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The Impact of Corporate Social Responsibility on Customer Loyalty

Comparative Study: Jordanian and Hungarian telecommunication Firms

PhD. DISSERTATION

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Abstract

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This study investigates the impact of corporate social responsibility (CSR) on customer loyalty among a sample of telecommunications customers in Jordan and Hungary. The study developed 11 hypotheses to test the impact of CSR on customer loyalty while controlling variables were the corporate image, customer trust, customer satisfaction, and service quality. The study utilized a sample of 700 customers from each country, and the response rate for the Jordanian sample was 76%, while for the Hungarian sample, it was 71.1%.

The study employed a descriptive approach to describe the variables and relationship between them and a comparative approach to find differences between the two study samples. A six-axis questionnaire was designed to measure the various variables, and statistical tests including correlation and multiple regression tests were applied to test the impact of CSR on customer loyalty in the presence of controlling variables. The t-test was used to compare the answers from the two independent samples in each country. The study found that all the hypotheses were accepted, indicating a significant impact of CSR on customer loyalty from the perspective of customers in Jordan and Hungary. Additionally, the study found that corporate image, customer trust, customer satisfaction, and service quality all played a significant role in the relationship between CSR and customer loyalty. No significant differences were found between the responses of the Jordanian and Hungarian samples regarding the study variables. These findings suggest that implementing CSR practices can improve customer loyalty, and that telecommunications companies in both Jordan and Hungary should prioritize these practices to maintain their competitive advantage.

Key Words: Corporate Social Responsibility, Customer Loyalty, Hungary, Jordan

1 Introduction

There is now an agreement and a general tendency to adopt the concept of social responsibility of the organization to improve performance and increase its effectiveness (Bouterfas et al., 2019). Companies no longer rely solely on building their reputation on their financial positions, and their evaluation no longer depends just on their profitability. Modern concepts, such as Corporate Social Responsibility, have emerged that help creates a working environment capable of dealing with the rapid developments in the economic, technological, and administrative aspects around the world (Lončar et al., 2019).

The role of private sector institutions has become pivotal in the development process, which is proven by the successes achieved by advanced economies in this field (Amor et al., 2019). The private sector institutions are not isolated from society and have drawn attention to the need to expand their activities to include more than production activities, such as the concerns of society and the environment, and to the need to take into account the three aspects defined by the World Business Council for Sustainable Development: economic growth, social progress, and environmental protection (Hategan et al., 2018).

Matten & Moon (2020) assert that corporate social responsibility (CSR) is regarded as a vital component for establishing the reputation of companies, as it involves taking part in practical and impactful initiatives that cater to the social needs of communities. By doing so, companies can improve their public image, which, in turn, can boost their management mechanisms, enhance their ability to attract new customers, and expand their market share (Bucur, 2021).

According to Renouard & Ezvan (2018), investing in social initiatives can augment the financial value of a company and increase its access to capital in the market. In addition, there are several other benefits, such as the ability to attract and retain top talent, foster loyalty, and motivation among employees, encourage creativity and innovation and ultimately boost productivity (Gaio & Henriques, 2020). By participating in social work, companies can also engage with stakeholders, facilitate transparent and effective partnerships, and foster open dialogues, which can enhance their relationship with communities and stimulate business growth (Frynas & Yamahaki, 2019).

As Akbari et al. (2020) suggest, the demands of globalization affect all businesses, regardless of their location or nationality, and require them to adopt social responsibility measures and align their economic goals with environmental and social considerations as a prerequisite for

survival. As a result, achieving customer loyalty is key to fulfilling these requirements (Lee, 2019).

Today, business organizations need to prioritize social responsibility to establish customer loyalty, given that customers are increasingly interested in companies that demonstrate an ongoing commitment to such initiatives (Han et al., 2019). The philosophy of social responsibility entails considering social and ethical considerations in marketing practices and balancing the potentially conflicting interests of profitability and the wider interests of society. By prioritizing social responsibility, organizations can foster customer loyalty, as well as contribute to social and environmental well-being (Rivera et al., 2019).

Like other companies, telecommunications companies are under pressure to prioritize corporate social responsibility practices to improve their corporate image in a highly competitive market, particularly with the rapid advancements in information technology (Afridi et al., 2018). Therefore, these companies strive to attain high levels of customer satisfaction by gaining their trust through meeting their service quality expectations, ultimately leading to customer commitment and loyalty, which is the goal of businesses (Arrive et al., 2019).

The primary aim of this study is to investigate the impact of corporate social responsibility disclosure on customer loyalty in telecommunication companies operating in Jordan and Hungary by examining factors related to customer awareness. Additionally, the study will explore the role of customer satisfaction, customer trust, company image, and service quality in moderating the relationship between corporate social responsibility and customer loyalty, as these variables can significantly influence this relationship. The study will compare the results between Jordan and Hungary, highlighting any similarities and differences in the impact of these variables on customer loyalty in the two countries.

2   Study Objectives and Questions

This study aims to answer many questions about the impact of corporate social responsibility (CSR) on customer loyalty in Jordanian and Hungarian telecommunications companies, as follows:

1. Is there an impact of CSR on customers loyalty in Jordanian and Hungarian telecommunications companies?
2. Is there an impact of corporate image on the relationship between CSR and customers loyalty in Jordanian and Hungarian telecommunications companies?

3. Is there an impact of customer trust on the relationship between CSR and customers loyalty in Jordanian and Hungarian telecommunications companies?

4. Is there an impact of customer satisfaction on the relationship between CSR and customers loyalty in Jordanian and Hungarian telecommunications companies?

5. Is there an impact of service quality on the relationship between CSR and customers loyalty in Jordanian and Hungarian telecommunications companies?

6. Are there no differences in the responses of the Jordanian and Hungarian samples regarding the study variables?

Study Hypotheses

H₁: There is an impact (at the level $\alpha \leq 0.05$) of corporate social responsibility on customer loyalty from the perspective of customers of Jordanian telecommunications companies.

H₂: There is an impact (at the level $\alpha \leq 0.05$) of corporate social responsibility on customer loyalty from the perspective of customers of Hungarian telecommunications companies.

H₃: There is an impact (at the level $\alpha \leq 0.05$) of the corporate image on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.

H₄: There is an impact (at the level $\alpha \leq 0.05$) of the corporate image on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.

H₅: There is an impact (at the level $\alpha \leq 0.05$) of customer trust on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.

H₆: There is an impact (at the level $\alpha \leq 0.05$) of customer trust on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.

H₇: There is an impact (at the level $\alpha \leq 0.05$) of customer satisfaction on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.

H₈: There is an impact (at the level $\alpha \leq 0.05$) of customer satisfaction on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.

H9: There is an impact (at the level $\alpha \leq 0.05$) of service quality on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.

H10: There is an impact (at the level $\alpha \leq 0.05$) of service quality on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.

H11: There are no significant differences (at the level $\alpha \leq 0.05$) in the responses of the Jordanian and Hungarian samples regarding the study variables
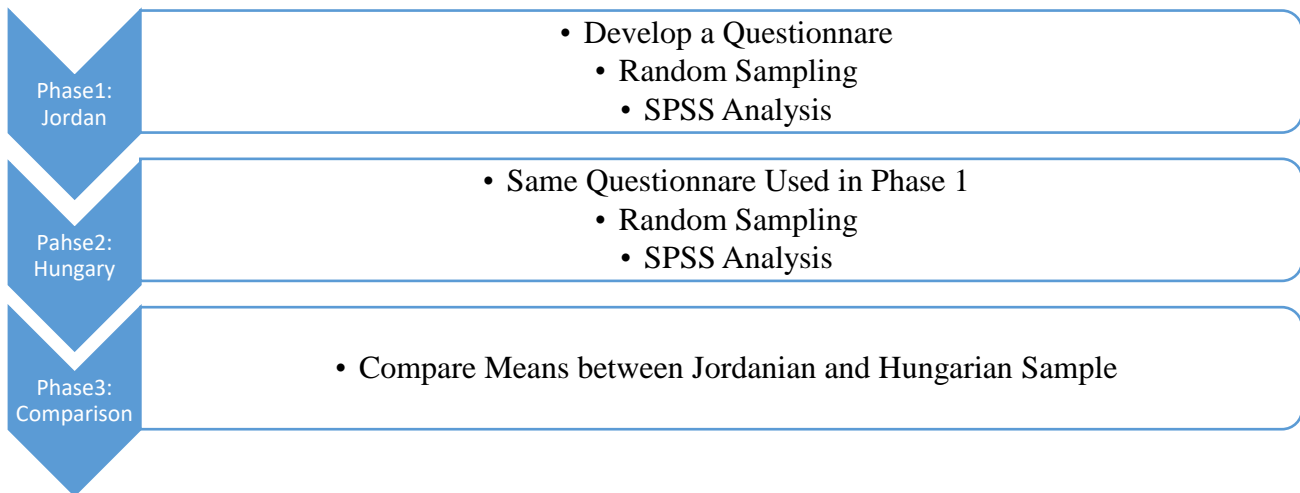
3 Methodology

The methodology used in this study is a composite methodology, which is primarily a descriptive study aimed at providing a clear understanding of the practice of social responsibility activities in Jordanian and Hungarian telecommunications companies. Descriptive studies aim to identify the characteristics of a given phenomenon and determine the frequency of its occurrence or reoccurrence without interfering with its existence or controlling it. The data collected in this study was processed using the Statistical Package for Social Sciences (SPSS), and various statistical tests were applied to identify significant correlations and relationships between variables.

The study also employed a comparative methodology to analyse different phenomena and categorize them to identify similarities and differences between various groups. In this study, two groups of telecommunications customers from Jordan and Hungary were compared using statistical tests such as t-tests or ANOVA to examine the differences in their responses. It is crucial to ensure that the data collected is reliable and valid and that the two groups are comparable in terms of demographics before conducting the comparative analysis.

Overall, the descriptive and comparative methodologies used in this study provide a comprehensive understanding of the practice of social responsibility activities in Jordanian and Hungarian telecommunications companies and help identify similarities and differences between the two groups. The results of this study can be used to inform CSR strategies and strengthen customer-company relationships in the telecommunications industry.

The research plan is shown in figure (3.1) below:

Figure (3.1): Research Plan (Own work)

Phase 1 Methodology

The initial stage of the study methodology was conducted in Jordan, where a random sample of customers from the three main telecommunications companies in the country (Zain, Umniah, and Orange) was selected. The study population included customers from all telecommunications companies in the country, and 700 customers were invited to participate through an online questionnaire. A total of 532 questionnaires were retrieved, resulting in a response rate of 76%.

Phase 2 Methodology

In the second phase of the study, the questionnaire was distributed to a random sample of customers of telecommunication companies in Hungary (Magyar Telkom, Yettel (Telenor), and Vodafone). The same methodology used in the Jordanian sample was applied to ensure uniformity in the research conditions and achieve an accurate comparison. The study population comprised telecommunication customers in Hungary, and a random sample was selected across all telecommunications companies. The study questionnaire was distributed to 700 customers, and 498 questionnaires were retrieved, with a response rate of 71.1%.

Phase 3 Methodology

A comparative approach was employed in the study to contrast the responses of customers from telecommunication companies in Jordan and Hungary. Data collected from Phase 1 and Phase 2 in Jordan and Hungary, respectively, was utilized in this stage of the study. A t-test was used to analyze the data and determine if there were significant differences between the means of the variables in the two samples. The significance level used was $\alpha \leq 0.05$. The inclusion of

control variables such as Corporate Image, Service Quality, Customer Satisfaction, and Customer Trust ensured that the results were not influenced by these variables. Statistical significance was determined if the obtained p-value from the t-test was less than or equal to 0.05.

This methodology allowed for a direct comparison between the responses of customers in Jordan and Hungary, providing valuable insights into the similarities and differences between the two samples regarding the study variables.

Study tool

An electronic questionnaire designed on Google Forms was used as the research instrument for this study. The questionnaire was developed based on previous questionnaires and studies related to each of the six study variables to ensure its relevance, reliability, and validity. Each axis of the questionnaire focused on one variable and contained five questions tailored to the telecommunications industry in Jordan and Hungary. The questionnaire was reviewed for face validity by an academic expert, and a pilot study was conducted to test its reliability and validity. Cronbach's alpha coefficient was used to evaluate the internal consistency of the questionnaire and ensure that the questions accurately measured the intended construct.

Study variables

Table (3.1) Study Variables (Own work)

Dependant Variables	Control Variables	Independent Variable
Customer's Loyalty	Corporate Image	Corporate Social Responsibility
	Customer Trust	
	Customer Satisfaction	
	Service Quality	

Reliability of the tool

The reliability of the study tool indicates the consistency of the answers of the sample members, and it is usually done by applying Cronbach's alpha test, and the following are the results of applying this test for the two study samples:

Table (3.2) Cronbach's alpha test (Own results)

Section	Alpha	
	Jordan Sample	Hungary Sample
Corporate Social Responsibility	88.1	85.2
Customers Loyalty	83.5	86.4
Corporate Image	87.3	94.3
Service Quality	91.2	83.6
Customers Satisfaction	92.6	87.1
Customer Trust	84.3	92.2

The result of Cronbach's alpha test shows that all values related to reliability in the Jordanian and Hungarian samples indicate consistency in the answers of the sample members in its entirety, as any result higher than (60) indicates an internal consistency in the answers of the sample members.

Research Sample

The study utilized random sampling techniques to recruit 700 customers from Jordan and Hungary, ensuring that the sample was representative. Customers from three main telecommunications companies were included in each country, selected from different regions or governorates to ensure representativeness. Participants were required to be at least 18 years old, to have used the services of their respective telecommunications company for at least six months, and to come from different age groups and socioeconomic backgrounds. The sample size of 700 was selected to provide sufficient statistical power and increase the generalizability of the study findings. The selection of the research sample was carefully executed to enhance the validity and generalizability of the study results.

4 Finding and Results

This study examined the impact of corporate social responsibility (CSR) on customer loyalty in the telecommunications industry in Jordan and Hungary. The results of the study showed that there is a positive relationship between CSR and customer loyalty in both countries. The study also found that corporate image, customer trust, customer satisfaction, and service quality are important factors that affect the relationship between CSR and customer loyalty. And it also found that there were no differences in the responses of the Jordanian and Hungarian samples regarding the study variables. This chapter summarizes the new scientific findings as follows:

Table (4.1) Summary of hypothesis tests (Own results)

Hypothesis	Decision
H1: There is an impact (at the level $\alpha \leq 0.05$) of corporate social responsibility on customer loyalty from the perspective of customers of Jordanian telecommunications companies.	Accepted
H2: There is an impact (at the level $\alpha \leq 0.05$) of corporate social responsibility on customer loyalty from the perspective of customers of Hungarian telecommunications companies.	Accepted
H3: There is an impact (at the level $\alpha \leq 0.05$) of the corporate image on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.	Accepted
H4: There is an impact (at the level $\alpha \leq 0.05$) of the corporate image on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.	Accepted
H5: There is an impact (at the level $\alpha \leq 0.05$) of customer trust on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.	Accepted

Hypothesis	Decision
H6: There is an impact (at the level $\alpha \leq 0.05$) of customer trust on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.	Accepted
H7: There is an impact (at the level $\alpha \leq 0.05$) of customer satisfaction on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.	Accepted
H8: There is an impact (at the level $\alpha \leq 0.05$) of customer satisfaction on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.	Accepted
H9: There is an impact (at the level $\alpha \leq 0.05$) of service quality on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Jordanian telecommunications companies.	Accepted
H10: There is an impact (at the level $\alpha \leq 0.05$) of service quality on the relationship between corporate social responsibility and customer loyalty from the perspective of customers of Hungarian telecommunications companies.	Accepted
H11: There are no significant differences (at the level $\alpha \leq 0.05$) in the responses of the Jordanian and Hungarian samples regarding the study variables.	Accepted for all Variables

5   Conclusion, limitation, and Further works

New Scientific Research

The results of this study, especially regarding the comparative aspect, are scientifically authentic, as many parties can use them. Starting at the scientific level, researchers interested in administrative and marketing issues can use these results to build a new theory related to the impact of social responsibility on customer loyalty. In addition, the results of this study can be used to understand the variables related to customer loyalty, such as corporate image, customer confidence, customer satisfaction, and service quality.

On a practical level, the management of telecommunications companies in Jordan and Hungary can use these results in order to develop corporate social responsibility policies that are appropriate to the society in which they operate their business, and also in line with customers' perspectives and needs. And strive also to disclose these activities and policies in various ways, whether annual reports, newspapers, newspapers, television or various related websites, to ensure increased customer awareness regarding them and thus ensure increased customer loyalty to these companies.

Also, this study gave perception to the telecommunications companies operating in Jordan and Hungary about the controlling factors that affect the relationship between corporate social responsibility and customer loyalty, which makes companies seek to try to reach customer

satisfaction, create customer trust, and provide the best quality of service, which affects the image of the company. positively, thus forming a better customer loyalty policy.

In addition, the comparative study is useful and rich for any company operating in different cultural environments and trying to influence different societies with multiple cultural, religious, and social backgrounds, as understanding the societies in which companies operate in the modern era is an important matter that must be taken into consideration when developing policies and strategies. various international companies.

Application and recommendation

The results of this study have scientific and practical implications. Researchers can use these results to develop new theories related to the impact of social responsibility on customer loyalty, and to understand the variables related to customer loyalty, such as corporate image, customer confidence, customer satisfaction, and service quality. On a practical level, telecommunications companies in Jordan and Hungary can use the results to develop social responsibility policies that align with customers' perspectives and needs and increase customer loyalty. The study also highlights the controlling factors that affect the relationship between corporate social responsibility and customer loyalty, which can help companies strive for customer satisfaction, trust, and better quality of service. The comparative aspect of the study is useful for companies operating in different cultural environments, as understanding the societies in which they operate is crucial for developing effective policies and strategies.

Limitation and future work

The COVID-19 pandemic posed challenges to the research procedures in this study, which included using electronic media to distribute some of the questionnaires and implementing precautionary measures that led to a longer duration of the study. These challenges may have affected the representativeness of the sample. Additionally, the study was unable to interview managers from telecommunications companies in Jordan and Hungary due to their lack of response, which limited the researcher's understanding of how these companies develop their corporate social responsibility policies and adapt them to different cultural contexts. Despite these limitations, the study provides valuable insights into the impact of corporate social responsibility on customer loyalty in the telecommunications industry and offers practical implications for companies to develop appropriate policies that align with customer perspectives and needs.

This study can provide a set of suggestions for future studies:

1. Conduct a comparative study on the impact of social responsibility practices on customer loyalty in the service and product sectors.
2. Investigate the influence of customer relationship management on customer loyalty.
3. Study other societies to examine cultural differences in relation to CSR perceptions and customer loyalty.
4. Identify the most effective CSR activities in terms of impacting customer loyalty.
5. Examine the specific impact of CSR on each telecommunication company in Jordan and Hungary.
6. Analyze the role of product or service pricing in affecting customer awareness of CSR and its impact on loyalty.
7. Investigate how social and cultural factors influence public skepticism towards CSR, with a particular cultural, economic, or political factor in mind.
8. Prioritize customer-centric approaches to CSR by examining cultural values, willingness to pay, and the impact of different CSR initiatives on customer attitudes and behavior to inform strategies and strengthen customer-company relationships.

Own publications

- *THE DIFFERENCES IN CORPORATE SOCIAL RESPONSIBILITY MEASUREMENTS*, MODERN ECONOMY, SMART DEVELOPMENT International Scientific Conference, November 7, 2019: University of Sopron, pp 442-451 (2019): ISBN: 9789633343487

- *Factors Affect the Timeliness of the Annual Financial Reporting: An Empirical Study on the Firms Listed in Amman Stock Exchange*, PaKSoM 2021 : 3rd Virtual International Conference Path to a Knowledge Society-Managing Risks and Innovation, November 16, 2021: Mathematical Institute of SASA , pp 207-211 (2022): ISBN: 9788680593722

- *The Level of Corporate Social Responsibility Implementation in all Social Responsibility Aspects in Jordan's Zain Telecommunication Company* GAZDASÁG ÉS TÁRSADALOM (0865-7823): 12 (4) pp 88-113 (2019), DOI: 10.21637/GT.2019.4.04

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