

Examining the Relationship between Corporate Social Responsibility (CSR) and Competitive Advantage (CA) in the Commercial Banking Sector /Case Study of Jordan

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Abstract: The role of globalization and technology the banking business environment in a developing country like, Jordan is competitive, which requires a company's engage in (CSR) to remain competitive in the service banking market. Therefore this study examined the relationship between five dimensions of (CSR) and competitive advantage in Jordanian commercial banking sector. For this purpose a survey (206) respondents was conducted across five staff commercial banks in Amman using (34) Statements based on the dimensions model of (5) dimensions : (social, ethical, legal, environmental and technological). Regression analysis was conducted to measure whether these dimensions impact competitive advantage. The results of the study indicate that (40.4%) of the variance competitive advantage is explained by change in (CRS) dimensions. Examining the relationship between (CSR) dimensions and competitive advantage in the commercial banking (point view of management).

Keywords: *Banking Sector, Corporate social responsibility, Competitive Advantage, Jordan*

I. INTRODUCTION

Banking sector plays an important structural role for any given case of industry or economic growth. Moreover, service sector including commercial banking foundations obviously steers the nerve point of industrial growth of any economy.

During the past two decades or so, regulatory, structural and technological factors have intensively changed the banking environment. This has led to an intense competition among banking service providers. Bank management must develop customer-oriented strategies in order to compete successfully in the competitive retail banking environment. In commercial banks, customer satisfaction is taken as the primary standard used to assess the relationships of banks with the market Munariet al. [1]. Jordan's banking sector is the strongest part of its financial services industry, with a history of dating back to 1948, when Arab bank moved its headquarters from Jerusalem to Amman. According to the Jordan Central bank report, 2018 [2], there are 13 commercial banks in Jordan, these banks are: Housingbank, Arab bank, Ahli bank, Cairo Amman bank, Bank of Etihad, bank of Jordan, Jordan Kuwait bank, Commercial bank of Jordan, ABC bank and capital bank. The presence of large numbers of banks which provides the same services for client led to increased competition among them with the increasing rate of competition among banks in real world, attracting new customers is no longer the sole objective of financial institutions, AntenehEyasu and DemozArefayne [3].

The main objective of this study examined the linkage between five dimensions of (CSR) engagement (social, ethical, legal, environmental and technological) with the banking industry's competitive advantage strategy and ranked the contribution of these dimensions of (CSR) to their competitive advantage.

II. LITERATURE REVIEW

Literature viewed corporate social responsibility from different standpoints; Williams [4] stated that it is a commitment of the business sector to follow up the policies and the businesses that benefit society. Ha-Brookshire [5] defined it as the moral responsibility of the organization toward stakeholders. While the study conducted by Jones [6] and GauraNautiyal [7] highlighted CSR influence on the community which is reflected in business decision making, Noyan and Bostanci [8] discussed how environmental values can affect corporate perception.

According to Eyasu and Arefayne [3], the definition of (CSR) is the social responsibility of business should encompass society's economic, legal, ethical and philanthropic expectations of a company or organization, and that companies along with meeting their economic and legal obligations, should also be ethical and good corporate citizens Carroll [9]. The link between (CSR) and competitive advantage is often viewed as promising of social needs, environmental limits, and corporate interests are well coordinated within it. It provides mutual value for the company and society Porter and Kramer, [10].

The competitive advantage strategy dimension is largely concerned with how a firm will compete to earn and sustain superior performance (Barney, [11]; Porter, [12]. Luo and Bhattacharya, [13] also pointed out that (CSR) contributes a positive market value that can help managers to achieve a competitive advantage and greater financial benefits.

Social dimensions: the bank socially responsible activity brings positive effects to the employees and customers. The employees may be more motivated, loyal, and hardworking and the service institutions may enjoy competitive advantage. Both employees, customers, intermediaries are a vital part of the society.

Ethical dimension: the (CSR) means the theory of corporation that emphasizes both responsibilities to make money (economic approach) and the responsibility to interact ethically with the surrounding community welfare, it means the new approach of marketing namely: Green marketing and protection of the natural resources. Gond et al. [14] discussed how CSR contributes to corporate performance by influencing employees' behavior. Drucker [15] explained how the ethical aspects of CSR can support firms' ability to maximize profits. Similarly, the strong relationship between profitability and CSR was indicated by Joshi, Sun and Mann [16]. From a strategic

management viewpoint, Fulop et al.[17]pointed out a shortcoming related to CSR practices which was attributed to the firm’s lack of knowledge and the extensive focus on survival as a major objective pursued by companies compared to moral responsibility.

Environmental dimension, many people, sustainability is about the environment, primarily the natural, physical environment and its protection. However there is for more to the environment that just natural landscape.Selenimatus, [18]

Let us move on to look at the five aspects of the environment:

The natural Resources

Tourism makes use of a range of natural resources, and many cases, the core attraction of a destinations product may be natural resources such as clean air, land, mineral waters, and the water in lakes and seas.

The Natural Environment

There are few natural landscape or wilderness areas left in the world. Almost all natural landscape have been affected to some the natural landscape represents the core of the tourism product in many areas including natural forests, mountains, and regions which attract tourists because of their rivers and lakes.

The farmed environment

The farmed environment can cover a diverse range of agricultural systems including agriculture landscapes, man-made forests, and fish farms.

Wildlife

Wildlife has a number of dimensions such as land-based mammals and reptiles, flora, birds, insects, fish, and marine mammals. Tourism can clearly be very harmful to wildlife through the destruction of habitats, affecting feeding habits, disrupting breeding patterns, fires in woodlands and people picking rare plants.

The Build Environment.

Technological dimension: the competitive workers provide for bank or a company such benefits as an opportunity to implement advanced information technology and current projects by successfully pursuing long-term company’s strategy (Markota-Vukic, [19]).

III. RESEARCH METHODOLOGY

A questionnaire was administered to (250) respondent in (5) commercial banks in Amman. The number of completed questionnaires received was (220), of which (206) was accepted as a complete and valid. SPSS version 22.0 was used for analysis purpose.

3.1. Data collection procedure

A (34) statements questionnaires was prepared which has been primarily adapted from several previous studies. Are based on (CSR) and competitive advantage five dimensions namely; social, ethical, legal, environmental and technological. A Scale-point Likert scale were 1=strongly disagree, 2 = moderately disagree, 3 = neutral, 4 = moderately agree and 5 = strongly agree, was used in the 30 statements to measure the five dimensions and 5 statements to measure the competitive advantage.

3.2. Hypotheses:

The hypotheses formulated as the following:

- H1: There is no relationship between social dimension and competitive advantage among commercial banking staff.
- H2: There is no relationship between ethical dimension and competitive advantage among commercial banking staff.
- H3: There is no relationship between environmental dimension and competitive advantage among commercial banking staff.
- H4: There is no relationship between environmental dimension and competitive advantage among commercial banking staff.
- H5: There is no relationship between technological dimension and competitive advantage among commercial banking staff.

3.3. Validity

This study addresses contract validity by adapting instruments used in previous research.

3.4. Reliability

The instrument used for the current study uses multiple items in all construct in which case calculating Cronbach alpha helps measure the internal consistency i.e. the extent to which all items in a test measure the same construct.

Table 1: Internal Consistency of the scale

Dimensions	Cronbach’s Alpha
Social	0.870
Ethical	0.780
Legal	0.688
Environmental	0.672
Technological	0.880
Competitive advantage	0.787
Overall instrument	0.889

Although opinion is divided as to what value is desirable, an alpha value of greater than (0.6) is considered acceptable (Cronbach, L.J.,Shavelson, R.J. [20] . As indicated in table 1. The Cronbach alpha values of sub-scales as well as the overall instrument is greater than 0.6 (minimum 0.688 and maximum 0.880), thus indicating acceptable internal validity of the instrument.

IV. RESULTS AND DISCUSSION

Table (2) below shows that there is positive correlation between each of the five dimensions of (CSR) with values of competitive advantage. Environmental and technological indicated the highest correlation.

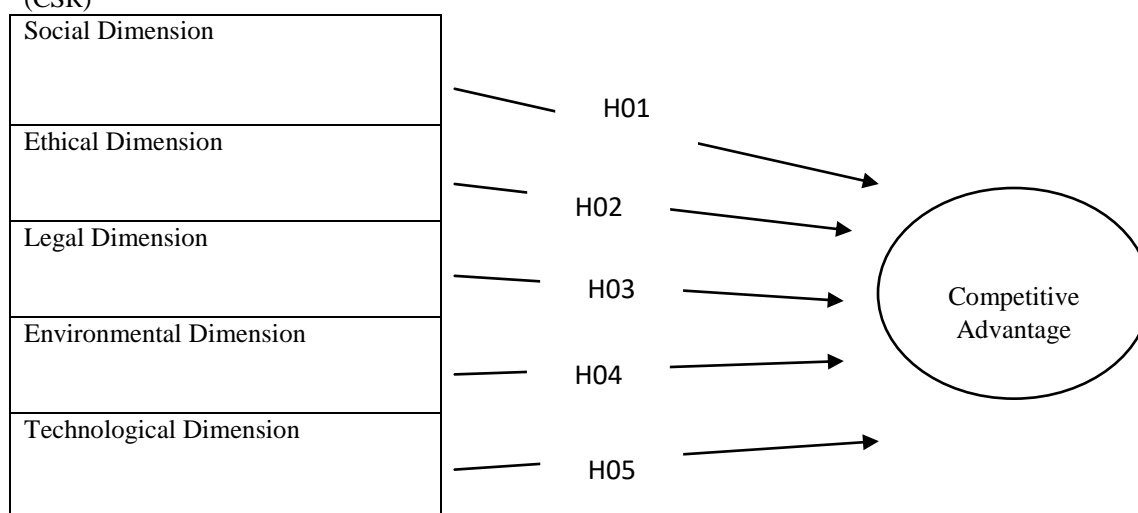
Table 2: Inter-Correlation Matrix

	social	Ethical	Legal	environmental	Technological	Competitive advantage
Social	1					
Ethical	.762	1				
Legal	.587	.473	1			
Environmental	.388	.366	.562	1		
Technological	.289	.273	.401	.754	1	
Competitive advantage	.320	.300	.420	.566	.572	

(**) correlation is significant at the (0.01) level (2 tailed)

with competitive advantage with values of (0.566) and (0.572) respectively .The remaining three dimensions,(social, ethical and legal) indicated a relatively moderate degree of positive correlation with competitive advantage thus it may be interpreted that there exists a linear relationship between competitive advantage and the dimensions of corporate social responsibility considered here positive correlation indicates that each of these five dimensions have a tendency to change together in the same direction as competitive advantage as the model showing this correlation.

(CSR)



(*) Fig.1.Framwork.

. According to previous studies and literature review

4.1 Hypothesis Testing

In order to measure whether five corporate social responsibility (CSR): social, ethical, legal,environmental and technological have an impact on competitive advantage.

Table 3: Regression model summary (dependent variable competitive advantage)

Model	R	R ²	Adjusted R Square	Error of the Estimate
1	.322a	.105	.97	.62151
2	.342b	.117	.101	.63721
3	.441c	.220	.178	.60711
4	.612d	.333	.376	.53751
5	.614e	.404	.391	.52550

- a) predictors: (constant),social;
- b) Predictors: (constant) SD,ED.
- c) Predictors: (constant),SD,ED,LD
- d) Predictors: (constant),SD,ED,LD,EN
- e) Predictors: (constant),social,ethical,legal,environment,technological (SD) (ED) (LD) (Env.D) (TD)

On commercial banking sector a regression analysis was conducted in table (3) .competitive advantage was taken as dependent variable while the five (CSR) dimensions, namely social, ethical, legal, environmental and technological were taken as predictors. The (R²) value of (0.404) model (5) in above table (3).indicate that (40.4%) of the variance in competitive advantage is explained by change in the (CSR) dimensions.

Below table (4) illustrated the beta coefficient which indicate the extent of impact of (CSR) dimensions on competitive advantage with their banks. Legal dimension (beta=.139,t=2.051,p≤0.05), environmental dimension (beta=.281,t=3.234,p≤0.001) and technological dimension (beta=.273,t=3.443,p≤0.001) had high positive impact and their p-values and t-values greater than (2) render them statistically significant as well. Although social and ethical dimensions both and positive betas they are of little statistical significance as indicated by their p values of (0.752 and .770) respectively.

Table 4: Coefficient (dependent variable competitive advantage)

Model	Unstandardized Coefficient		Standardized coefficient	T	Sig
	B	Std. error	Beta		
Constant	1.486	206		6.572	.000
Social dimension	0.23	0.67	.22	.312	.752
Ethical dimension	0.20	0.76	.21	.270	.770
Legal dimension	*0.150	0.71	*.139	2.051	.040
Environmental dimension	*0.241	0.72	*.281	3.234	0.001
Technological dimension	*0.207	0.65	*.273	3.433	0.001

- 1- The value of (0.752) for social D. means that the related null hypothesis H1: There is no impact of social dimension on competitive advantage among commercial banking staff in Amman- is Accepted.
- 2- The P value of (0.770) for ethical dimension means that the related null hypothesis – H2: There is no impact of ethical dimension on competitive advantage among commercial banking staff in Amman- is Accepted.
- 3- The P -value of (0.40) for legal dimension means that the related null hypothesis H3: There is no impact of legal dimension of competitive advantage among commercial banking staff in Amman is Rejected.
- 4- The P-value of (0.001) for environmental dimension means that the related null hypothesis H4: There is no impact of environmental dimension of competitive advantage among commercial banking staff in Amman is Rejected.
- 5- The P-value of (0.11) for technological dimension means that the related null hypothesis H5: There is no impact of technological dimension of competitive advantage among commercial banking staff-is Rejected.

V. CONCLSION

All the five dimensions of (CSR) in this study exhibited a positive correlation with competitive advantage acting the impact of these five dimensions on competitive advantage using regression analysis it was found that (40.4%) of the variance in competitive advantage is explained by change in the social responsibility. The softer dimensions namely environmental and technical, as well as the harder dimension legal, were of statistical significance. However, the impact of social and ethical on competitive advantage was of little statistical significance.

These findings can be used by banks to improve on these particular dimensions of (CSR) in order to achieve best results relevant to competitive advantage in the commercial banks in Amman.

There are however, several limitations on this study. Firstly, it is limited to Amman and covers commercial sector banks only. Secondly, the sample size of (206) can be no way be considered representative of the population. Thirdly, it uses only (34) statements or items clubbed under five dimensions. Thus there is a definite scope for a more comprehensive study using a more elaborate instrument and covering a larger sample size across public, and Islamic sector banks in Jordan.

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