

The intervening effect of customer satisfaction in the relationship between corporate social responsibility and reputation and credibility: Case of Credit Departments of Taiwan's Farmer Association

Abstract

There has been a remarkable transformation in the business world over the last few decades with the concept of corporate social responsibility (CSR) having been universally embraced. CSR is prolific and paradoxical business applications, whereby businesses are made responsible for more than the products and services they produce but are also challenged to alleviate social problems in order to remain valued and competitive. As recent years have witnessed an increasing number of business frauds, the financial industry is being pressured to introduce innovative CSR programmes. Although studies have revealed clear associations between overall CSR and customer perception, satisfaction and buying behaviour, as well as between overall CSR and corporate reputation and corporate credibility, there is a dearth of studies on the relationships between these dimensions as antecedents and behaviour consequences. This study therefore examined the influence of CSR activities on the credibility and reputation of the Farmers' Association credit departments (FACDs) in Taiwan. The aim of this study was to determine the mediating role of customer satisfaction in the relationship between CSR activities and corporate credibility and reputation of FACDs in Taiwan. Interestingly, the hypothesis developed for the mediating variable, 'customer satisfaction on the relationship between CSR and credibility', was not supported although it was shown to play a fully mediating role in relation to CSR and corporate reputation.

1. Introduction

The global financial industry is controlled by a business world that is constantly evolving, and offering an ever-increasing variety of competitive products and services. Furthermore, globalisation has forced financial institutions to conduct their businesses internationally, so that it is now crucial for their survival to serve the world rather than a small spectre of customers within their own country. This new global business model means that there are added pressures for organisations to respond positively to ethical and sustainability issues (Pérez and del Bosque, 2014; Nehme et al., 2013; McDonald and Lai, 2011; Prior and Argandoña, 2009), with businesses related to financial products having to put in more effort to convince customers of their integrity and honesty (McDonald and Lai, 2011; Luchs, Naylor, Irwin and Raghunathan, 2010).

Increasing social issues caused by business failures as a result of unethical corporate behavior have raised the bar for ethical business practices in relation to profitability and sustainability. Along with a heightened awareness of such issues has come pressure for organisations to practice corporate social responsibility (CSR), and ethics is now a critical topic of discussion amongst stakeholders across a broad spectrum of business types (Wagner et al., 2008; Skinner and Mersham, 2008; Enquist et al., 2006). For service oriented business, such as banking, CSR oriented issues and business ethics are more difficult to handle due to their inherent characteristics of intangibility, inseparability, heterogeneity, and perishability that are

challenging to impart to customers (Black, Childers and Vincent, 2014; Moeller, 2010; Lovelock et al., 2007; Lovelock and Wirtz, 2005; Rao and Singhapakdi, 1997). However, these new developments in the business world, though commendable, are continuously evolving as new and challenging issues arise relating to human activity and the natural environment (Griffin and Prakash, 2014; McDonald and Lai, 2011, Parkes et al., 2010).

The demand for ethical business conduct is also increasing for public organisations and institutions such as cooperatives (Poetz et al., 2013; Blokas, Chatzi and Spandonidou, 2013; Kimura, 2010). One perspective could be of the members and customers who assume CSR is a norm in such organisations, while another view may be that in such organisations the major obstacle is the cost of implementing CSR programmes. Publically funded organisations are normally cautious when spending money on CSR programmes as they are using taxpayer's money. To be acceptable therefore, CSR activities by such organisations ought to directly assist the public and be relatively inexpensive, or there must be a groundswell of support from the public for any CSR initiatives.

The salience of CSR in business practice has led to the formation of new policies and standards to provide guidelines for companies that are embarking on CSR practices (Poetz et al., 2013). As such, this study set out to gauge the satisfaction of members and customers of Taiwan's farmers' associations with the Farmers' Association Credit Departments (FACDs), which practices CSR activities relating to social and environment while ethically running the business. This research also investigates the mediating role played by the satisfaction of members and customers in the relationship between CSR and corporate credibility and reputation.

2. Literature Review

This study empirically examined Taiwanese farmers' understanding of CSR initiatives, their satisfaction with the initiatives that are commonly carried out by their organisation, and the effect of the initiatives on corporate credibility and reputation. As previous studies have suggested that CSR initiatives that gain customer support are normally those directed at customer wellbeing (Chomvilailuk and Butcher, 2013; Mandhachitara and Poolthong, 2011; McDonald and Lai, 2011), this study investigated whether the notion holds true in the context of a credit department of a farmers association in a society of conservative and economically growing Taiwanese farmers. The study extends the knowledge currently available in the field of CSR, efforts taken by various organisations specifically in the dimensions of social, environment and ethics, and most importantly sustainability of the initiatives and the organisation.

2.1 Corporate Social Responsibility

Carroll (1979) suggested that organisations should take responsibility for their actions based on a corporate framework of four dimensions: economic, ethical, legal, and philanthropic. However, not all dimensions are equal as some need more effort to initiate and sustain compared to others (Reich, 2008) and take employees away from their core functions, hence costing the organisation more money and time. However, larger organisations with deeper pockets tend to be more committed to activities that will eventually contribute to their bottom line. Furthermore, recent studies assert organisations that are deeply involved in marketing their products and services embark on CSR initiatives based on their impact on customer interest (Bhattacharya, Korschun and Sen, 2009; Auger, Devinney and Louviere, 2006). Research has also shown that CSR initiatives close to their heart or interests attract more customers (Tong et al., 2013; Auger et al., 2006). This attraction tends to transform to

satisfaction with the organisation's products and services (Bhattacharya et al., 2009; Silberhorn and Warren, 2007; McWilliams et al., 2006), eventually building organisation loyalty, image, reputation, and credibility (Mandhachitara and Poolthong, 2011; McDonald and Lai, 2011; Cretu and Brodie, 2009; De los Salmones et al., 2009; Mattila, 2009).

2.1.1 Ethical Aspect of CSR

The ethical dimension of CSR as depicted in Carroll's (1979) framework, embodies ethics more than the economic and legal aspects, and suggests ethical activities that are not covered by the law. Ethics involves morals and culture as a measure of what society accepts as right or wrong and of what is expected of a business (Powell, 2011; Shaw and Barry, 2010; Crane and Matten, 2004). This relativism theory of ethics is clearly contentious as it is doubtful a business knows what is right or wrong. Therefore, some organisations manipulate and undermine consumers' understanding of the product or service in the absence of hard evidence of what is and is not ethical. This creates a vast number of issues for customers, social activists, lobbyist and various other parties who are monitoring quality and legitimacy of CSR programmes and reporting. Ethics is as convoluted as CSR and commonly defined as the principles or values one use to make a judgment (Ferrell et al., 2011; Shaw and Barry, 2010; Crane and Matten, 2004). Ethics provide moral guidelines in terms of behaviour (Creyer and Ross, 1997; Sherwin, 1983) but there seems to be a fine line between what one thinks is ethical and what is carried out in a controversial situation. With globalisation and mass migration, the blend of a myriad of cultures has further blurred ethics and ethical issues.

One common ethics philosophy used to differentiate what is right and wrong is the utilitarian approach where the judgment is based on the principle of the 'greatest good' where an act that brings good to a large group of people, is said to be morally right. However, critics of this theory contend that it advocates for any decision to be deemed right as long as many people benefit, even though it is unlawful (Shaw and Barry, 2010). Meanwhile, the 'goodwill' theory introduced by Immanuel Kant suggests that a good deed is the precedent of good intentions and as such good will be returned to those who take their duty seriously (Mackinnon, 2012; Shaw and Barry, 2010). Opponents of Kant's law assert that people may get confused as to what started with a rightful intention may not be construed as goodwill by others (Ferrell et al., 2011; Crane and Matten, 2004; Creyer and Ross, 1997).

2.1.2 Social Dimension of CSR

The social aspect of CSR includes such activities as charitable donations, caring for some communities by providing education, medical care, and basic needs such as homes and tap water (Mattila, 2009). The twenty-first century social aspect also includes the organisation's internal and external society; those connected to the organisation such as employees, customers, and suppliers. A myriad of activities have been carried out, including organisations that support the community it disrupted when carrying out their business. However, some studies would categorise this as propaganda seeking publicity to regain customer trust and improve the company's credentials (Choi and La, 2013; Chomvilailuk and Butcher, 2013; Pomeroy and Dolnicar, 2006).

However, since McDonald and Lai (2011) found that specific CSR initiatives illicit specific types of customer reaction, it would be helpful for organisations to know how customers' react to social-related CSR initiatives. The current study investigates members of cooperatives who benefit from the organisations' performance as much as benefitting from being the customer. The inclination of some customers towards the philanthropic activities of an organisation does not necessarily reflect their discernment of the organisation

(Chomvilailuk and Butcher, 2013; Mohr and Webb, 2005).

An increasing number of studies on CSR notes a paradigm shift in CSR, supporting the need for philanthropic activities such as the adoption of a community of people and sustaining that community (Poetz et al., 2013; Mattila, 2009; Jones, Bowd and Tench, 2009), providing convenience for employees and fair treatment of them (Mandhachitara and Poolthong, 2011). However as established earlier, these activities are at the organisation's discretion and are usually undertaken to strategically gain stakeholder's interests. Moreover, as the discretionary dimension of CSR is not mandatory and is without clear directions, it is difficult to evaluate and discern, leading to unsustainability. As it is not compulsory, measuring and testing its credibility becomes ambiguous (Wattanakamolchai et al., 2014; Poetz et al., 2013). As the concept of societal marketing has become widespread in recent years, CSR has come to play an essential role in most organisations who generally embrace all four dimensions - economic, legal, ethics, environment - even though standard measurements are yet to be established for them.

2.1.3 Environmental Aspect of CSR

The discretionary act of an organisation is large, ranging from caring for employees, society at large and the environment. As the factors representing discretionary are mutually exclusive so the present study includes social and environment CSR separately, as most organisations place emphasise on one more than the other (Poetz et al., 2013; Chomvilailuk and Butcher, 2013; Mandhachitara and Poolthong, 2011). As businesses become involved in gaining customer trust, satisfaction and subsequently loyalty, sustainability and profitability, employees and environmental concerns go unnoticed and ignored in business strategies. Past studies indicate that customer orientated marketing and societal marketing are two concepts often misinterpreted by marketers (Elliott et al., 2012; McDonald and Lai, 2011; Devinney, Auger and Eckhardt, 2010). Customers are the primary stakeholder from where revenue is generated, and as such are salient to organisational strategies; employees and the environment on the other hand are part of society and incur cost, thus attracting less attention.

In recent years there has been an increasing number of academic studies on CSR in the Asian region indicating and increasing interest amongst scholars. These empirical studies, conducted primarily on bank customers, demonstrate customers being keen on CSR initiatives that directly satisfy their needs and benefits (Chomvilailuk and Butcher, 2013; Tong et al., 2013; Mandhachitara and Poolthong, 2011; McDonald and Lai, 2011; Pomeroy and Dolnicar, 2006). Globalisation and the growth of foreign investments in the Asian region have shown proliferating globalised CSR efforts, whereby multinational corporations (MNCs) are fast adopting CSR initiatives relating to ecological environment. These efforts are adapted by their subsidiaries in the countries where they invest. Therefore, it will not be long for Asian organisations to follow suit, improving their CSR initiatives, answering calls to improve the environment and employee needs. The dearth in both academic and managerial research specifically on CSR contribution relating to the ecological environment and its association to customers' perception and sustainability remain apparent (Slevitch et al., 2013, Levesque and McDougall, 1996). Thus it is essential for organisations to understand customers' view on what CSR initiatives involving ecological environment are, in order to allow them to view the organisation positively. Though various measures have been used in the past in order to measure satisfaction, ranging from satisfaction with the service to customers' feeling good and if the choice they made is wise (Pérez and del Bosque, 2012; Jones, Comfort and Hillier, 2007), there is a lack of empirical studies on customer satisfaction with the CSR practices of a service organisation and how this satisfaction develops into

organisational credibility and reputation.

2.2 Corporate Reputation and Credibility

Organisations' efforts in CSR and other marketing strategies are in order to gain competitive and comparative advantages. These notions and the recent fraudulent conduct of some prominent organisations are driving many companies to increase their efforts to gain credibility and reputation. An organisation's credibility can be measured by the trust one has in the organisation, the truthfulness of information they provide, and the organisations' expertise (Keller, 2008; Hair et al., 2006; Riley and de Chernatony, 2000; Herbig and Milewicz, 1995; Herbig and Milewicz, 1993). Research shows that customers form a positive attitude towards an organisation that has high credibility (Elsbach and Eloffson, 2000; Riley and de Chernatony, 2000; Lafferty and Goldsmith, 1999). Corporate credibility is vulnerable to the organisation's conduct, thus some recent studies suggest CSR could enhance credibility as much as credibility is a necessity for one to trust the CSR initiatives the organisation embarks upon (Choi and La, 2013; Chomvilailuk and Butcher, 2013; Pomeroy and Dolnicar, 2009; Lepoutre et al., 2007; Spickett-Jones et al., 2004; Hoeffler and Keller, 2002). Interestingly, research also demonstrates that trust, benevolence and altruism have significantly strong influences over perceptions of the organisation's credibility (Kantsperger and Kunz, 2010). Therefore, to build credibility an organisation needs to concentrate more on customer-oriented CSR initiatives.

However, as customers tend to build an attitude toward an organisation prior to realising its credibility, it is necessary to ensure that customers are first and foremost satisfied with the organisation's performance and initiatives in their operations (Choi and La, 2013; Lepoutre et al., 2007; Spickett-Jones et al., 2004; Lafferty and Goldsmith, 1999). Satisfaction with the quality of customer services and quality products are some of the factors that customers tend to observe first. However, beyond the core products and services, well informed and knowledgeable customers of the twenty-first century have the propensity to critically view CSR activities of an organisation (Choi and La, 2013; Tong et al., 2013). Some studies assert the importance of participating in CSR activities that are more beneficial to the customers by conducting business ethically (Pérez and del Bosque, 2015b; McDonald and Lai, 2011). Credibility is, in a way, a method used by customers to recognise a retailer or a brand.

Reputation is commonly measured using the reliability of the product or service, the organisation as a whole, and the efficiency and innovativeness of the organisation (Souiden et al., 2006; Flavian et al., 2005; Riley and de Chernatony, 2000; Herbig and Milewicz, 1995; Herbig and Milewicz, 1993). Organisation's innovativeness with their products and services can involve reducing processes and increasing convenience for customers. However, when involving a series of CSR activities, organisations tend to overlook the basic needs and embark on activities that provide publicity and are convenient for the organisation. Past research indicates that some of the reputation quotient are measured based on workplace environment, and social and environmental responsibility (Skallerud, 2011; Fombrun, Gardberg and Sever, 2000), as such reputation of an association is the positive opinion of members or their satisfaction with the association's CSR initiatives (Walsh and Beatty, 2007). Credibility and reputation eases a customer's scepticism over the company's products and services and eases customer's concerns over the risk they face (Schiffman and Kanuk, 2009). This is especially important for financial service providers who need to convey the impression that they can be relied upon. Trust is also built via marketing and selling ethically, whereby the sales and marketing personnel demonstrate their passion and trust in the product or service, as well as the organisation they work for. This may be enhanced with knowledgeable sales personnel (Bejou,

Ennew and Palmer, 1998), successful buyer-seller relationships, and, more importantly, transparent and honest organisational conduct. These are closely concomitant to CSR activities that are customer oriented or stakeholder concerned.

2.3 Hypotheses Development

Collectively these CSR initiatives are capable of building the reputation of the organisation, as organisations that take their obligations and responsibilities seriously are expected to produce quality products and services (Valax, 2012; Cretu and Brodie, 2009; Sternthal et al., 1978). Similarly, studies have shown the positive effect that CSR has on customers' trust in the organisation, thus proliferating the credibility of both product and organisation (Choi and La, 2013; Chomvilailuk and Butcher, 2013; Kantsperger and Kunz, 2010; Lepoutre et al., 2007; Spickett-Jones et al., 2004; Hoeffler and Keller, 2002). This initiated the development of the following hypotheses.

H1: CSR initiatives positively relate to corporate reputation of FACDs in Taiwan

H2: CSR initiatives positively relate to corporate credibility of FACDs in Taiwan

Previous research revealed that reputation and credibility are the result of an organisation's social and ecological responsibility (Skallerud, 2011; Fombrun et al., 2000). However, in order for society to have a perception of an organisation as being credible and reputable, it needs to feel satisfied with the organisation (Walsh and Bartikowski, 2013; Walsh and Beatty, 2007; Riley and de Chernatony, 2000; Herbig and Milewicz, 1995). As such, organisations are forced to pay more attention to the top two layers of CSR pyramid to gain competitive advantage and sustainability via corporate credibility and reputation (Pérez and del Bosque, 2015a; Slevitch et al., 2013, Keller, 2008; Levesque and McDougall, 1996). As such, the current study postulates that customer satisfaction is an intervening construct in the relationship between CSR initiatives, corporate reputation and credibility. Thus, the hypotheses below are posited below.

H3: Customer satisfaction significantly mediates the relationship between CSR initiatives and corporate reputation of FACDs in Taiwan

H4: Customer satisfaction significantly mediates the relationship between CSR initiatives and corporate credibility of FACDs in Taiwan

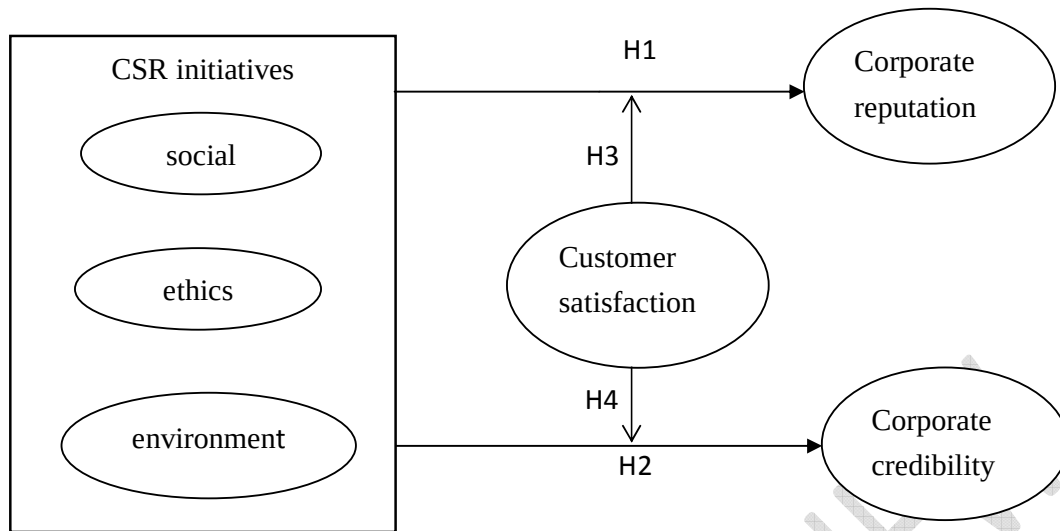


Figure 1. Research Model

3. Methodology

3.1 Data Collection

As this study investigated the connection between the three dimensions of CSR with customer satisfaction, corporate reputation and credibility, where all the constructs are abstract in nature, using scaled measurements was deemed suitable. As this research involved a large number of unknown customers of FACDs as the unit of analysis, completing the data collection using a census approach would have been very costly and time consuming (Zikmund, Babin, Carr and Griffin, 2013; Malhotra, 2007). Therefore, a sample of FACD customers was drawn from the population from which to elicit views on how satisfied they are with CSR activities carried out by FACDs. When the population size is unknown, a sample of 150 to 300 is sufficient to provide valid and reliable results (Malhotra, 2007; Bonett, 2002; Lenth, 2001). The self-administered questionnaire for this study was distributed to a sample of 400 members of FACDs in Taiwan. The sample size was determined based on recommendations from Malhotra, (2014); Bryman and Bell (2011); Bonett (2002); Lenth (2001) and Cavana, Delahaye and Sekaran (2001). The sampling frame for this study was identified as the members' or customers' list available from FACDs in Taiwan. As such, this research used a personal survey method to distribute self-administered questionnaires to customers of FACDs. The 350 questionnaires distributed outside 20 FACD offices for this study were collected as soon as they were completed.

3.2 Research Design

As generalisability was pertinent to this study, an epistemological approach was taken with a positivism paradigm to empirically examine customers' views of CSR. Hence, the discernment of the customers of FACDs in Taiwan were sought to examine their perception of FACDs' CSR activities, their satisfaction with their FACDs and their perception of FACDs' reputation and credibility. The present study used a cross sectional research design to capture perception at a single period of time as the study was not designed to observe a trend nor a change in perception due to limited time and resources.

3.3 Questionnaire Item Generation

The items for corporate social responsibilities, customer satisfaction, corporate credibility and corporate reputation for the questionnaire were borrowed from a combination of several articles which are listed in Table 1 below.

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Table 1. List of sources of questionnaire items

Constructs	Sources	No. of Items
CSR (Social)	Pérez and del Bosque, (2014), McDonald and Lai, (2011), Chomvilailuk and Butcher, (2013), Lacey, Close, and Finney, (2012).	6
CSR (Ethics)	Pérez and del Bosque, (2014), McDonald and Lai, (2011), Chomvilailuk and Butcher, (2013), Lai et al., (2010), Luo and Bhattacharya, (2006)	6
CSR (Environment)	Pérez and del Bosque, (2014), McDonald and Lai, (2011), Lai et al., (2010), Matzler et al., (2006)	6
Customer Satisfaction	Hellier et al., (2003)	6
Customer Credibility	Hair et al., (2006), Keller, (2008), Riley and de Chernatony, (2000), Herbig and Milewicz, (1993)	6
Corporate Reputation	Souiden et al., (2006), Flavian et al., (2005), Riley and de Chernatony, (2000), Herbig and Milewicz, (1993)	7

331 In order to provide respondents with a free option and consistency, this study used a 5-point
332 Likert scale to measure all the construct (Zikmund and Babin, 2013); the questions were
333 pre-coded with 1 to represent strongly agree and 5 to represent strongly disagree.
334

3.4 Statistical Analysis

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336 The collected data was analyzed by measurement analysis with validity and reliability tests
337 where the Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA) and
338 Cronbach's Alpha test of reliability were used. Finally, the hypotheses were tested using
339 Structural Equation Model (SEM).
340

4. Results Analysis

4.1 Descriptive Analysis of Demographic Data

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343 The demographic data for this study is shown in the form of frequency and percentages as
344 shown in Table 2 below.
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Table 2. Demographics of Respondents

Demographics	Frequency	Percentage
Gender	Male	159
	Female	175
Age group	20 - 30	26
	31 - 40	72
	41 - 50	124
	51 - 60	81
	61 - 70	22
	more than 70	9
		2.6
Education Level	Primary	15
	Secondary	86
	Tertiary	225
	Post graduate	8
		2.4

4.2 Measurement Analysis

The hypotheses testing were carried out with data that has been tested for reliability and validity.

4.2.1 Validity Test using Exploratory Factor Analysis (EFA)

The EFA test was run for the exogenous variables of CSR-social, CSR-ethics, and CSR-environment, with the Kaiser-Meyer-Olkin equals to 0.872. This KMO indicates the sampling carried out for this research is very good. As such, EFA's assumption one is met. The Bartlett's Sphericity's chi-square test results in a Chi-square value (χ^2) = 2355.1, degree of freedom (df) = 105, and p-value = 0.0001 since p-value < 0.05.

With the assumptions met, the EFA was run at eigenvalue of 1. The items for the social, ethics and environment aspects of CSR converged into three components within 5 iterations. The outcomes below 0.5 were suppressed, as such high loadings into three specific components resulted in a rotated component matrix as in Table 3 below.

Table 3. Rotated Component Matrix – CSR Aspects

		Component		
		Social	Ethics	Environment
CS6	FACDs support local sportsmen/women activities	.811		
CS5	It is nice to know my FACD provides for charitable activities	.785		
CS1	It is important for a FACD to provide educational support	.702		
CS3	I like my FACD to actively support the disadvantaged	.661		
CE5	All information on service charges by FACDs must be given clearly		.845	
CE4	The FACDs must pay interests as per their promise		.786	
CE3	Customers must be informed of all charges of a FACD		.752	
CE6	FACDs must assist customers truthfully		.746	
CE2	It is important for me that my FACD is transparent with charges		.703	
CE1	FACDs must be honest to their customers		.651	
Cenv1	FACDs ought to ensure there is no paper waste in their dealings			.848
Cenv2	It is important for FACDs not to be involved in projects that harm the environment			.696
Cenv3	FACDs ought to support projects that saves animals			.693
Cenv4	It is important for me to see FACDs plant trees			.640
Cenv6	I would enjoy my association with a FACD that reduces carbon footprint			.508

This EFA process loaded four items into component 1, which was named as social. However,

items “CS2” and “CS4” failed to load highly and were thus removed. Those items loaded within the eigenvalues of 0.661 to 0.811. Meanwhile, all six items representing the ethics aspect of CSR loaded within eigenvalues of 0.845 and 0.651 as component 2, which was renamed as ethics. Component 3 was loaded highly with 5 items representing the environment aspect of CSR, with eigenvalues between 0.508 and 0.848. Item “Cenv5” was removed as it did not load into the component as the other items did. With this, three items were removed from the three constructs of the study, in order to converge and discriminate based on the assumptions of the study (Hair (Jr.) et al., 2010; James et al., 2005).

The validity of customer satisfaction, corporate credibility and corporate reputation were analysed using PCA and Oblimin rotation. With this, the EFA assumptions were tested with KMO = 0.963 which indicates excellent sampling and samples used to collect data for this study, satisfying assumption one. The Bartlett’s Test of Sphericity results in a Chi-square = 6596.97, df = 171, p-value = 0.000 and a p-value < 0.05, identity matrix between items of customer satisfaction, corporate credibility and corporate reputation is declared as non-existent. With all three assumptions met, the PCA method of analysis was used with Oblimin rotation, suppressing eigenvalues below 0.422, producing the outcome presented in Table 4 below. The Oblimin Rotation resulted in 17 iterations that loaded the 19 items into three distinct components in a Pattern Matrix as shown in Table 4 below. Component 1 was renamed as customer satisfaction and had all six items of customer satisfaction loading highly, with eigenvalues between 0.422 and 0.945. Component 2 was renamed as corporate reputation and loaded all seven items with eigenvalues between 0.720 and 0.963. Finally, component 3 was loaded with the six items of corporate credibility, renamed as such with loadings between 0.527 and 0.838.

Table 4. Pattern Matrix for Customer Satisfaction, Corporate Credibility and Reputation

		Component		
		Customer Satisfaction	Corporate Reputation	Corporate Credibility
Csat1	I am satisfied with my decision to use this FACD	0.945		
Csat2	I am happy with my FACD	0.891		
Csat3	My choice to use this FACD is a wise one	0.802		
Csat4	I feel good to be a customer of my FACD.	0.768		
Csat5	My FACD takes care of all my financial needs	0.477		
Csat1	My FACD satisfies my financial needs	0.422		
CR7	This FACD known for its efficient service		0.963	
CR5	The FACD is reputable for providing excellent financial service		0.906	
CR6	The FACD is reputable in attracting quality customers		0.862	
CR3	The reputation of this FACD is better than financial institutions		0.802	
CR2	My FACD well known for its excellent customer service		0.752	
CR4	This FACD offers innovative financial products		0.730	
CR1	My FACD delivers what it promises		0.720	

CC3	I trust this FACD.			0.838
CC5	The FACD is an expert in financial services			0.699
CC1	The FACD has vast experience in financial industry			0.648
CC2	The FACD is truthful about that they offer			0.643
CC6	My FACD has never given be false information.			0.539
CC4	The FACD provide their service professionally.			0.527

4.2.2 Measurement Assessment - Reliability Analysis

A reliability analysis was undertaken after the validity test with Cronbach's Alpha test (Hsu and Fan, 1995; Nunnally, 1978). The results of reliability analysis are shown in Table 5 below. With most scores being equal or above the suggested 0.8 for applied studies (Nunnally, 1978), the remaining items are said to be sufficiently reliable for significant testing.

Table 5. Outcome of Reliability Test - Cronbach's Alpha

Construct	Cronbach's Alpha	No. of Items	Mean	Standard Deviation
CS	0.771	3	5.72	2.004
CE	0.850	5	6.82	2.099
Cenv	0.789	3	5.34	1.810
CSat	0.944	4	6.60	2.560
CC	0.897	3	5.76	2.016
CR	0.930	5	9.15	3.228

4.3 Significance Tests for Direct Relationships

Table 6 presents a summary of commonly used SEM statistics to evaluate models. The model for the current study seems to indicate significance as SEM statistics CMIN = 417.26, df = 216, p-value = 0.0001, although the chi-square statistics seem inflated with a p-value < 0.05, the ratio of CMIN over degrees of freedom shows SEM's robustness in terms of normality, thus CMIN/df = 1.93 is < 2, showing a significant model. Moreover, GFI = 0.903, is > 0.9, AGFI = 0.900, also > 0.9 and CFI = 0.964 is > 0.9, all supporting model fit. Studies on SEM statistics state that a model is deemed significant as long as at least four of these statistics are satisfied. Furthermore, one of the essential statistics, RMSEA is 0.053 falling within 0.03 < RMSEA < 0.08, the significance of the model is thus confirmed.

Table 6. SEM Statistics for Model Fit Assessment

Model	CMIN	df	P	CMIN /DF	GFI	AGFI	CFI	RMSEA
Default model	417.257	216	.0001	1.932	.903	.900	.964	.053
Saturated model	.000	0			1.000		1.000	
dependence model	5845.037	253	.000	23.10	.174	.099	.000	.258

The current study seeks to verify the postulated hypotheses on the relationships between its six constructs in order to verify the theories in relation to CSR's three dimensions and their

influence on corporate credibility and reputation of FACDs in Taiwan. The correlations between constructs are common in social behavioural studies, as such regression weights and covariances were observed. Table 7 below shows the regression weights and significance of the relationships between the variables of the study. The results in the first column of the table show the relationships whilst the C.R values and their respective p-value indicate the significance of the relationships.

Table 7. Regression Weights: (Group Number 1 - Default Model)

Correlation			Estimate	S.E.	C.R.	P-value	Standardised Regression Estimates
Csat	<---	CS	.209	.074	2.836	.005	.220
Csat	<---	CE	.434	.099	4.364	***	.262
Csat	<---	Cenv	.396	.096	4.139	***	.364
CC	<---	Csat	.894	.074	12.116	***	.831
CR	<---	Csat	.772	.063	12.192	***	.810
CR	<---	CS	.127	.057	2.213	.027	.141
CR	<---	CE	.119	.077	1.543	.023	.176
CR	<---	Cenv	-.144	.076	-1.900	.057	-.139
CC	<---	CS	.145	.069	2.108	.035	.142
CC	<---	CE	.073	.092	.788	.431	.041
CC	<---	Cenv	-.174	.091	-1.912	.056	-.148
Note : *** = 0.0001							

The relationship between CS and CR scored a C.R = 2.213 with a p-value = 0.027, as p-value < 0.05 this relationship is deemed significant at 5% level of significance. The standardised regression estimate of (+) 0.141 implies a positive relationship. The relationship between CE and CR scored a C. R = 1.543 with a corresponding p-value = 0.023, as the p-value > 0.05, the null hypothesis is rejected at 5% level of significance, thus the relationship is significant with a standardised regression estimate = (+) 0.176. Whereas, the relationship between Cenv and CR shows a C.R = (-) 1.900 with p-value = 0.057, hence the null hypothesis is not rejected at 5% level of significance as p-value > 0.05. Meanwhile, the standardised regression estimate is = (-) 0.139. This relationship can be deemed significant at 10% level of significance. However, it is critical to note the relationship is negative. In conclusion, H1: CSR initiatives positively relate to corporate reputation of FACDs in Taiwan is only partially supported as one relationship is negative.

The direct relationship between CS and CC as shown in Table 7, is with C.R = 2.108 with a p-value = 0.035 and as p-value < 0.05 the null hypothesis is rejected. The standardised estimates = (+) 0.142, therefore a significant and positive relationship between CS and CC exist. Meanwhile, the direct relationship between CE and CC is with C.R = 0.788 and a p-value = 0.431, since p-value for this relationship is > 0.05 the null hypothesis is not rejected, with a standardised estimate of (+) 0.041, showing there is no significant relationship between CE and CC. Finally, the direct relationship between Cenv and CC shows a C.R = (-) 1.912 with p-value = 0.056, the null hypothesis is therefore not rejected at 5% level of significance. However, this relationship can be deemed significant at 10% level of significance. With the standardised regression estimates = (-) 0.148, showing a negative relationship, H2: CSR initiatives positively relate to corporate credibility of FACDs in

Taiwan is concluded as partially supported. In summary, at 5% level of significance, only the social aspect of CSR has a positive and significant relationship with corporate credibility.

4.4 Significance Tests for Indirect Relationships

Viewing the role of Csat as the mediator for the relationship between CS, CE, Cenv (CSR initiatives) and CR, the direct relationships that are required to exist are the relationships between CS and CR, CE and CR, Cenv and CR, Csat and CR, CS and Csat, CE and Csat, and Cenv and Csat assessed through the outcomes summarised in Table 8 below.

Table 8. Direct Relationships between CS, CE, Cenv and CR and Csat

Direct Relationships	C.R	p-value	Decisions on Relationship
CS and CR	2.213	0.0270	exist
CE and CR	1.543	0.023	exist
Cenv and CR	-1.900	0.0570	exist at 10% level of significance
CS and Csat	2.836	0.005	exist
CE and Csat	4.364	0.0001	exist
Cenv and Csat	4.139	0.0001	exist
Csat and CR	12.192	0.0001	exist

With the confirmation of the direct relationships, the mediating construct is observed based on the standardised total estimates, as well as the direct and indirect estimates, the mediation of Csat on the relationship between CS and CC and CR is concluded as that the direct effect or relationships exist. The indirect effect of CS on CR and direct effect are similar, thus Csat is a partial mediator in the relationship between CS and CR. The indirect effect of CE on CR is greater than their direct effect, thus Csat is a full mediator in the relationship between CE and CR. The indirect effect of Cenv on CR is also greater than their direct effect, so Csat is a full mediator in the relationship between Cenv and CR. With two relationships showing significant and full mediation and one partial mediation, it is concluded that, H3: Customer satisfaction significantly mediates the relationship between CSR initiatives and corporate reputation of FACDs in Taiwan is supported.

In view of the role of Csat as the mediator between relationship of CS, CE and Cenv and CC, the direct relationships that are required to exist are between CS, CE, Cenv and Csat and between CS, CE, Cenv and CC and the relationship between the mediator, Csat and CC as listed in Table 9 below.

Table 9. Direct Relationships between CE, CR, CC and Csat

Direct Relationships	C.R	p-value	Decisions on relationship
CS and CC	2.108	0.035	exist
CE and CC	0.788	0.431	does not exist
Cenv and CC	-1.912	0.0560	exist at 10% level of significance
CS and Csat	2.836	0.005	exist
CE and Csat	4.364	0.0001	exist
Cenv and Csat	4.139	0.0001	exist
Csat and CC	12.116	0.0001	exist

As a direct relationship between CE and CC does not exist, the mediating effect of Csat on

the relationship between CE and CC could not be evaluated. However, all other direct relationships exist at 5% level of significance, whilst CEnv and CC has a significant relationship at 10% level of significance. As such, based on Baron and Kenny's (1986) recommendations for mediation, the hypothesis H4 which is about customer satisfaction significantly mediates the relationship between CSR initiatives and corporate credibility of FACDs in Taiwan is not supported.

5. Discussion

The present study emerges from a strong foundation of literatures in the areas of CSR, customer behaviour, corporate reputation and credibility, covering a wide variety of disciplines, namely marketing, consumer behaviour, and business ethics. The review of these literatures led to the development of four hypotheses to verify customer satisfaction as an intervening construct in two idealistic relationships that develop into corporate reputation and credibility.

5.1 Direct Relationship between CSR Initiatives and Corporate Reputation

The hypothesis H1 is partially supported. This result is unexpected since previous studies found a significant positive relationship between CSR and corporate reputation (Gilani, 2015; Esen, 2013; Hur et al., 2014; Marin and Ruiz, 2007). Whilst CSR-social and CSR-ethics indicate a positive relationship, the relationship between CSR-environment and corporate reputation, though significant is negative as shown in Table 10 below. Although, at 5% level of significance this relationship is deemed rejected, this study adapted the acceptance criteria of most behavioural and marketing studies at 10% level of significance. As such, CSR-environment has a significant negative relationship with corporate reputation (Malhotra, 2014; Burns and Bush, 2010; Zikmund and Babin, 2010). With this, the hypothesis claiming CSR-environment's relationship with corporate reputation is partially supported.

Table 10. Relationships between CSR Dimensions and Corporate Reputation

Relationships	Estimate	S.E.	C.R.	p-value
CS - CR	.127	.057	2.213	.027
CE - CR	.119	.077	1.543	.023
Cenv - CR	-.144	.076	-1.900	.057

FACD customers do not particularly think that FACDs' environmental concerns increase its corporate reputation. This could be due to the nature of work of FACDs, whereby their involvement in providing financial facilities to the farming community may be seen as being directly linked to the environment and therefore additional involvement not relating to farming may be construed as unnecessary costs for FACDs, consequently reducing their reputation.

Credit departments in Taiwan as in other countries such as Canada were set up to support farmers during their time of need. This notion is quite similar to CSR, or in other words FACDs are a CSR organisation. The primary duty of FACDs may be thought of as increasing investments in order to enable them to serve their customers better (Gilani, 2015; Lee and Shen, 2014; Wattanakamolchai et al., 2014), while expenses involved in environmental causes can be costly, reducing FACDs' profits and therefore the customers' earnings. The present study measured reputation in terms of providing excellent service and the ability to attract reputable customers, which would expectedly be measured based on its capability to make informed decisions on investments enabling it to independently support farmers. As

such a reputable FACD should have the intellectual capability to independently generate its income with minimal support from the government (Lee and Shen, 2014; Liu and Lin, 2007).

5.2 Customer Satisfaction as a Mediator between CSR Initiatives and Reputation

As hypothesis H3 is supported, therefore customer satisfaction intervenes in the relationship between CSR initiatives and corporate reputation. The direct relationships exist, corroborating past studies on CSR, satisfaction and reputation (Mandhachitara and Poolthong, 2011; McDonald and Lai, 2011; Bhattacharya et al., 2009; Cretu and Brodie, 2009; De los Salmones et al., 2009; Luo and Bhattacharya, 2006). Hence, FACD customers believe that in order for them to see FACDs as reputable, besides CSR initiatives within the three dimensions, customers ought to be satisfied with FACDs' performance in terms of providing a quality service. However, as the present study shows, although FACD customers have similar behaviour and opinion as the context of other studies, they feel that their satisfaction with the organisation is imperative to form an opinion that the organisation is reputable. As such, organisations embarking on CSR initiatives ought to be careful not to get carried away in their undertakings such that they forget to carry out their fundamental function efficiently to the satisfaction of their customers.

5.3 Direct Relationship between CSR Initiatives and Corporate Credibility

Although hypothesis H2 is only partially supported, it seems to indicate otherwise. The partially supported hypothesis proclaims CSR-social as the only aspect of CSR that positively relates to corporate credibility, while CSR-ethics and CSR-environment are not significantly related. Furthermore, CSR-environment shows a negative relationship with credibility. Previous research claimed that the CSR initiatives enhance customers' perception of the company's credibility (Choi and La, 2013; Chomvilailuk and Butcher, 2013; Pomeroy and Dolnicar, 2006). However, the contrary is also claimed that augmentation of credibility is very much dependent on the type of CSR activity (Pérez and del Bosque, 2015b; Pérez and del Bosque, 2014; McDonald and Lai, 2011); which is indicated by the present study.

As FACDs are financial organisations, primarily set up for the members of the farmers' association in Taiwan, the expectation of the members may indicate that though they believe CSR is important for FACDs, the CSR initiatives presented to them are not likely the ones that provide a positive impact. As a cooperative type organisation, FACDs' primary role is to provide funding for the farmers and increase their investment returns while the CSR efforts, such as charity contribution and use of new equipment for operational efficiency, may be reflected as costs to the company (Pérez and del Bosque, 2014; Pérez and del Bosque, 2012).

Some studies have claimed that CSR is propaganda carried out to gain publicity and popularity. Consequently the ethical conduct of a financial institution may be misunderstood as a merely a publicity ploy, which concurs with the findings of Kim, Lee, Lee, and Kim (2010) and Mattila (2009). In fact, as indicated in the present study, support for environmental causes show a negative impact on credibility. Thus, as customers of FACDs are farmers, CSR activities involving the environment may be suitable for FACDs as they could involve their customers in farming related initiatives such as support for organic farming.

5.4 Customer Satisfaction as a Mediator between CSR Initiatives and Credibility

As hypothesis H4 is not supported that is a contradictory finding to mediation of customer satisfaction in the relationship between CSR initiatives and corporate credibility. As shown in Table 11 below, two direct relationships between CSR and credibility are not supported, as such the rule for direct relationships to be significant was not fulfilled in this case, thus this

mediating relationship could not be confirmed. Curiously, the direct relationships that did not exist are the relationships between CSR-ethics, CSR-environment and corporate credibility, which were not hypothesised in this study.

Table 11. Relationships between CSR Dimensions and Corporate Credibility

Relationships	Estimate	S.E.	C.R.	p-value
CS - CC	.145	.069	2.108	.035
CE - CC	.073	.092	.788	.431
Cenv - CC	-.174	.091	-1.912	.056

CSR initiatives as a whole could possibly have had a direct positive relationship with corporate credibility, as some studies suggest (Gilani, 2015; Chomvilailuk and Butcher, 2013; Mandhachitara and Poolthong, 2011; McDonald and Lai, 2011). Instead, the present study focused on the relationships extricated by specific aspects of CSR. Perhaps, as ethics is traditionally expected of an organisation, a conservative society such as the farmers in Taiwan may expect their FACD to naturally serve members ethically (Ferrell et al., 2011; Mulki and Jaramillo, 2011), and not showcase it as a CSR activity. Thus one does not directly link it to the credibility of the organisation, especially an organisation such as a FACD. An organisation's financial stability and increasing profitability via informed and calculated investments may be expected of these types of organisation, earning credibility as a financial capable institution that would be able to support its customers during difficult times.

6. Limitations and Recommendations

The primary limitation of this study is the sample of respondents, whereby a sample of customers of FACDs in Taiwan was approached for data collection. As the respondents come from various districts in Taiwan, they face various units of FACDs, with various facilities and employees. Thus, satisfaction and CSR activities may not be the same to achieve the same impact. Moreover, if FACDs undertake any impactful CSR activity it may be at the headquarters level and could have been missed by those in more rural areas. Certain CSR activities may not be viewed viable and important by those in rural areas, especially when FACDs are rural development banks. The present study limited its constructs of CSR to two predominant dimensions, ethics and discretionary, which were represented by social and environmental related CSR activities. These CSR activities are the most appropriate for the context of this study since they are the most practiced by the organisations in this industry. Therefore, CSR activities that are specific could be more visible to the respondents, rather than a broad understanding of ethics, social, and environment CSR. Furthermore the present study indicated customer satisfaction as imperative in building corporate reputation and credibility, whereas there could be other suitable constructs leading to or intervening in these relationships. Therefore the findings and conclusions for this study have been based on the fact that all other possible constructs and variables remain the same at the point of time when the data was collected.

Future research projects may consider using specific activities of CSR undertaken by organisations in order to understand customers' perception and understanding. In other words, the consequences of the organisation's involvement in social activities may be stated as involvement in charity drive for the underprivileged instead of this being an item in the questionnaire. Other constructs such as economic and legal dimensions of CSR may also be contributors to customer satisfaction, as one of the main functions of most financial organisations, including FACDs, is to remain financially viable in order to lend money to

their customers.

7. Conclusion

The study found that customer satisfaction mediates the relationship between CSR initiatives and corporate reputation. However, the study failed to confirm the mediating role of customer satisfaction in the relationship between CSR initiatives and corporate credibility. However, there is no relationship between CSR-ethics and corporate credibility, and the CSR-environment initiative is negatively related to credibility and reputation. In conclusion, this study verifies past theories, establishing measurement items for this context while suggesting to marketing and CSR managers to be innovative in their CSR activities by introducing activities that are relevant to the context and nature of the industry. FACD marketers may benefit by employing experienced and educated staff to provide better information and service to customers, as well as making smart investments to increase the company's assets. As a service organisation, simpler processes and excellent customer services may help add to FACDs' reputation and credibility as these are effective customer satisfaction tools.

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