilities provided by telecommunications organizations in Kenya should be aligned within the strategic plan as opposed to picking strategies randomly as they come, because they are important in creating customer loyalty, which is important for the organization.

5.5.2 Recommendation for Further Research
The findings of this study, it is hoped, will contribute to the existing body of knowledge and form basis for future researchers. The following areas of further researcher are thus suggested: (i) While the current study focused on responses from the customers of telecommunications companies in Kenya on philanthropic, legal and ethical responsibility, future studies should seek to obtain feedback CSR beneficiaries, especially the community on the impact of economic responsibility to the community(ii) Future studies should seek to establish also seek to establish the extent to which organizations have embedded philanthropic, legal and ethical CSR responsibilities onto their strategic plans.
REFERENCES


Doney et al., 2007


Green, Todd; Peloza, John, 2011, How does corporate social responsibility create value for consumers? Journal of Consumer Marketing, 28 (1) 48-56.


Yokoyama, Keiko (2010), The Perspective of Social Business for CSR Strategy,CBS Center for corporate Social Responsibility Porcelænshaven Frederiksber


62
APPENDIX I: COVER LETTER

Mweu Nyambura  
P.O. BOX  
Nairobi, Kenya  
Email:  
AUGUST 4, 2017  
Dear Respondent,

RE: EFFECTS OF CORPORATE SOCIAL RESPONSIBILITY ON CUSTOMER LOYALTY IN THE TELECOMMUNICATION SECTOR
I am a graduate student at United States International University pursuing a Master’s degree in Business Administration (MBA) with a concentration in Marketing. In partial fulfillment of the requirement for the degree, I am carrying out a research project on “EFFECTS OF CSR ON CUSTOMER LOYALTY IN THE TELECOMMUNICATION SECTOR”
Your views and perspectives on the topic will remain confidential. The personal information provided was used to make follow up and share the study findings, when absolutely necessary. I hope this makes you free to respond to the questions in this booklet. For further questions, you are free to contact me on 0722 381 069.

Thank you in advance,
Yours Sincerely,

Mweu Ruth Nyambura
APPENDIX II: QUESTIONNAIRE

The objective of this questionnaire is to collect data on the “impact of CSR on Customer Loyalty in the telecommunication industry” for an MBA thesis. The data collected were utilized for research purposes only and were confidential. Kindly fill the questionnaire.

PART A – DEMOGRAPHIC AND GENERAL INFORMATION

Please tick (□) appropriately within the box provided

1. What is your gender?
   - Male [ ]
   - Female [ ]

2. What is your age bracket?
   - 21-29 years [ ]
   - 30-39 years [ ]
   - 40-49 years [ ]
   - 50-59 years [ ]
   - Over 60 years [ ]

3. What is your highest level of education?
   - Certificate and below [ ]
   - Diploma [ ]
   - Bachelor’s Degree [ ]
   - Master’s Degree [ ]
   - PhD [ ]

4. Which organization have you/are you working for?
   - Safaricom Ltd [ ]
   - Airtel Networks Kenya Ltd [ ]
   - Telkom Kenya Ltd [ ]

4. How long have you worked in your organization?
   - 0-5 years [ ]
   - 6-10 years [ ]
   - 11-15 years [ ]
   - 16-20 years [ ]
   - Over 20 years [ ]

5. Do you have any knowledge of CSR generally? Yes [ ]
   - Not Sure [ ]
   - No [ ]

6. What is your level of CSR knowledge?
   - Low [ ]
   - Middle [ ]
   - Not sure [ ]
PART B: Philanthropic Responsibility

<table>
<thead>
<tr>
<th></th>
<th>Philanthropic Responsibility</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PR1</td>
<td>My firm supports culture and art activities of local community</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>PR2</td>
<td>Managers and employees at my organization participate in charitable activities of their local communities</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>PR3</td>
<td>My organization supports private and public educational institutions.</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>PR4</td>
<td>My organization assists to enhance quality of life in the local community</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

PART C: Legal Responsibility

<table>
<thead>
<tr>
<th></th>
<th>Legal Responsibility</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>LR1</td>
<td>My organization operates business in a manner consistent with expectations of government and law</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>LR2</td>
<td>My organization obeys various federal, state, and local regulations in terms of CSR</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>LR3</td>
<td>This organization fulfills its legal obligation in terms of CSR</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>LR4</td>
<td>My organization meets minimal legal requirements related to goods and service</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
PART D: Ethical Responsibility

Please indicate by ticking (☐) the extent to which you agree or disagree with each of the statements below. Use a scale of 1-5 where; 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral (N), 4=Agree (A), 5=Strongly Agree (SA)

<table>
<thead>
<tr>
<th>ER</th>
<th>Ethical Responsibility</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ER1</td>
<td>My organization focuses on maximizing earnings</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ER2</td>
<td>My organization prevents unethical behaviors in order to achieve organizational goals.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ER3</td>
<td>My organization makes an effort to good citizenship</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ER4</td>
<td>My organization makes a follow-up on all CSR activities</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ER5</td>
<td>The policy of CSR of my organization meets my expectation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ER6</td>
<td>Overall, I am satisfied with CSR activities of this firm</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ER7</td>
<td>Overall, I am satisfied with product and service of this firm. Customer loyalty</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

PART E: Economic Responsibility

Please indicate by ticking (☐) the extent to which you agree or disagree with each of the statements below. Use a scale of 1-5 where; 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral (N), 4=Agree (A), 5=Strongly Agree (SA)

<table>
<thead>
<tr>
<th>ECR</th>
<th>Economic Responsibility</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>ECR1</td>
<td>My organization focuses on maximizing earnings</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ECR2</td>
<td>My organization is committed to profitability</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ECR3</td>
<td>My organization has a strong competitive position</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>ECR4</td>
<td>My organization seeks a profitable business</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
### PART F: Customer Loyalty

Please indicate by ticking (☑) the extent to which you agree or disagree with each of the statements below. Use a scale of 1-5 where; 1=Strongly Disagree (SD), 2=Disagree (D), 3=Neutral (N), 4=Agree (A), 5=Strongly Agree (SA)

<table>
<thead>
<tr>
<th>CL</th>
<th>Customer Loyalty</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>CL1</td>
<td>I would like to positively speak to surrounding people about my organization.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CL2</td>
<td>I would like to patronize my organization</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>CL3</td>
<td>I would like to recommend my organization to colleagues who seek my advice</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>CL4</td>
<td>The policy of CSR of my organization meets my expectation</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>CL5</td>
<td>Overall, I am satisfied with CSR activities of this firm</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>CL6</td>
<td>Overall, I am satisfied with product and service of this firm.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>
## APPENDIX III: RESEARCH BUDGET

<table>
<thead>
<tr>
<th>No</th>
<th>Activity</th>
<th>Cost (KShs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proposal Development</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>Material</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Printing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Photocopying</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Data Collect (Fieldwork)</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td>Photocopying</td>
<td>4,000</td>
</tr>
<tr>
<td></td>
<td>Travelling/Communication</td>
<td>3,000</td>
</tr>
<tr>
<td></td>
<td>Research Assistants</td>
<td>10,000</td>
</tr>
<tr>
<td>3</td>
<td>Data Analysis &amp; Interpretation</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>Data Analysis</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Report Writing</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>Printing and binding of the report</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Binding &amp; Dissemination</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Sub-total</strong></td>
<td>48,000</td>
</tr>
<tr>
<td></td>
<td>Contingency (10%)</td>
<td>4,800</td>
</tr>
<tr>
<td></td>
<td><strong>Total (KShs)</strong></td>
<td>52,800</td>
</tr>
</tbody>
</table>