

Social Responsibility Practices and Customer Satisfaction among Cooperatives in Davao del Sur

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ABSTRACT

This study was conducted to determine which domain in the social responsibility practices significantly influences customer satisfaction among cooperatives from selected municipalities in Davao del Sur, Philippines. The study used quantitative, non- experimental research design using the correlation technique. The respondents of the study were the 120 customers among six cooperatives determined using the stratified random sampling procedure. Mean, Pearson r, and Regression were used as statistical tools. Results showed that both social responsibility practices and customer satisfaction are at high levels. Data also showed that there is a significant relationship between social responsibility practices and customer satisfaction. Furthermore, in their singular capacities, ethical, legal, and philanthropic responsibilities can significantly influence customer satisfaction, and among these three domains, the ethical responsibility was found to be the best predictor of customer satisfaction. Recommendations were offered to improve ethical responsibility among cooperatives.

KEYWORDS: *business, social responsibility practices, customer satisfaction, cooperative, Davao del Sur*

INTRODUCTION

One of the major problem affecting businesses these days is poor customer service that leads to customer dissatisfaction. Poor satisfaction can put a business into a downward movement in performance. Providing poor customer service to customer can be the reason a chain of events that can leave an organization or business with enough clients to survive. In the most severe cases, providing poor customer service can even cause a company shutdown. Poor customer service can develop a bad reputation and maybe loose customers and money. The staff can be infected with bad attitude and a bad atmosphere to work in (Wanyama, 2010).

Relative to this, the customer is the most essential person in any organization. Customers are subjects to purchase goods and services to satisfy their needs in the sense a consumer or customer satisfaction is the most important in the organization development. If the customers are treated well or if their needs are met they become well satisfied towards the organization ad if not they are not satisfied and this becomes the basis for the success or downfall of the organization as a whole. Customer satisfaction can help determine the effectiveness of business practices (Ilieska, 2013).

On one hand, recent studies done on the impact of social responsibility on customer satisfaction and retention shows that philanthropy social responsibility has positive and substantial influence on customer satisfaction and loyalty. Corporate philanthropic activities can directly influence customer demands through high level of customer satisfaction and retaining. Philanthropic aspects such as cause-related marketing activities (CRM), donation or charitable contributions, sponsorship and voluntary activities (Lee, 2012; Nareeman & Hassan, 2013; Onlaor & Rotchanakitumnuai, 2010; Roy, 2010; Tan & Komaran, 2005).

In Matanao, Bansalan, and Magsaysay (MABAMA), Davao del sur, most of the cooperatives

exercise the social responsibility practices, and that elements of social responsibility can cause a different reaction and behavior of customer which affect their satisfaction. Unfortunately, some customers leave for different reasons but most of them retain with the fact that cooperatives provide goods or services to its members and thus enable them to attain their needs, most of all when they are satisfied with the services that the cooperative was given to them.

With these foregoing contexts, it can be noted that the cooperatives have social responsibilities which are imperative for maintaining customer satisfaction. However, the researchers have not come across of a study that dealt on the relationship between the social responsibility practices and customer satisfaction in the local setting, thus, the need to conduct this study. The main thrust of the study was to determine which domain of the social responsibility practices best predicts customer satisfaction among cooperatives in MABAMA, Davao del Sur. Moreover, it sought to answer the following questions:

1. What is the level of social responsibility practices among cooperatives in terms of:
 - 1.1 Economic Responsibility,
 - 1.2 Legal Responsibility,
 - 1.3 Ethical Responsibility, and
 - 1.4 Philanthropic Responsibility?
2. What is the level of customer satisfaction among cooperatives in terms of:
 - 2.1 Transparency,
 - 2.2 Services,
 - 2.3 Rendering Services, and
 - 2.4 General Impression?
3. Is there a significant relationship between the social responsibility practices and customer satisfaction among cooperatives?
4. What domain of social responsibility practices best predicts customer satisfaction among cooperatives?

This study is anchored on the proposition of Freidman (1970) which states that the application of social responsibility has been shown to help to customers' satisfaction. Customer tends to be satisfied with the organization product or services when the organization operates and applied the dimension of social responsibility. The conceptual framework in Figure 1 shows the independent variable and dependent variable of the study. The independent variable is the social responsibility practices which has its indicators namely: *economic, legal, ethical* and *philanthropic responsibilities* (Chung, Yu, Choi & Sin, 2015). On the other hand, the dependent variable of the study is the customer satisfaction which has its indicators, to wit: *transparency, services, rendering services* and *general impression* (Enz, 2000).

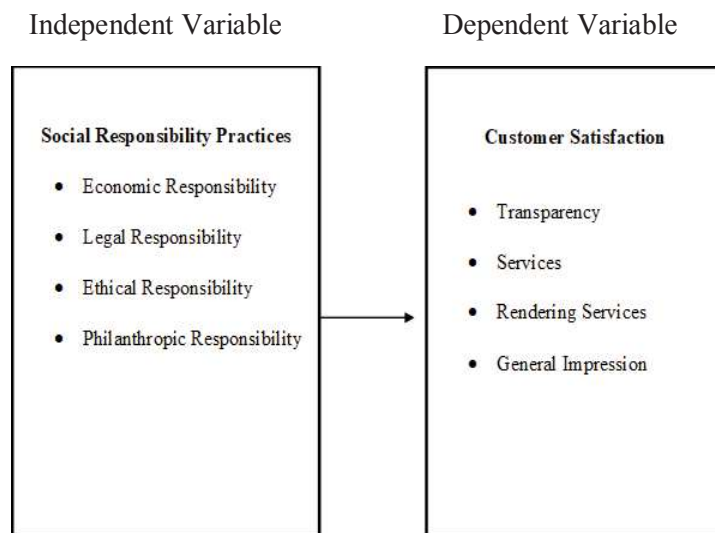


Figure 1. The Conceptual Framework of the Study

METHODS

The quantitative, non-experimental design using the correlational technique was used in this study. The correlational method is a non-experimental design, where the researcher studies the correlation between variables in a typical setting without manipulation or control. Generally, the correlational method has independent and dependent variables, but the effect of the independent variable is seen on a dependent variable without manipulating the independent variable (Creswell, 2002).

The respondents of the study were the 120 members of cooperatives in the three municipalities in MABAMA cluster, namely; Matanao, Bansalan, and Magsaysay. A stratified random sampling method was used in determining the respondents of the study. The questionnaire for social responsibility practices was adapted from Chung, Yu, Choi, and Shin (2010), which was modified to fit into the study and subjected to the validation of the experts. Social responsibility practices have the following indicators: economic, legal, ethical, and philanthropic responsibility. On the other hand, the questionnaire for customer satisfaction was adapted from the study of Enz (2000). It was modified to fit into the research and subject to the validation of the experts. The questionnaire for customer satisfaction has the following indicators, namely: transparency, services, rendering services, and general impression.

The following statistical tools were used in interpreting the data collated.

Mean. This was used to describe the level of social responsibility practices and customer satisfaction among cooperatives.

Pearson r. This statistical tool was used to determine the significance of the relationship between social responsibility practices and customer satisfaction among cooperatives.

Regression. This statistical tool was used to determine the domain of social responsibility practices,

which best predicts customer satisfaction among cooperatives.

RESULTS AND DISCUSSIONS

Level of Social Responsibility Practices among Cooperatives

The first objective of this study was to determine the level of social responsibility among cooperatives. The level of social responsibility practices among cooperatives was in terms of economic, legal, ethical, and philanthropic responsibility.

Shown in Table 1 are the data on the level of social responsibility practices among cooperatives in MABAMA. The level social responsibility of cooperatives gets an overall mean of 4.73 or *very high*, with a standard deviation of 0.246. This means that social responsibility was always manifested. This further implies that the costumers always observed the social responsibility among cooperatives and those cooperatives received positive feedbacks from their customers in terms of their social responsibility. This findings support the idea of Galbreath (2011), which stated that having a very high level of social responsibility provides visible signals from which stakeholders infer various positive characteristics of the organization, thus creating an opportunity to increase overall organizational reputation. Social responsibility recognizes the interests of all its investors, such as its employees, customers, suppliers, and the government.

From this result, legal responsibility has the highest mean score of 4.87 or *very high*, with a standard deviation of 0.261, which means that it was always manifested. Data implies that the customers among cooperatives had perceived the compliance of legal responsibility needed by the cooperatives. Based on data, cooperatives operate in a manner with the requirement of the government and obey local regulations.

Table 1. Level of Social Responsibility Practices
among Cooperatives

Indicators	SD	Mean	Descriptive Level
Economic Responsibility	0.429	4.75	Very High
Legal Responsibility	0.261	4.87	Very High
Ethical Responsibility	0.365	4.73	Very High
Philanthropical Responsibility	0.421	4.57	Very High
Overall	0.246	4.73	Very High

The findings confirmed the assertion of Carroll (1991) which stated that the cooperative's accomplishments should be consistent with laws and regulations and accomplishing that legal obligation meet nominal legal requirement as partial fulfillment of the social contract between businesses and the society firms are expected to pursue their economic missions within the framework of the law.

The second highest indicator was the economic responsibility with a mean score of 4.75 or *very high* with a standard deviation of 0.429, which means that it was always manifested. Data indicates that cooperatives focus on maximizing earnings and are committed to profitability. Cooperatives also have strong competitive positions that seek a profitable business. Moreover, the finding affirmed the assertion of some authors (Carroll, 1991; Galbreath, 2011; Onlaor & Rotchanakitumnuai, 2010), which stated that the core of the business is to produce goods and services that consumers wanted and delivered to gain a suitable profit. It also means that economic responsibility is measured in terms of stockholders' wealth enlargement, generate profit, being competitive, operational efficiency, and continuous profitability.

The third highest indicator was the ethical responsibility, with a mean score of 4.73 or *very high*, with

a standard deviation of 0.365, which means that it was always manifested. Data indicates that the cooperatives operate consistently, recognize and respect new ethical norms, prevent unethical behavior, and make an effort to have good citizenship. This is parallel to the propositions of various authors (Fadun, 2014; Carroll, 1991; Onlaor & Rotchanakitumnuai, 2010) which stated that the ethical responsibility or norms of cooperatives reflect a concern for what a consumers, employees, shareholders, and the community regards as fair, just or in keeping concerning the safety of the stakeholder's moral rights.

The least indicator, albeit still *very high*, was the philanthropic responsibility with a mean score of 4.57 with a standard deviation of 0.421, which means that it was always manifested. Data indicates that the costumers frequently observed the positive cooperatives' philanthropic responsibility practices. They found the cooperatives support the culture and art activities, participate in charitable programs, support a private and public educational institution, and assist in enhancing the quality of life. This is supported by the study of Carroll (1991), which pointed out that the businesses that practice philanthropic activity are an excellent corporate citizen and freely share of business for the progress of society. It is also a disposition to contribute to charitable expectations of society and projects that improve quality of life.

Level of Customer Satisfaction among Cooperatives

The second objective was to determine the level of customer satisfaction among cooperatives, which was measured through a survey questionnaire with the following indicators, namely: transparency, services, rendering services, and general impression.

Shown in Table 2 are the data on the level of customer satisfaction. Computations yield a grand mean of 4.68 or *very high* with a standard deviation of 0.372, and this indicates that customer satisfaction was manifested at all times. This further implies that the customers always

observed the positive outcome and increase the level of investments in cooperatives. The customers are delighted with the different services rendered towards them, thus, creating trust and commitment. Thereby, the effectiveness of cooperative practices works from the very high result of customer satisfaction.

Moreover, this corresponds to the statement of Hansemark & Albinsson (2004), which stated that customer satisfaction is an overall attitude towards the service provider and can help determine the effectiveness of business practices. Customer satisfaction can save up to many times the cost of getting new customers and can lead to very significant increases in profitability.

Table 2. Level of Customer Satisfaction among Cooperatives

Indicators	SD	Mean	Descriptive Level
Transparency	0.453	4.68	Very High
Services	0.376	4.73	Very High
Rendering Services	0.478	4.67	Very High
General Impression	0.465	4.65	Very High
Overall	0.372	4.68	Very High

From this result, the indicator of customer satisfaction that yielded the highest mean score, as shown in Table 2 was the services with a mean score of 4.73 or *very high* and a standard deviation of 0.376. Similarly, this also indicates that customer satisfaction in terms of the functions of the cooperatives was manifested at all times. Based on the data, the customers are satisfied with the simplicity and precision of service procedure, well-matched of fees, and that they are satisfied as to the techniques period and in meeting their needs. Using modern systems and the accuracy of forms was always observed.

This is in parallel to the study of Bowen (2010), which emphasized the importance of services. Services is the extent to which customers perceptions of services meet and exceed their expectation. The aptness of service quality has developed a prerequisite of customer satisfaction and customer delight.

The second indicator that yields the highest mean is transparency, with a mean score of 4.68 or *very high* and has a standard deviation of 0.453. This indicates that the level of customer satisfaction in terms of transparency of the cooperatives was manifested at all times. Based on the data, the customers were convenient for the essential information and availability of information to services. They are also informed as always about the official resolutions and managerial decisions. They commend the clearness in service follow up.

This is in parallel to the study of various authors (Kaptein, 2011; Auger, 2010), which stated that transparency is morally valuable because it enhances an attitude of honesty, openness, and commitment to truth that is implicit in thinking on corporate social responsibility. It also enhances a sense of accountability, responsibility, and much more comfortable for stakeholders to confront a cooperative with its action, thereby stimulating a sense of responsibility and effect on the attitude and satisfaction of customers.

Among the indicators, rendering services ranked third with a mean of 4.67 or *very high* and has a standard deviation of 0.478. This also indicates that the level of customer satisfaction in terms of rendering services was manifested at all times. Based on data, the customers are always satisfied with the immediate response with the costumer's complaints, reply to customers' suggestions, and availability of manuals and information relevant to customers. This is true, as stated by various authors (Bitner, 2014; Naser, 2013), which said that providing or rendering services are essential antecedents of customer satisfaction. By doing so, the customers will be satisfied with the services that made to them.

Lastly, the general impression got the lowest mean of 4.65, albeit *very high*, which has a standard deviation of 0.465. This indicates that the level of customer satisfaction in terms of general impression was manifested at all times. Based on data, there is always equality and fairness in giving treatment among cooperatives. Also, there are easy contacts and connections with the authorities and that there is the availability of facilities and functions. This results support the study of Khadka and Maharjan (2017) which claimed that once a person or customer can affect your outcomes, they will pay more attention; thereby, the company is be motivated to form an accurate impression to them. The customers will create positive feelings and will reason for retaining.

Significance of the Relationship between Social Responsibility Practices and Customer Satisfaction among Cooperatives

One important purpose of this study was to determine whether or not the social responsibility practices among cooperatives have a significant relationship with customer satisfaction. The results of the computations are shown in Table 3. As shown in the table, the overall r-value on the correlation between the level of social responsibility practices and customer satisfaction is 0.708, with the probability value of $p < 0.01$. Since the p-value is less than 0.01, there is a significant relationship between social responsibility practices and customer satisfaction. Hence, the null hypothesis is rejected.

Data implies that the social responsibility practices among cooperatives are significantly linked to customer satisfaction. This further means that social responsibility and customer satisfaction are jointly correspondents in the sense that an increase in social responsibility activities by the cooperatives increases the possibility of customer satisfaction. The social responsibilities practiced by some cooperatives can induce the customers to remain satisfied that lead them to fulfil

their organizational retention.

Table 3. Significance on the Relationship between Social Responsibility Practices and Customer Satisfaction among Cooperatives

Social Responsibility Practices	Customer Satisfaction				Overall
	Transparency	Services	Rendering Services	General Impression	
Economic Responsibility	0.266** (0.003)	0.173 (0.059)	0.203* (0.026)	0.166 (0.071)	0.242* (0.008)
Ethical Responsibility	0.425* (0.000)	0.545** (0.000)	0.663** (0.000)	0.717** (0.000)	0.705** (0.000)
Legal Responsibility	0.464** (0.000)	0.377** (0.000)	0.393** (0.000)	0.164 (0.073)	0.414** (0.000)
Philanthropical Responsibility	0.488** (0.000)	0.420** (0.000)	0.509** (0.000)	0.392** (0.000)	0.541** (0.000)
Overall	0.605** (0.000)	0.557** (0.000)	0.656** (0.000)	0.549** (0.000)	0.708** (0.000)

** Significant at 0.01 significance level.

* Significant at 0.05 significance level.

This is in support of the proposition of Freidman (1970), which stated that the application of social responsibility had been shown to help to customers' satisfaction. Customers tend to be satisfied with the organization's product or services when the organization operates and applied the dimension of social responsibility. It is also the way to develop economically viable and worthwhile social responsibility practices that attract, satisfy, and gain positive feedback and behavior of customers. In parallel, it confirmed the idea of Lacey and Kennett-Hensel (2010), which pointed out that the organization engaging in social responsibility initiatives, may earn rewards by building trust, satisfied and loyal customer behavior.

Significance on the Influence of Social Responsibility Practices on Customer Satisfaction among Cooperatives

Data shown in Table 4 is the regression coefficients to test the significant influence of the social

Table 4. Regression Analysis on the Influence of Social Responsibility Practices on Customer Satisfaction among Cooperatives

Customer Satisfaction				
Social Responsibility Practices	B (Standardized Coefficients)	B (Unstandardized Coefficients)	T	Sig.
Constant		-0.802	-1.820	0.071
Economic Responsibility	-0.031	-0.027	-0.539	0.591
Ethical Responsibility	0.594	0.604	10.933	0.000
Legal Responsibility	0.234	0.332	3.933	0.000
Philantrophical Responsibility	0.282	0.248	4.644	0.000
R	0.813			
R ²	0.660			
F	55.932			
P	0.000			

responsibility practices among cooperatives on customer satisfaction. The data revealed that the overall social responsibility practices among cooperatives significantly influence customer satisfaction since the regression analysis results showed an F value 55.932 and $p=0.000$.

The R² value of 0.660 implies that 66% of customer satisfaction can be explained by social responsibility practices, while the remaining 34% can be explained by other factors not covered in the study. The overall results of social responsibility practices among cooperatives influence customer satisfaction. Hence, it signifies the rejection of the null hypothesis. Singularly, the data revealed that the domains of social responsibility practices which have significant influence on customer satisfaction were ethical responsibility, ($t= 10.933$, $p=0.000$), legal responsibility, ($t= 3.933$, $p=0.000$), and philanthropic responsibility, ($t=4.644$, $p=0.000$), since all

have probability values of less than the alpha value.

Findings supported the proposition of Freidman (1970), which stated that the application of social responsibility had been shown to help to the customer's satisfaction. Customers tend to be satisfied with the organization's product or services when the organization operates and applied the dimension of social responsibility. It is also the way to develop economically viable and worthwhile social responsibility practices that attract, satisfy, and gain positive feedback and behavior of customers.

Furthermore, in their singular capacities, ethical, legal, and philanthropic responsibilities can significantly influence customer satisfaction. This implies that these three indicators can stand alone without referring to other variables. However economic responsibility can also affect customer satisfaction but with the support of other indicators and this implies that economic responsibility cannot stand alone without the other indicators' presence. Likewise, among the three domains, ethical, legal, and philanthropic, ethical responsibility is the best predictor in its singular capacity based on the standardized beta coefficients. From this result, it confirms the study of Onlaor and Rotchanakitumnuai (2010) that social responsibility has positive impacts to customer satisfaction and the domain which has the severest impact on customer satisfaction is the ethical responsibility.

Conclusion

The overall social responsibility practices among cooperatives significantly influence customer satisfaction. In their singular capacities, ethical, legal, and philanthropic responsibilities can significantly influence customer satisfaction. This implies that these three indicators can stand alone without referring to other variables. However, economic responsibility can also influence customer satisfaction but with the support of other indicators, and this implies that economic responsibility cannot stand alone

without the other indicators' presence. Likewise, among the three domains, ethical, legal, and philanthropic, ethical responsibility is the best predictor. Further, the overall level of social responsibility practices among cooperatives was very high. Its indicators reveal the following results: very high for economic responsibility, very high for ethical responsibility, very high for legal responsibility, and very high for philanthropic responsibility. On the other hand, the overall level of customer satisfaction was also very high. Its indicators reveal the following results: very high for transparency, very high for services, very high for rendering services, and very high for general impression. Moreover, there is a significant relationship between social responsibility and customer satisfaction

Recommendations

Among the four dimensions of social responsibility, economic, legal, ethical and philanthropic responsibility, the philanthropic has the lowest mean; thus it is recommended that the cooperatives should enhance and improve more their philanthropic activities like engaging in different voluntary charitable activities or any other programs to the society or in even in the small community to help them be a good corporate citizen. On the other hand, it was revealed that ethical responsibility best predicts customer satisfaction; hence, it is recommended that cooperatives should also focus on maintaining and improving social values, ethical norms, and standards, moral norms, and expectations that reflect a concern for what customers, employees, shareholders, and the community regards as fair and just. Cooperatives should adhere to the legal and regulatory requirements to endure the honor of the organization. Further, qualitative or mixed-research studies must be conducted to fill in the gaps which are not thoroughly and intensely explored in this study about the social responsibility practices and customer satisfaction among cooperatives in the locality.

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