

IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON ISLAMIC BANKING CUSTOMERS OF PAKISTAN

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Abstract: *This study aims to analyze the impact of corporate social responsibility on trust level of customers in the Islamic banking industry of Pakistan. The impact of trust is further studied on customers' repurchase intentions and their word of mouth intentions. A self administered questionnaire was used to collect data from the customers of five different banks offering Islamic banking services in Pakistan. In order to explain the relationship between variables the model was tested using Structural Equation Modeling (SEM) using AMOS. Empirical results from this study show that CSR is positively related to customer trust, repurchase intentions and word of mouth intentions in the Islamic banking industry. The findings prove that hypothesized model fit reasonably well based on comparison fit indices. The study adds valuable insights to CSR related research in South Asia and particularly focuses on the factors that influence perceptions and behaviors of Islamic banking customers.*

Keywords: Corporate Social responsibility, Customer Loyalty, Banking sector, Trust, Word of mouth intention.

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1 Introduction

Corporate Social Responsibility (CSR) is beneficial for any organization and the community at large. Every year organizations spend billions on corporate social activities as CSR is becoming an important consideration for organizations (Becker-Olsen et al., 2006; Pirsch et al., 2007). CSR is also utilized by firms as a promoting methodology to assemble promising relationships with shareholders (Becker-Olsen et al., 2006; McWilliams & Seigel, 2001). Corporate social responsibility has been center of attention for many researchers (Eberle et al., 2013; Garriga & Melé, 2004). However, there is a need to study the impact of CSR perceptions from customers' point of view (Pérez et al., 2013). Organizations consider the relationship with their clients as partnership. Therefore, working towards developing positive customer intentions is a principle goal of organizations (Sen & Bhattacharya, 2001).

Research suggests that a socially responsible organization can achieve competitive edge and enhanced corporate reputation in the minds of its customers (Porter & Kramer, 2006; Boonpattarakon, 2012). Working in a socially responsible manner is considered to be essential to long term survival of organizations. Companies which are socially responsible gain more reputation as compared to companies that are not. According to Creyer (1997), there is a positive relationship between consumers' preference for company's products and the perception of its ethicality.

The present study analyzes the CSR activities that the Islamic banking industry of Pakistan is undertaking. Banks are financial institutions which mobilize and reallocate the resources of the society. According to prior research, banks in different countries are engaged in corporate social responsibility activities (Halaby & Samy,

2000). Banks consider CSR as a suitable opportunity to enhance image and trust level in their customers. Trust is considered to be an important component for the Islamic banking customers. Since, banks are responsible for managing customer's wealth (Lewis & Soureli, 2006), thus trust in this relationship is integral.

According to Mejri and De Wolf (2012), as customers become more aware of CSR, their attitude affects their willingness to buy. Trust is the willingness to rely on another party and this willingness stems from past experience and an expectation that the other party will produce a positive outcome (Austin & Worchel, 1979; Niazi & Hassan, 2016). Research also proposes that customers are more willing to buy from a company after exposure to information about its CSR activities (Murray & Vogel, 1997). According to Woodruff (1997), customer trust is a suitable factor for measuring their repurchase intentions.

As trust is also a fundamental factor for Islamic banking customers, it is also a driver of positive word of mouth intentions of the customers (Gremler et al., 2001). Trust is considered to be a strong emotional response and encourages people to make positive comments about the organization (Ranaweera & Prabhu, 2003). Customer reactions such as word of mouth are not only related to marketing efforts but are also reflected in their view regarding the organization's social performance.

This study will analyze the impact of CSR perception on customers' word of mouth intentions and repurchase intentions; while trust mediates the relationship. Research has been carried out in the past to analyze the relationship between CSR perception and customer trust (Choi & La, 2013; Glaveli, 2020). This study is conducted in order to fill the gaps in the literature by analyzing how CSR

perceptions impact trust of Islamic banking customers which eventually affects their perceptions.

Previous studies have developed link between trust and customer relationships but link between CSR perceptions, trust and customer repurchase intentions is not studied from the perspective of developing country like Pakistan (Pivato et al., 2008; N'Goala, 2007). This study would also be beneficial for the Islamic banks since it would investigate the impact of CSR related perceptions of customers on the decision of choosing the services of banking company which is predominantly derived by tangible gains, otherwise. It is believed that customers mostly give value to the tangible gain from Islamic banking service hence it would be interesting to see if the customer does give value to intangible factors like CSR while selecting an Islamic bank services. CSR perceptions as a factor in customers' decision making is mostly discussed with reference to data set from developed countries where population is considered to be more educated and well informed. The investigation of this phenomenon in a developing country like Pakistan would be interesting, owing to the fact that Pakistan falls under short-term orientation by Hofstede (2001) cultural dimensions. It is pertinent to mention that a customers' choice based on CSR perceptions shows long term orientation.

Several studies have been conducted to investigate how culture of a particular country affects business practices using models such as Hofstede's cultural dimensions model. The Hofstede's cultural dimensions include power distance, individualism/collectivism, uncertainty avoidance, long term/short term orientation and masculinity/femininity (Hofstede & Minkov, 2010). These dimensions

have been used to analyze ethical behaviors of corporations. According to Christie et al., (2003) there is a significant impact of culture on business practices.

Pakistan is a developing country which can be characterized under dimensions of collectivism, high power distance, masculinity, low uncertainty avoidance and short term orientation.

Individualism/collectivism dimension refers to the extent to which individuals are valued over collective entities (Hofstede, 2001). Power distance dimension indicates the level of hierarchy in the society. Masculinity/femininity refers to the gender roles in a society. Masculine cultures are strong, tough and are focused on materialistic success. Feminine cultures are modest and concerned with better quality of life. The uncertainty dimension covers the level of tolerance in a society. Long term orientation indicates future orientation in a society and short term orientation indicate past and present values (Hofstede & Minkov, 2010). Studies reveal that engaging in corporate social responsibility motivates customers to stay with the organization in long term.

Pakistan is a developing country and falls under the dimension of short term orientation. However, it would be pertinent to mention that when customers decide to stay longer with a socially responsible organization; such phenomenon reflects their longer term orientation as a result of CSR (Kim and Kim, 2010). Moreover, consumers perceive both tangible and intangible benefits of staying with an organization that is socially responsible (Ramasamey & Yeung, 2009). When consumers perceive that the organization which they are relying upon is responsible towards them in the longer term, they would gain an intangible satisfaction with their relationships

with the organization (Ramasamey & Yeung, 2009).

The industry chosen for this research is the Islamic banking industry of Pakistan. The banks chosen for the course of this study were those offering Islamic banking services and were also practicing CSR related activities for example National Bank Limited (NBP), Meezan bank, Bank Alfalah, Faysal Bank, Muslim Commercial Bank (MCB) and Habib Bank Limited (HBL), Data for this study is gathered from the customers availing Islamic banking services from these institute. As stated by the State Bank of Pakistan (SBP) as of July 2016, there are 41 scheduled banks, 6 development financial institutions (DFI) and 2 microfinance banks. These banks are currently supervised and regulated by State Bank of Pakistan. The commercial bank sector comprises of 3 nationalized banks, 15 private sector banks, 14 foreign banks, 3 privatized banks, 2 provincial scheduled banks and 4 specialized banks.

Pakistan is amongst the list of countries that is characterized by poverty, lack of health facilities and high illiteracy rate. Therefore, there is a vast potential of involving corporations for eradicating social problems. Research on CSR is limited to non financial companies particularly in developed countries. Banks operating in Pakistan carry out social responsibility in areas such as human rights, labor management practices, addressing environmental concerns and providing quality products and services (Sharif & Rashid, 2014). Particularly, Islamic banks are associated with social activities that involve eradicating illiteracy and reducing unemployment, providing health and hygiene to under-developed areas and protection of human rights.

CSR related information is usually reported on the financial reports of commercial banks. People of Pakistan consider that the banking system is obliged to report information about the socially responsible activities in order to address the complex social problems of the country. All these activities may be reported in the financial reports formally. Therefore, customers have gained considerable authority to influence the corporate performance (Sharma & Talwar, 2005; Halaby & Samy, 2009). Banks need to prove transparency regarding CSR activities to strategic decision makers and customers. There is not much research particularly focused on the CSR activities of banking sector of Pakistan. Bank customers are becoming aware about their claims and rights regarding activities carried out by banks. Therefore banks in Pakistan are also increasing CSR activities in order to satisfy and retain customers.

Policy makers and corporations can gain benefits by becoming socially responsible and there are several managerial and corporate implications. Studies reveal that CSR maximizes profits for a company (Mulyadi & Anwar, 2012). Although, a cost benefit analysis is required to balance the cost of invested resources in CSR and generated revenue as a result of CSR (McWilliams and Siegel, 2001). In order to implement CSR activities, organizations have to modify their existing tools and processes. The purpose of this study is to analyze whether CSR perceptions affect the trust level of customers of the banking industry. It will also be analyzed whether increased customer trust has an impact on their behavioral intentions.

2 Literature Review

CSR is a broad concept which has evolved over the passage of time. The term CSR was coined

by Howard Bowen in 1953 (Carroll, 1999). Corporate Social Responsibility implies that organizations should be responsible towards the society. Organizations that are continuously committed towards contributing to economic development following ethical rules and guidelines gain competitive advantage. Organizations are able to build a good image in the minds of their customers by improving quality of life of employees, their families and the community at large (Rahman, 2011).

Principles of CSR have always been part of the business practices but the concept is receiving more attention in the recent years (Jamali & Mirshak, 2007). The stakeholders of an organization such as employees, customers, suppliers, government and shareholders encourage firms to make additional investments in CSR. Hence, some firms are devoting more resources to CSR activities (McWilliams and Siegel, 2000). CSR also positively affects firm value both in short term and long term (Malik, 2015). CSR is an opportunity for business to look beyond small economic returns and consider responsibility towards the society as a wider concern.

Literature suggests that organizations are ethically responsible towards shareholders (Friedman, 1962); stakeholders (Freeman, 1984) and the society (Goodpaster & Matthews, 1982). The shareholder approach is the classical view on CSR. It refers to the fact that the social responsibility of business is profit maximization (Friedman, 1962). The shareholder should be the central focus of an organization and that social activities are not a domain of the organizations. On the other hand, the stakeholder approach focuses on the point that organizations are not only responsible towards the shareholders only but also towards its stakeholders. The stakeholder interests are

affected by attainment of organization's goals (Freeman, 1984). Moreover, the societal approach is a broader view of CSR that points towards social responsibility of a company towards the society as a whole (Van Marrewijk, 2003). They should operate keeping in view of the society and work towards its betterment. The societal approach is a strategic response to new corporate challenges and requires organizations to think proactively and act towards societal context (Van Marrewijk, 2003).

CSR activities can also be considered as promoting techniques for enhancing overall reputation of the organizations (Porter & Kramer, 2006). As customers become aware of organizations' corporate social activities, there is an increase in their trust level. Hence, they perceive that such organization will provide quality products and services in order to improve their reputation (Kostova & Zaheer, 1999). Trust is considered to be an important component in customer and organization relationship (De Ruyter, Wetzels, & Kleijnen, 2001).

Trust is defined as the degree to which one party is willing to rely on another in a situation with a sense of relative security even though there is a possibility of negative consequences (Jøsang and Presti, 2004). According to Social exchange theory, social cues and behaviors can help build trust in future rewards by showing commitment and trustworthiness to social exchange (Luo, 2002). There are different types of mechanisms to produce trust. Characteristics based trust is a type of trust production mechanism in which similarity of kinship and gender is driving force in creating trust. On the other hand, process based trust is based on past transactions and is tied to repeated purchases. This arises from brand reputation and brand

names. The institution based trust goes beyond transactions and exchange partners. It is based on a formal structure and includes certifications such as medical licenses that guarantee standards and ethical practice (Luo, 2002).

Prior research has put reliance and belief as essential in developing relationships (Morgan & Hunt, 1994). In administration marketplaces, authorities uncover that administration eminence is the essential component in accomplishing client trustworthiness. Customer trust is a belief that an organization behaves in the long term interests of the customers. Trust is a pre-requisite for the creation of long term relationships (Morgan & Hunt, 1994). Moreover trust is an important factor to build customer relationships for any industry (Kandampully, Juwaheer, & Hu, 2011)

An organization's CSR activities often reflect quality, honesty and responsiveness towards the customers. An organization's corporate responsibilities perception enhances trust (Maignan & Ferrell, 2001). Also, corporate social responsibility (CSR) along with trust is important for developing long term relationships between clients and firms. Research shows that primary result of CSR activities is stakeholder trust (Pivato et al., 2008). Moreover, firms that engage in CSR are likely to generate positive returns from CSR investment. Likewise, researchers perceived immediate affiliation amongst an organization's moral obligation with client trust in tertiary marketplaces (Del Mar Garcia de los Salmones, Perez, & Rodriguez del Bosque, 2009). There is also a constructive association between CSR activities and customer's sustained purchases. Moreover, Choi and La (2013) expressed about the association's moral legitimate obligation decidedly influences client trust in administration settings.

Trust is likely to influence customer retention and generate positive word of mouth (Ranaweera & Prabhu, 2003). Zeithmal et al., (1996) described five behavioral intentions including word of mouth intentions and repurchase intentions. Word of mouth communication from one customer to another is a credible method of marketing for a firm. Customers usually rely on word of mouth especially for high risk products and services to help them reduce risk (Harrison-Walker, 2001). In order to develop trust on professional organizations, customers have to utilize other sources of information such as word of mouth to formulate their intentions to remain with the organization.

Customers trust a service provider by, organization credentials, its reputation and assessing word of mouth from other customers. Professional service customers utilize the attainable information such as word of mouth from existing customers to assess their satisfaction and commitment when deciding their future intention towards maintaining their relationships (Ranaweera & Prabhu, 2003; Ahmad, Ahmad, Islam, & Kaleem, 2020). Thus it may be implied from research that trust and word of mouth have positive association. Brand and retailer trust impacts purchasing intention. Repeat purchases are important performance measures for organizations as value of the customer-organization relationship is based on continuity. In order to continue relationship with an organization, customers actively seek information and experiences of other customers. Kim, park and Jeong (2004) suggest that repurchase intentions are consequences of customer trust. Trust is more important for retaining frequent customers while customer satisfaction is the key factor to attract occasional customers (Garbarino & Johnson,

1999). According to Ranaweera and Prabhu (2003), trust and customer satisfaction have a positive impact on customer retention. Trust leads to long term commitment and hence allows a customer to repurchase products and services from an organization.

According to literature, there is a constructive association between corporate social responsibility and trust. In the present study, trust is taken as a mediating variable which impacts Word of mouth and repurchase intention. This study will analyze how CSR activities in the Islamic banking industry of Pakistan leads to customer trust and hence positive word of mouth intentions and repurchase intentions. The ability of the customers to perceive the benefits of CSR relates to the cultural dimensions of any country as defined by Hofstede. The variation in the acceptability of firms practicing CSR varies from culture to culture. Cultural variations also determine how corporations implement CSR in different cultures (Jamali & Mirshak, 2007). Moreover, Katz, Van Emmerik, Blenkinsopp, & Khapova (2010) took into account Hofstede's cultural dimensions along with social issues such as involvement of government in society, consumerism and treatment of employees. It was argued that the demand of the stakeholders depends on the cultural context.

Countries which are low in power distance, individualism, oriented towards masculinity and avoid uncertainty tend to have high consumer involvement. Thus, consumers want more information about product quality and manufacturing processes (Ramasamey & Yeung, 2009). Individualistic cultures which are also low in power distance are more developed and perceive CSR as beneficial. This study will analyze CSR perceptions from the perspective of developing country i.e. Pakistan. The

country's culture is characterized by high power distance, masculinity, avoids uncertainty and focused on short term orientation (Ramasamey & Yeung, 2009). Despite being short term oriented, it is proposed that developing countries are accepting long term benefits of CSR and perceive intangible gain to be more beneficial (Vlachos, Tsamakos, Vrechopoulos & Avramidis, 2009).

2.1 CSR perceptions and customer trust

Several authors have identified that CSR associations have an impact on customers' identification with an organization (Tian, Wang & Yang, 2011). Moreover, CSR activities reflect a strong corporate character (Maignan & Ferrell, 2004; Sen & Bhattacharya, 2001). Individuals who are aware of the company's CSR efforts have increased trust level and identification with the company. Thus, a direct relationship between trust and social responsibility is established in research (Choi & La, 2013; Del Mar Garcia de los Salmones et al., 2009). Therefore following hypothesis is proposed:

H1: CSR is directly and positively related to trust.

2.2 CSR perceptions and WOM

Researchers have investigated effect of CSR activities on perceptions, attitudes and behaviors of consumers in various industries. It has been found that CSR activities have a positive impact on customer retention and word of mouth (Saleh, et al., 2015; Ham & Kim, 2019). Moreover, according to the results of an empirical investigation particularly focused on Pakistani banking industry, CSR perceptions have a significant impact on perceived service quality, trust and word of mouth of banking customers (Khan, et al., 2015). CSR positively affects customer outcomes and induces customer engagement which gives rise to

customer loyalty, positive word of mouth and customer feedback (Abbas, et al., 2018).

H2: CSR is directly and positively related to customers' word of mouth.

2.3 CSR Perceptions and Repurchase Intentions

Upamannyu, et al., (2015) investigated the relationship between CSR perceptions, customer trust, loyalty and repurchase intentions. A positive relationship was found between CSR perceptions and repurchase intentions (Iglesias, et al., 2020). A company's engagement in CSR activities is considered to be a critical factor in influencing customers' buying intentions (Vo, Xiao, & Ho, 2019). It is found that CSR components, charitable and social causes of the companies influence the repurchase intentions as well (Thi & Van, 2016). Moreover, Chaudary, et al., 2016), studied the antecedent and consequences of CSR perceptions and found that customers' repurchase intentions are strongly influenced as a result of CSR initiatives.

H3: CSR is directly and positively related to repurchase intentions

Customer Trust and Word of Mouth

Word of mouth is considered to be an ultimate success factor for an organization since personal sources are considered to be trustworthy (Murray, 1991). As customer's trust increases on an organization, it is likely that positive word of mouth about the organization also increases. Customer trust is formed when employees demonstrate genuine care towards the customers and thus word of mouth

communication is facilitated (Gremler, et al., 2001). Customer relationship oriented activities enhance trust and satisfaction (Kim, Park, & Jeong, 2004). Positive word of mouth is thus associated with trust because customers feel they are provided with the products and services in helpful and empathetic way (Ferguson et al., 2010). Based on the arguments stated above, the following hypothesis can be proposed:

H4: Trust is directly and positively related to positive word of mouth intentions.

2.5 Customer Trust and Repurchase Intentions

According to research, customer trust has an impact on the repurchase intentions of the customers. Studies provide evidence that trust and risk have greater impact on the purchase decisions than perceived benefits (Sharif & Rashid, 2014). Trust is also thought to be key component of prolonged exchange relationships. Consumer trust is important component to impact their willingness to buy as purchase is based on customer confidence and reliance on an organization (Kim, et al., 2004). Therefore, following hypothesis is proposed:

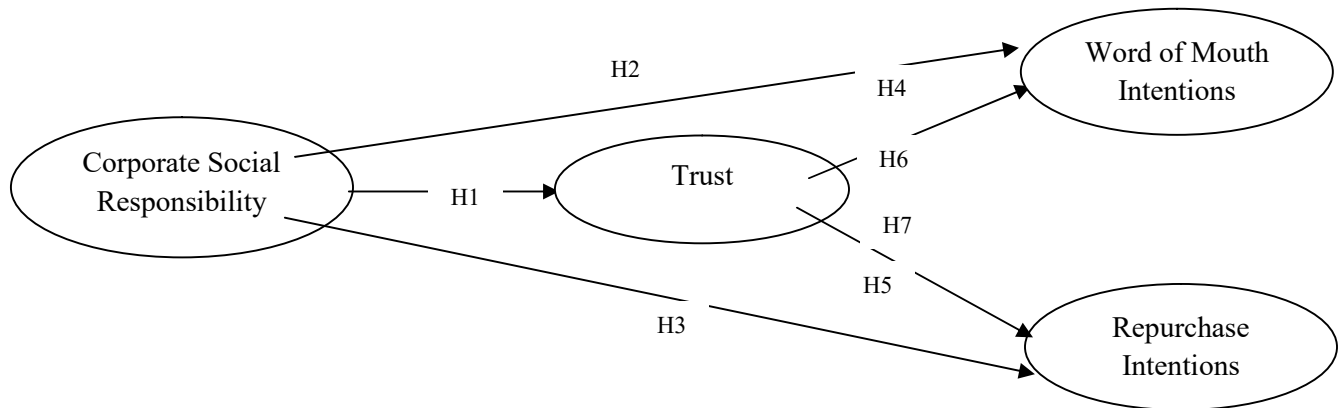
H5: Trust is directly and positively related to repurchase intentions

H6: Trust mediates the relationship between CSR and WOM

H7: Trust mediates the relationship between CSR and repurchase intentions

The following model is proposed based on evidence from literature and the research hypothesis:

Figure 1 Theoretical framework



3. Research Methodology

Data collection and sampling procedure

A field survey approach was applied in order to test the research hypothesis. A sample of five banks that offer Islamic banking services and are involved in corporate social activities was selected. An exploratory study was conducted prior to administration of the survey. Secondary information available on the official websites of the banks in Pakistan, their CSR related press releases and annual reports were thoroughly analyzed in order to select Islamic banks eligible for this study.

The banks chosen were National Bank of Pakistan (NBP), Meezan Bank, Muslim Commercial Bank (MCB), Bank Alfalah, Habib Bank Limited (HBL) and Faysal Bank Limited. Three of these banks are domestically owned while two of them are foreign owned banks. These banks represented a sample of banking activities in the city of Lahore, Pakistan. The State Bank of Pakistan (SBP) currently regulates and supervises the banking sector of Pakistan. The commercial bank sector comprises of 3 nationalized banks, 3 privatized banks, 2 provincial scheduled banks, 15 private sector banks, 14 foreign banks and 4 specialized banks. The banks chosen for this study were

primarily those which were providing retail services.

Data were collected through a pre designed structured questionnaire. The questionnaire was developed in English. A pilot survey based on 30 usable questionnaires was conducted. Validity and reliability tests were conducted to further refine measurements. Insignificant indicators were removed and certain changes were made to improve the clarity of the questionnaire. Two branches of each bank offering Islamic banking services were selected in order to collect the data. The questionnaire was distributed by researchers themselves. The questionnaire included a cover letter that explained the purpose of the research. It also explained that the participation of the Islamic bank customers was voluntary in nature. A sampling restriction was also set to include minimum 20 responses from each location to ensure sufficient representation of the customers for data analysis. Respondents included customers who were account holders at the respective banks and were availing Islamic banking services. Customers of banks were directly asked about CSR activities and behavioral intentions. These customers were randomly selected upon exiting the branch after completing their transactions. Data were

collected in different time periods of the day and minimum two days were spent on each branch for the purpose of data collection. This was done in order to ensure that each participant had an equal chance of being selected for the purpose of this study.

Demographic background of respondents

A total number of 250 questionnaires were recruited initially. However, 210 complete responses were received from customers of these banks. The following table shows the demographics of the respondents of this study.

Table 1: Demographics of respondents

Demographics		Frequency	%
Gender	Male	143	68.1
	Female	67	31.9
Age	Less than 25	88	41.9
	25-34	77	36.7
	35-44	33	15.7
	45 above	12	5.7
Income	Under 40000	95	45.2
	40001-55000	53	25.2
	55001-70000	14	6.7
	Above 70000	48	22.9

Note: N =210

Amongst the respondents, 68.1% were males, while 31.9 % were female. 41.9% of the respondents were aged less than 25 while 36.7% were aged between 25-34 years. 15.7% were aged between 35-44 years and the rest of them were 45 years above. The income levels of the respondents also varied. 45.2% respondents were in the income level under PKR 40,000 while 25.2% of them had incomes greater than PKR 40,000 and less than PKR 55,000. 6.7% of the respondents had incomes greater than PKR 55,000 and less than PKR 70, 000. The rest of the 22.9 % respondents had income level above PKR 70,000.

This research study relies on responses from the Islamic bank customers directly. Therefore, it can be susceptible to Social Desirability Bias (SDB). In order to minimize SDB, one of the research authors was directly involved in administering the questionnaires. The questionnaires for this study were self administered. Previously designed scales for the constructs were adopted which were also empirically tested. Data was collected from several Islamic banking branches of each bank and customers were asked about their CSR perceptions of the banks rather than their personal expectations. This further reduced the

personal bias tendencies of the customers.

Measurement Scales and Data Analysis

We used existing scales for all the measures of our study. The 11 item scale questionnaire of Trust was adapted from Paine (2003). Only 6 items were used to test the trust variable in this study. Items were further reduced to 5 for the context of this study. Sample item for trust was “This organization treats people like me fairly and justly.” The scale’s Cronbach alpha was 0.765 which was acceptable.

In order to measure the construct repurchase intentions, 2 item scale questionnaire was adapted and modified from Zeithaml et al. (1996). The 5 items that were used in this study were further reduced to 2 items for the purpose of this study. Sample item for this variable was “I shall continue considering this one as my main bank in the next few years”. The scale’s reliability was 0.700 which was acceptable.

To measure word of mouth intentions, an 8 item questionnaire was adapted from Athanassopoulos et al. (2001) and Mikalef et al., (2013). The items were further reduced to 4 for the purpose of this study. Sample item for WOM intension was “I sometimes share with my friends through Social Media, products, brands or services that I like”. The scale’s reliability was in the acceptable range i.e. Cronbach’s alpha was 0.721 which was acceptable. Some items were deleted because the Cronbach alpha values were not

acceptable.

The construct validity for the measures used in this study was assessed by discriminant and convergent validity test. The validity of the model was tested using confirmatory factor analysis (CFA). The baseline model which included all variables was examined. The baseline model which consisted of four variables fitted with the data. The results of the CFA showed that model fitted well with the data ($\chi^2=171.99$, d.f= 112, CFI 0.919, TLI 0.902, IFI 0.921, GFI 0.906). In addition, RMSEA was estimated to be 0.059. Factor loadings were also significant indicating convergent validity ranging from 0.4 to 0.82. The discriminant validity of four constructs was tested by contrasting the four-factor model against the alternative models. The results indicated that the hypothesized model fitted with the data reasonably better than the other alternative models based on the comparison of fit indices. Therefore, discriminant validity of all four constructs was proved and they were applied in further analysis. The model fit summary is presented in Table 2.

Results

The Table 3 represents descriptive statistics and Pearson Correlations of the variables included in this study. CSR was positively correlated with trust ($r=0.473$, $p<0.01$). Trust is also positively correlated with word of mouth intentions ($r=0.415$, $p<0.01$) and with repurchase intentions ($r=0.362$, $p<0.01$).

Table 2 Results of Confirmatory Factor Analysis

	Chi square χ^2	Degree of freedom (d.f)	CFI	TLI	IFI	RMSEA
Baseline Model	171.99	112	0.919	0.902	0.921	0.059
Model 1 WOM and CSR combined	255.476	112	0.856	0.825	0.860	0.078
Model 2 WOM, trust and CSR combined	362.416	115	0.752	0.707	0.757	0.101
Model 3 Repurchase intentions and trust combined	238.307	113	0.874	0.849	0.877	0.073
Model 4 WOM, repurchase intention and trust combined	321.8	115	0.793	0.755	0.797	0.093
Model 5 Repurchase Intention, WOM, trust and CSR combined	393.266	116	0.722	0.674	0.728	0.107

Table 3 Descriptive statistics and correlations between variables

	Mean	Standard Deviations	CSR(1)	Trust(2)	Repurchase Intention(3)	Word of Mouth(4)
CSR(1)	3.6884	0.55435	1			
Trust(2)	3.6886	0.66947	0.473	1		
Repurchase Intention(3)	3.5548	0.78904	0.429	0.362	1	
Word of Mouth(4)	3.6024	0.78904	0.473	0.415	0.272	1

The coefficients of path analysis were evaluated on basis of causal relationships in aforementioned model. Each parameter was valued as regression standardized coefficient β . the β estimates are provided in table 4. It

was found that all effects were statistically significant (i.e. $p < 0.01$). The results confirm that there is a relationship between CSR and trust. CSR is able to explain substantial variance in customer trust ($R^2=0.65$).

Customer trust also shows a substantial variance in repurchase intentions ($R^2= 0.55$) and word of mouth intentions ($R^2=0.61$). Thus, from this study many interesting facts may be

concluded. Firstly, CSR has a positive relationship with trust level of Islamic banking customers.

Table 4 SEM path analysis results

Variables and paths	β estimates
H1: CSR→Trust	0.41**
H2: CSR→WOM	0.84**
H3: CSR→Repurchase Intentions	0.53**
H4: Trust→WOM	0.66**
H5: Trust→Repurchase Intentions	0.78**

Note: N =210; *p < 0.05; **p < 0.01

We have also conducted mediation analysis in AMOS 22 in order to check the role of trust as mediating variable in the mentioned hypothesis. First of all, direct effects between variables without mediator were checked

along with significance values. After that, mediator was added and the β values were checked again. The results of the mediation analysis are summarized below:

Table No 5: The results of the mediation analysis

Variables and paths	β estimates
H6: CSR→Trust→WOM	0.55*
H7: CSR→Trust→Repurchase Intentions	0.43***

Note: N =210; *p < 0.05; **p < 0.01

The results of the mediation analysis show that trust partially mediates the relationship between CSR and WOM and CSR and repurchase intentions respectively.

4. Discussion

The present study provides significant results for the Islamic banking industry of Pakistan. The main aim of this article was to study the impact of Islamic banks that perform CSR activities on its customer’s intentions and what is the role that trust plays in this relationship. The mediating role of customer trust level is significant in this relationship since it adds to the previous literature of CSR that trust is an important and integral component having many outcomes. Although research conducted by

Bhattacharya and Sen (2004) proves that companies that are involved in social activities gain complete advantage but the link how is something that needs to be enlightened. CSR is a complex phenomenon and hence a very sensitive area for the managers and stakeholders.

This study found a positive relationship between CSR and customers’ trust. These results of this study are consistent with the results from Sharif and Rashid (2014) and Vlachos, et al., (2009). The present research also revealed that in Islamic banking industry, trust plays an important role since if trust level is high of customer on the firm then they would spread positive word of mouth intentions and

would have positive repurchase intentions. The results from this study imply that trust level of customers is higher for Islamic banks that are involved in CSR activities. The results drawn from the SEM support the proposed hypothesis and hence prove that consumer perceptions are affected by the CSR activities that the firm performs which directly affects the trust level and also gives positive signal to consumer to repurchase the product. Using the results of the mediation analysis it is also observed that trust partially mediates the relationship between CSR, WOM and Repurchase Intentions.

Conclusion

This study aims to examine whether corporate social responsibility perceptions impact customer trust. Trust therefore impacts their repurchase intentions and word of mouth intentions in the context of Islamic banking industry of Pakistan. CSR perceptions play an important role in building customer trust and also repurchase and word of mouth intentions. The findings of this paper suggest that there are various opportunities for Islamic banks to engage in CSR activities and generate positive customer intentions. CSR can also serve organizations in developing trust and retaining customers. Furthermore in this study

A developing economy, as stated by Hofstede, is considered to be more inclined towards economic benefits and focus more on the short term orientation. This study adds to the existing literature that people are becoming more aware of what corporations are giving to the society and they value it. It is clear from the research that people of the developing countries such as Pakistan are also giving weight to the intangible gains such as CSR activities in choosing and maintaining a relationship with an Islamic bank. This study proves that people from developing countries

not only focus on the economic benefit for a shorter period of time but they are also focusing on the long term benefit that they would receive while staying with a bank that is indulged in supporting the economy. The present study indicates that when banks indulge in CSR activities then the trust level of its customers increases and hence customers spread positive word of mouth and also form repurchase intention.

Practical Implications

This paper examines the impact of CSR on customer trust which further impacts on repurchase intentions and word of mouth intentions. It is important to examine the impact of these variables because in developing countries like Pakistan more research is required on organizations engaged in social responsibility activities (Pivato et al., 2008; N'Goala, 2007). It is therefore important to understand the effect of CSR on individuals' attitudes and behaviors in order to develop future strategies leading to profitability.

The findings of this study have certain practical implication for organization managers. Managers can benefit from the fact that customers associate with an organization that is responsible towards the society. Corporate social activities emphasize certain values of an organization reflecting it as a considerate entity which is responsible apart from profitability motives. Managers can also design future strategies to include corporate social activities as important part of an organization. Customers can also benefit from this study as they can know that organizations are working towards their well being and are socially responsible.

All organizations that are engaged in social responsibility can benefit from this study. The results of this study can encourage multinational companies that operate in developing countries

to consider the role of CSR in enhancing their business. They may start being more responsible for increasing customer retention. The situation will therefore reduce customer switching costs and will enhance the spirit of organizations to work for the well-being of the society.

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