

## Mediating Effect of Customer Loyalty in the Link between Corporate Social Responsibility and Sustainable Growth

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**Abstract:** This research investigated the mediating effect of customer loyalty in the correlation of corporate social responsibility (CSR) with sustainable growth (SG) in Ethiopian private universities setting. The study utilized explanatory research and quantitative approach. Respondents were selected using stratified and convenience sampling technique from three purposively selected universities. This study has collected 405 completed self-administered questionnaires. To analyze primary data, this research utilized structural equation modeling using statistical package AMOS 23. The findings show that the comprehensive CSR practice has positive and significant effect on sustainable growth. Further, customer loyalty has partial mediating role between CSR and sustainable growth link. CSR practice regarding employee, economic, social and environment are significant factors to influence the SG through customer loyalty. However, employee and social CSR practice have direct and indirect significant positive effect on sustainable growth. The study recommends the universities should initiate and implement CSR programs related to employee, social, economic and environment aspect as a means to attain SG and enhance customer loyalty. The study extends CSR literature by investigating the elements of CSR practice with extended indirect effect in higher education context specifically in emerging economy. The study develops a unique CSR practice model to direct private universities in higher education sector towards attaining sustainable growth based on covariance based structural equation model.

**Keywords:** Corporate social responsibility, customer loyalty, sustainable growth, private university, Ethiopia.

## Background

Corporate social responsibility (CSR) is organization commitment to undertake business ethically, improve the welfare of society and involve in environmental protection. Engagement in CSR practice is rising, and it is a core integral part of the organization operation beyond fulfillment of legal requirement. CSR has become a core issue in higher education (Wigmore et al, 2020). Because of this CSR has received substantial attention from scholars, practitioners and policy intervention. Social responsibility practice offer several positive outcomes such as to attract employees, customers, investors and other stakeholders (Moisescu and Gica, 2020). Service firms should invest on CSR towards employee and environmental protection (Huang et al. 2022).

At present, many countries particularly in developing country including Ethiopia face difficulties such as poverty, unemployment, social and environmental concerns. Thus, there is a need by many organizations to have role in lessening these challenges. CSR can be a means for community development and solve society problem in developing countries (Degie and Kebede, 2019; Khan, 2021). Universities are also responsible for addressing society's real problems (Cremonini and Adamu, 2021). Besides this fact, CSR practice enhances university image and reputation (Ismail, 2020; Latif et al, 2021). University social responsibility benefit encompasses improving standard living and reduction of poverty (Ayele, 2021). From stakeholders' theory concept for sustainability, literature recommends to seek appropriate and effective remedies to social and environmental concerns (Schaltegger et al, 2019). CSR practice along with other strategy enhances long-term relationship (Jeffrey, 2019). According to the stakeholder theory relationship is enhanced by incorporating the interest of stakeholders in firm strategy, this fact creates better value for higher education institutes (HEIs) (Langrafe et al, 2020). Due to high competition, universities and other HEIs face challenges to attract students, this fact is the same in Ethiopian private universities context. Universities are operating under rising of global competitiveness (Miotto et al, 2019). To stay and work in competitive market, universities and other organizations need to emphasize on social responsibility and performance (Dahan and Senol, 2012; Ying et al, 2021). CSR practice helps to strengthen competitiveness of firm (Zhao et al, 2022). Universities should identify areas that contribute more to overcome existing competition. CSR as a unique strategy improves long- term growth (Streimikiene, and Ahmed, 2021). Competitive business environment has created CSR notion in trade organization (Fauzi et al, 2023). University social responsibility also have important role in institutional performance (Eromafuru et al, 2023). Literature shows that student loyalty is essential to improve sustainable growth particularly for educational institutes (Daud et al, 2021). However, empirical evidence required to ensure consistency. Thus, to extend the existing literature, this study considered private universities setting. Universities are important to benefit

society, specifically provide skilled personnel and educated work force in their career can have substantial role to economic and social development as well as to minimize poverty. Prior works focus on CSR and financial performance link (Ahamed et al, 2014; Phan et al, 2020, Jing et al, 2023). However, literature shows different approach to demonstrate the significance of CSR. CSR assists to attain long-term growth (Streimikiene and Ahmed, 2021). High extent of university social responsibility related to high loyalty (Latif et al, 2021). Students' loyalty is the major cause to sustain and survive for HEI (Mahayuddin et al, 2019). Student loyalty is important means in educational institute success to increase customer retention (Todea et al, 2022). The current research argues that incorporating mediator (loyalty) in the link between CSR and sustainable growth enriches the study. This study set out mainly to examine role of CSR on sustainable growth through customer loyalty in selected private university (Unity, Rift vally and Saint Mary) setting in Ethiopia located in Addis Ababa, their main campuses found and they have more than two decades experience. Further study has been called in the role of customer loyalty in the link of CSR practice with performance (Jie and Huam, 2019), CSR and customer loyalty correlation not tested in education sector (Mostafa and Hamieh, 2022). This research inspired to address this gap.

Domestic literature reported awareness of social responsibility is increasing in university context (Elfineh, 2014). In the same setting, another study is qualitative research (Ayele, 2021). Past works in university context shows presence of CSR initiatives (Cremonini and Adamu, 2021). In another setting past study emphasized on direct link between CSR and performance (Dunay et al, 2021). There is only few past works in Ethiopia. In this study, the research model incorporated loyalty in the CSR and sustainable growth relationship. Therefor this study aimed to achieve main objective of this study to examine the influence of CSR practice on sustainable growth of private universities through customer loyalty. The research contributed to CSR literature, and extends customer behavior literature by examining the link among CSR, customer loyalty and sustainable growth factors.

To address the objective, the following research questions set out:

Do CSR practices influence sustainable growth in private university setting?

Do CSR practice influence on loyalty in private university setting?

Does loyalty mediate effect of CSR on sustainable growth in private university setting?

## **2. Literature review**

### **2.1 Theoretical foundation**

CSR may constitute the activities of the organization to fulfill its responsibility. There are four-dimensional structure of CSR, including CSR to social and non-social stakeholders, employees, customers, and government (Turker, 2009). When CSR practice utilized

strategically, organizations able to innovate and identify new method of operation to create value and be efficient in resource deployment, subsequently brings benefits which is core practice to win competitors (Rexhepi et al, 2013). CSR practice ensures cost reduction and as a result profit increased (Hajduchova et al, 2019). The reason is due to recycling, minimizing utility consumption reduces cost. Internal CSR practice enables to retain talent. Moreover, good image created while involving in social and environmental concerns that helps to attract customers.

To evaluate CSR practice, this research begins from theory-based framework, the practice has various dimensions. Social responsibility practice incorporates meeting economic, legal, ethical and philanthropic expectation (Carroll, 2015). Ethical element is vital in stakeholders' management (Freeman et al, 2015). Ethical and philanthropic forms of CSR have positive effect on sustainable growth (Streimikiene, and Ahmed, 2021).

CSR leads to attain sustainable performance (Porter and Krammer, 2006). Sustainable business practices using economic, environmental and social indicators play significant role in evaluating and implementing business practices (Dos Santos et al, 2013). Sustainability practice affirmatively influences customer loyalty and performance (Moisescu, 2018; Munir et al, 2019). Universities are vital entity for development and prosperity of society through sustainability (Badrakhan et al, 2022). Sustainability governs university position (Pedro et al, 2023). Based on triple bottom line concept CSR includes economic, social and environment measure (Mendes et al, 2023). Another perspective Stakeholder theory asserts that society supports an organization if they get back value from sustainability activity (Nnadi and Mutyaba, 2023). This implies that complying stakeholders' expectation linked with organization performance. Stakeholders can influence organization long-term plan and performance that require organization effort to meet stakeholders' expectation that leads to be successful (Freema, 1984). In the contemporary market, stakeholders usually react affirmatively to CSR. This positive phenomenon result better customer response, subsequently, customer becomes loyal. Universities should have CSR program to meet stakeholder expectation (Vasilescu et al, 2010). Appropriate CSR practice is essential to create stakeholder value (Dasgupta et al, 2022). Stakeholders are those individuals who have interest or affected by the organization operation. Universities should also ensure appropriate approach to promote sustainability, and they need to be concerned to social and environmental aspect (Ankit and Tharwat, 2020). Measures of CSR practice consists employee, society and environment (Glaveli, 2020), moreover economic responsibility is fundamental component (Carroll, 2021).

Another theory is resource based view (RBV) asserts benefit of having resources and competence of firm to utilize the resources appropriately leads to offer value that is unique in the competitive environment. RBV theory describes why organization grows,

the benefit of particular organization resource has to be rare, and unique that rivals cannot copy (Lowe and Teece, 2001). The theory is appropriate due to the investment in CSR practice generate human capital, customer loyalty, good image, also enable to strengthen stakeholders relationship (student, employee, community), subsequently, the universities can have competitive superiority. CSR can be a strategy to stimulate long-term relationship (Jeffrey, 2019).

## **2.2 CSR practice and sustainable growth**

Meeting stakeholders' interest offers a foundation that drives organization ongoing success (Harrison and Wicks, 2013). Past study reported positive link between stakeholder responsiveness and firm performance (Gonzalez-Padron, 2016). Stakeholder theory asserts it is necessary to create value to each stakeholder including staffs (Dasgupta et al, 2022). Thus stakeholders category (economic, employee, social and environmental) are the CSR dimensions. Sustainable growth outcome is becoming vital factor in which attention increased concerning its link with CSR activities. CSR becomes more important for long-term growth, which is business performance, considered (Jeon et al, 2019). CSR is an important and necessary factor for sustainable growth (Cincalov and Hedija, 2020; Ahmad et al, 2021).

In relation to economic responsibility, businesses should consistently strive to create new competent goods and services with value to customers (Rexhepi et al, 2013). Economic dimensions of CSR includes attaining profit through fulfilling customer needs through offer of high quality service is crucial to achieve sustainable performance (Ogunnaike et al, 2014). Quality is the feature of the product and the service that meets the needs of clients is the most important factors for the survival and growth of the organization and maintains its competitiveness (Al-najjar, 2016). CSR has become a core concept considered as a significant factor in competition and a firms' survival, primarily because CSR influences customer satisfaction (Mohammed and Reshid, 2018). This in turn assists to attract students and increase university rank (Ismail, 2020).

Concerning employee CSR, internal CSR has a positive and significant correlation with organizational commitment (Thang and Fassin, 2017). The organization can retain employees with intellectual capital for long term, because employees have opportunity to grow, training and better working environment. CSR practice enables to retain talent (Ohrich, 2015). Intellectual capital is considered as driver of performance and affects sustainable growth rate (Wahyuni and Dino, 2016; Xu and Wang, 2018). Improved welfare for workers has positive impact on profitability (Jeon et al, 2019). Past studies recommend investing in internal CSR practice that enables staffs' to work in their maximum potential (Tran et al, 2021; Dasgupta et al, 2022).

Regarding CSR related to social activity, successful organization are concerned for attaining their objective along with improving and focusing their social impact and give value to society (Barlas et al, 2023). Universities also prioritize the welfare of society (Ouragini and Ben Hassine, 2024). The responsibility of university is to undertake education, research and community service in which is task of the university community based on scientific way to develop the welfare of the society and share knowledge to citizens. Universities have impact on welfare of the society, economy and development (Ismail, 2020). Universities work to improve the quality of the life of society. Social practice have direct positive link with financial performance (Phan et al, 2020). University social responsibility has a positive influence on performance (Latif et al, 2022).

Environmental CSR practice measures along with economic and social measures have positive link with performance (Yang et al, 2019). In relation to sustainable growth, environmental factors and growth, negative results reported (Jeon et al, 2019). In contrary, empirical study depicted that CSR as a whole significantly increases the firms' long term growth and reduces their financial instability in which basic dimensions of CSR relevant to different stakeholders (shareholders, employees, environment, society etc.) considered (Lv et al, 2019). Inconsistent past study result exist.

CSR can enhance market success (Smith, 2010). Some CSR practices have positive influence on sustainable growth (Streimikiene, and Ahmed, 2021). For instance, CSR in terms of environment have vital contribution to organization sustainable growth (Lopez et al, 2022).

Growth is aspect of firm's performance has to do with behavior that reflects extent of its ability to secure external support, acquire resources and increase its capabilities (Rabah, 2015). Measuring criteria of growth include increase in student and programs as well as expansion (Asvat, 2018; Lebeau and Oanda, 2020). Investment on CSR activities promote growth and maximize value (Lee and Lee, 2019). CSR as a whole significantly increases the firms' long-term growth (Lv et al, 2019). In university context, CSR is about stakeholders (Hajduchova et al 2019). Universities implement environmental friendly projects and practice (Leko et al, 2022). University social responsibility have essential role towards its performance (Eromafuru et al, 2023). Therefore, the following research hypothesis established:

H1: Economic CSR practice has a positive effect on sustainable growth

H2: Employee CSR practice has a positive effect on sustainable growth

H3: Social aspect CSR practice has a positive effect on sustainable growth

H4: Environmental CSR practice has a positive effect on sustainable growth.



### 2.3 CSR and customer loyalty

Customers' loyalty means that even when other brands offer a better product or service, customers will stay in using the original brands. Hallowell (1996) suggested focusing on customer needs, so that organization can fulfill better than rival is important. Positive response to CSR initiative would influence brand loyalty (Dapi and Phiri, 2015). CSR is positively influencing customer loyalty (Cuesta-Valino et al, 2019). Specifically Moisescu and Gica (2020) found positive influence of environmental and social responsibility on customer loyalty. Research model not incorporated employee and economic aspect CSR.

Past literature of Lui and Zhou (2009) suggested CSR can enhance customer loyalty and further extended by Balqiah et al (2011) established positive correlation between these factors. Customers prefer social responsible firms. Specifically environmental CSR have positive influence on customer loyalty (Rashid et al, 2014). Prior research utilized behavioral loyalty represents repeated acquisition behavior (Cossio-Silva et al., 2016). Continuance commitment to the specific brand is in attitudinal loyalty approach. It is necessary to understand how CSR activities influence customer loyalty, because CSR practice influences the attitude and behavior of customers. In this study-aggregated item in unified construct customer loyalty was utilized (Ali et al, 2021).

Limited past study reported on specific dimension of CSR in relation to loyalty in university context. Satisfactory campus infrastructure and support system leads to improve student loyalty (Mahayuddin et al, 2019). In contrary considering other dimension literature shows price does not have a significant effect on the loyalty in university context (Leonnard et al, 2015). Tuition fee can be economic CSR measure. In other dimension, environmental dimension influences customer satisfaction (Pedro et al, 2023). This in turn affects customer loyalty.

In line with current study, Mendez et al, (2009) noted that loyalty is core dimension of the success. High extent of university social responsibility related to high loyalty (Latif et al, 2021). For instance, economic and environmental CSR influence student satisfaction (Pedro et al, 2023). Subsequently this fact leads to enhance loyalty. Based on these conclusions, the study hypothesized that:

H5: Economic CSR practice has positive effect on loyalty

H6: Employee CSR practice has positive effect on loyalty

H7: Social aspect CSR practice has positive effect on loyalty

H8: Environmental CSR practice has positive effect on loyalty

### 2.4 Mediation effect of customer loyalty

CSR programs can be very supportive approach to make customers loyal (Pirsch, 2007). CSR helps to strengthen positive relationship with stakeholders including customers (Lui

and Zhou, 2009). Stakeholder members have affirmative attitude towards the organization (Wigley, 2008).

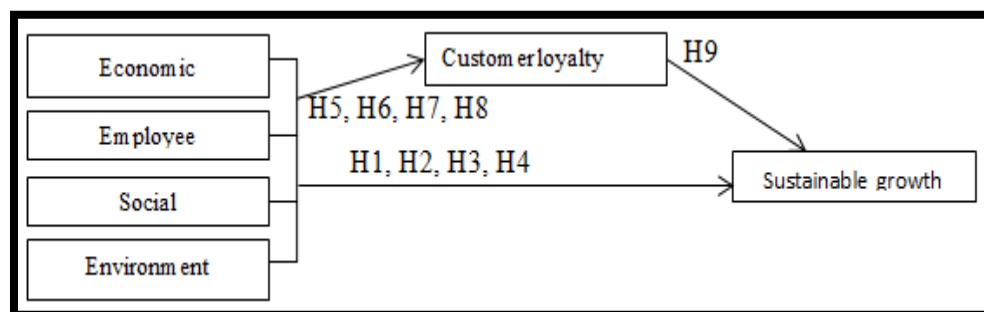
Prior studies work focused considering the link of CSR and customer loyalty in the context this study and other setting. CSR enhances customers' loyalty and have positive link, because customer commitment is influenced by CSR (Navickas and Kontautiene, 2011; Cuesta-Valino et al, 2019; Aljarah et al, 2020). Loyalty is vital for the sustainability of a business (Qomariah et al, 2020; Latif et al, 2021). In high competition, student loyalty is significant factor for long-term survival and success of institute (Tariq et al, 2020). Thus, it is relevant to investigate the link between CSR and sustainable growth through loyalty. Student loyalty is important measure in educational institute success to retain students and attract them again (Todea et al, 2022).

Customer loyalty is essential for competitive institutions (McMullan and Gilmore, 2008). Organization growth relies on customer loyalty (Kotler and Armstrong, 2010). Arguably, the contribution of customer loyalty in enhancing sustainable growth is due to customers repeatedly prefer the service of firm over its rivals based on positive experience. That is due to CSR influence customer commitment (Aljarah et al., 2020). CSR enhances customer loyalty (Tran, 2022). From these conclusions, this research assumed loyalty mediates the link between CSR and sustainable growth.

University social responsibility has direct link with customer loyalty (Suranta and Ramawati, 2024). In line with the study context, university social responsibility have significance role in institutional performance (Eromafuru et al, 2023). Past work suggested further study to incorporate customer loyalty and test its mediating role (Jie and Huam, 2019). Students' loyalty is the most essential factor to stay and survive for private higher education institute, and improves survival level of university (Ismanova, 2019; Mahayuddin et al, 2019). Thus, the current study hypothesized that:

H9: Customer loyalty mediates the relationship between CSR practice and sustainable growth.

Based on the above literature review discussion, conceptual model developed (See Figure 1).



**Figure 1. Hypothetical model**

**Source:** own elaboration



### 3. Methodology

#### 3.1 Research design and approach

The current research considered three private universities among four listed universities in ministry of Education (MOE, 2016) in the context of Ethiopia. The study is explanatory research using survey strategy and quantitative approach, which permits to test hypothesis and describe causal link between variables (Mohajan, 2020; Nayak and Sing, 2021). This study investigated the link among CSR, loyalty and sustainable growth. Moreover, the study utilized cross-sectional survey design.

#### 3.2 Study population and sampling

There were four registered listed universities at the time of the study was undertaken, thus three private universities selected (Unity, Saint Mary and Rift valley). The assumption considered to select the universities is their establishment age where these universities have experience for more than two decades in education, research and community service, the universities involved in comprehensive CSR practice. The study excludes colleges due to they involve in limited CSR practice. New firms are less engaged in internal CSR practice (Ye and Li, 2021). The research utilized both samples (academic staff and students) to have adequate representative of internal stakeholders. The study population is 13161 (1076 academic staff and 12085 students). Considering total population, sample size determined using the formula suggested by Cochrane (1970) which offer 373. In order to minimize non-response rate, sample size increased by 20%. Thus, the study sample size was nearly 448 samples considered. Stratified and convenience sampling technique was used to select respondents.

#### 3.3 Data collection and instrument

Primary data was collected using pretested self-administered structured questionnaire. Data collection performed in the early January 2023. Questions were constructed on a five point Likert scale ranging from 1(strongly disagree), 2(disagree), 3(moderate), 4(agree), 5(strongly agree) except demographic information. The respondents requested to reply on the questions related to the effect of CSR practices on sustainable growth and the mediating role of customer loyalty. Pre-testing of the questionnaire conducted considering 45 (10% of sample) individuals from target population. This indicates no concern in relation to face validity. Usable 405 completed questionnaires collected out of 448 administered questionnaires.

#### 3.4 Measurements

This study utilized validated instruments. CSR practice regarding economic, social, employee and environmental dimension were adapted and modified from past study of

Jain et al (2016), Gonzalez-Rodríguez et al, (2019), El-Kassar et al (2019) and Wigmore et al, (2020).

The measurement of loyalty construct items is taken from past works of El-Kassar et al (2019) studied in the context and Dapi and Phiri (2015) who studied the impact of CSR on brand loyalty. The study utilized unified construct customer loyalty by considering behavioral and attitudinal items (Ali et al, 2021). Regarding sustainable growth dimension, theoretical reasoning from literature considered. Specifically increase of student enrollment, programs, geographical distribution, economic success (Guthrie and Neumann, 2007; Ahmed and Goodwin, 2012; Asvat, 2018).

### 3.5 Method of Data analysis

The current study utilized SPSS 23 version for descriptive analysis and AMOS 23 software for structural equation modeling. AMOS (Analysis of Moment Structures) is commonly estimates using a covariance based approach. The structural model analyzes the path association between factors. The abstract latent variables are measured indirectly by the observed variables in which the model combines factor analysis with path analysis.

The linear equations of the research model in figure 1 can be written as follows:

$$lo = \beta_1 \text{ economic} + \beta_2 \text{ employee} + \beta_3 \text{ social} + \beta_4 \text{ environment} + \varepsilon \text{ Equation 1}$$

$$SG = \beta_5 lo + \varepsilon_3 \text{ Equation 2}$$

Economic, employee, social and environment aspect of CSR are independent variables

Customer loyalty and sustainable growth are dependent variables

lo represents loyalty, SG=sustainable growth,  $\varepsilon$  = error term

## 4. Result of the study

### 4.1 Demographic Profile of respondents

According to demographic variables of the research, Table 1 indicates that the sample consists of 168 males (45%) and 245 female (55%). Majority of respondents were between 31-45 years old represents 275 (67.9 %) of the sample size, followed by 115 (28.4%) respondents were between 20-31 years old, and 15 (3.7%) respondents were above 40 years old. Regarding educational level: 211(52.2%) have master or PhD degree, whereas 194 (47.8%) have BA or diploma. Further, in this study 48.1%, 44.2% and 7.7% respondents participated from Saint Mary, Rift Valley and Unity private universities respectively. 46.4% were academic staff and 53.6% students represent majority.

**Table 1 Profile of respondents' description**

| Measures   | Discription    | Count (%)  |
|------------|----------------|------------|
| Gender     | Male           | 182 (45 )  |
|            | Female         | 223(55)    |
| Age        | 18-30          | 274 (67.7) |
|            | 31-40          | 100(24.8)  |
|            | ≥41 years old  | 31(3.7)    |
| Education  | Diploma        | 31(7.6)    |
|            | BA             | 163(40.2)  |
|            | Masters        | 205 (50.7) |
|            | PhD            | 6 (1.5)    |
| University | Saint Mary     | 195 (48.1) |
|            | Rift Valley    | 179(44.2)  |
|            | Unity          | 31(7.7)    |
| Category   | Students       | 188(46.4)  |
|            | Academic staff | 217(53.6)  |

## 4.2 Measurement and structural model

### 4.2.1 Convergent Validity

Initially, the measurement and structural models evaluated with the help of multivariate data analysis known as SEM, covariance based approach. The study conducted confirmatory factorial analysis (CFA), evaluating validity, reliability and uni-dimensionality. The assessment is vital that provides logical foundation for defining latent variables (Kang and Ahn, 2021). CFA estimates factor loading for every measure in each constructs,  $R^2$  for every item, correlation between constructs as well as fit statistics for the model. At initial CFA output, there were items with factor loading  $< 0.5$ , in addition  $CMIN/DF=1.868$ ,  $RMSEA=.046$ ,  $RMR=.034$ ,  $GFI=.875$ ,  $CFI=.888$ . Some of the fit indices not achieved as per the requirements. Improving the model is required. The current research considered the value  $\geq 0.5$  for factor loading which is acceptable (Hair et al, 2009). Hence, from CSR practice construct, five items with factor loading  $< 0.5$  removed. Subsequently the measurement model improved results in the indices of model fit  $CMIN/DF=1.685$ ,  $RMSEA=.041$ ,  $RMR=.030$ ,  $GFI=.904$ ,  $CFI=.929$ ,  $TLI=.920$ ,  $IFI=.930$  are within the acceptable required value Hu and Bentler (1999), and revealing that measurement model fits the data satisfactorily. Final model is based on three latent construct with 30 items where factor loading  $\geq 0.5$  that ensures meeting the requirement of convergent validity as well as uni-dimensionality (Hair et al, 2009). Table 2 and figure 2 demonstrated measurement and structural model estimates after removing weak items. Factor loading values are significant (t value  $> +1.96$ ). Average variance extracted (AVE)

value range is in between 0.35-0.50, and accepted because of composite reliability (CR) is  $\geq 0.7$  (Fornell and Larcker, 1981). Cronbach alpha ( $\alpha$ ) is  $\geq 0.7$ , confirms internal consistence of the measures (Nunnally, 1978). In this study  $R^2$  value ranges in between 27.6%-60.6% which is valid (Khalil et al, 2023). Moreover, Table 2 reveals no violation of normality distribution, Skewness and Kurtosis statistic value are within limit of -1 to +1 (Hair et al., 2017).

**Table 2. Confirmatory factorial analysis output**

| Constructs  | Measure code | Standardized loading | t- value | R <sup>2</sup> | Skew  | Kurtosis |
|---|--------------|----------------------|----------|----------------|-------|----------|
| Economic(ec)<br>$\alpha=.705$<br>CR=.71<br>AVE=.38    | ec1          | 0.57                 | 9.11     | .33            | -.13  | -.70     |
|   | ec2          | .60                  | 9.40     | .35            | -.28  | -.64     |
|   | ec3          | .60                  | 9.5      | .362           | -.29  | -.56     |
|   | ec4          | .68                  | Fixed    | .467           | -.30  | -.67     |
| Employee(em)<br>$\alpha=.805$<br>CR=.81<br>AVE=.42    | em1          | 0.58                 | 9.60     | .336           | -.48  | -.581    |
|   | em2          | 0.67                 | 10.76    | .454           | -.46  | -.231    |
|   | em3          | 0.70                 | 11.01    | .485           | -.50  | -.350    |
|   | em4          | 0.71                 | 11.11    | .497           | -.484 | -.267    |
|   | em5          | 0.60                 | 9.88     | .361           | .02   | -.583    |
|   | em6          | 0.61                 | Fixed    | .374           | -.58  | -.071    |
| Social(so)<br>$\alpha=.76$<br>CR=.77<br>AVE=.36       | so1          | 0.57                 | 8.68     | .325           | -.149 | -.430    |
|   | so2          | 0.63                 | 9.25     | .392           | -.172 | -.541    |
|   | so3          | 0.63                 | 9.26     | .393           | -.194 | -.703    |
|   | so4          | 0.56                 | 8.65     | .323           | -.142 | -.366    |
|   | so5          | 0.55                 | 8.51     | .308           | -.161 | -.618    |
|   | so6          | 0.62                 | Fixed    | .380           | -.073 | -.577    |
| Environment(env)<br>$\alpha=.80$<br>CR=.81<br>AVE=.45 | env1         | 0.64                 | 11.72    | .414           | -.140 | -.449    |
|   | env2         | 0.60                 | 11.04    | .365           | -.266 | -.471    |
|   | env3         | 0.69                 | 12.54    | .478           | -.137 | -.412    |
|   | env5         | 0.68                 | 12.34    | .461           | -.241 | -.380    |
|   | env6         | 0.74                 | Fixed    | .554           | -.121 | -.421    |
| Loyalty (lo)<br>$\alpha=.80$<br>CR=.79<br>AVE=.50     | lo1          | 0.60                 | 11.66    | .367           | -.096 | -.550    |
|   | lo2          | 0.78                 | 11.32    | .606           | -.548 | -.166    |
|   | lo3          | 0.74                 | 10.81    | .550           | -.451 | -.361    |
|   | lo4          | 0.69                 | Fixed    | .478           | -.591 | .228     |
| Sustainable growth(sg)<br>$\alpha=.707$               | sg1          | 0.59                 | Fixed    | .350           | -.485 | -.611    |
|   | sg2          | 0.65                 | 10.34    | .422           | -.245 | -.935    |

|                   |  |      |      |      |       |       |
|-------------------|--|------|------|------|-------|-------|
| CR=.71<br>AVE=.34 | sg3  | 0.55 | 9.23 | .308 | -.483 | -.368 |
|                   | sg4  | 0.54 | 9.14 | .300 | -.535 | -.280 |
|                   | sg5  | 0.53 | 8.86 | .276 | -.091 | -.610 |
| Model fit         | CMIN/DF= 1.685, RMSEA=.041, RMR=.030, GFI=.904, CFI=.929, TLI=.920, IFI=.930 |      |      |      |       |       |

#### 4.2.2 Discriminant Validity

The findings also reveal that squared AVE value (bold number) was greater than the correlation coefficient, Table 3 demonstrated the presence of discriminant validity and showed the uniqueness and divergent of the study constructs (Fornell and Larcker, 1981). Moreover maximum shared variance (MSV) < AVE values. Maximum reliability (H) value is greater than CR.

**Table 3. Correlation result**

|                     | CR  | MaxR(H) | MSV  | 1           | 2           | 3           | 4          |
|---------------------|-----|---------|------|-------------|-------------|-------------|------------|
| economic            | .70 | .71     | 0.38 | <b>0.62</b> |             |             |            |
| Employee aspect CSR | .81 | .82     | 0.41 | .62***      | <b>0.65</b> |             |            |
| Social              | .76 | .77     | .01  | .073        | .046        | <b>0.59</b> |            |
| Environment         | .81 | .83     | 0.41 | .46***      | .65***      | 0.37        | <b>.67</b> |

#### 4.3 Direct Path Coefficient

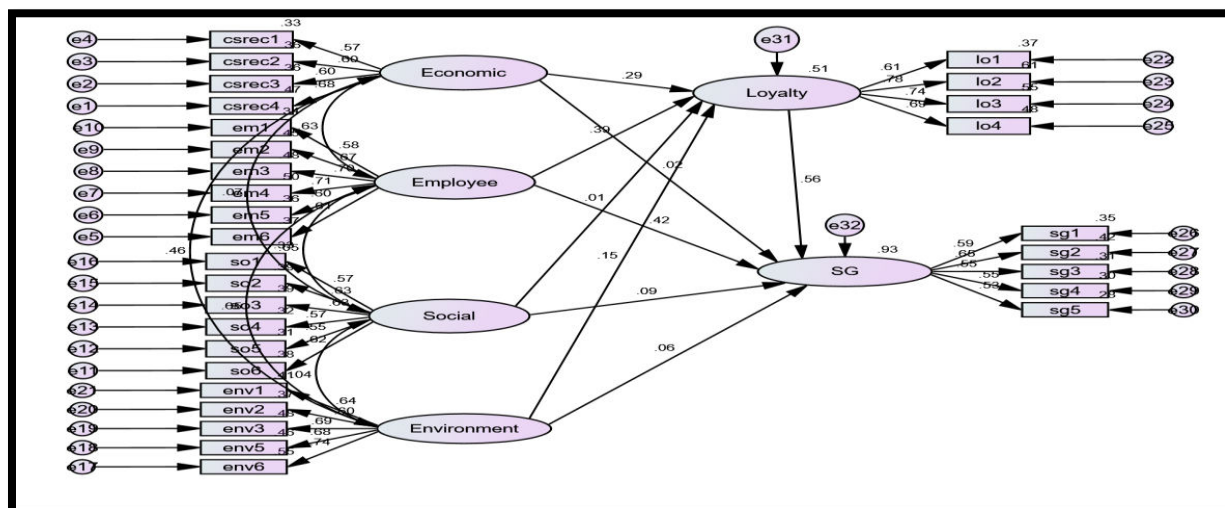
Next, hypothesized relationships investigated in which correlation of latent variables analyzed by estimating the path coefficient as well as  $R^2$  values. The study outputs generally confirm the entire hypothesis supposed. As shown in Table 4 and figure 2, economic aspect of CSR practice has positive effect on sustainable growth ( $\beta=.024$ ,  $p>0.05$ ), this result confirms H<sub>1</sub>, the impact is insignificant. The result partly confirms past study report. Similarly, environmental CSR has positive effect on sustainable growth ( $\beta=.065$ ,  $p>0.05$ ) which is consistent with H<sub>4</sub>, likewise the effect is insignificant. The finding also confirms H<sub>2</sub> and H<sub>3</sub>, employee and social CSR practice have positive and significant effect on sustainable growth where standardized  $\beta=.418$ ,  $p<0.05$  and  $\beta=.091$ ,  $p<0.05$  respectively. Further H<sub>5</sub>, H<sub>6</sub>, H<sub>7</sub> and H<sub>8</sub> were supported where economic ( $\beta=.287$ ,  $p<0.05$ ), employee ( $\beta=.390$ ,  $p<0.05$ ), social ( $\beta=.009$ ,  $p>0.05$ ) and environmental aspect ( $\beta=.146$ ,  $p<0.05$ ) of CSR have positive effect on loyalty. However, except social aspect, CSR practice regarding economic, employee, environment have positive and significant impact on loyalty. The findings also shows loyalty has positive and significant ( $\beta=.560$ ,  $p<0.001$ ) influence on sustainable growth

### Table 4 Path coefficient result

| Hypothesis | Link         | Standardized $\beta$ | S.E. | t value | P value | decision |
|------------|--------------|----------------------|------|---------|---------|----------|
| H1         | SG <--- Eco. | .024                 | .066 | .33     | .735    | accepted |
| H2         | SG <--- Emp. | .418                 | .098 | 4.60    | ***     | Accepted |
| H3         | SG <--- So.  | .091                 | .047 | 2.05    | .040    | Accepted |
| H4         | SG <--- Env. | .065                 | .058 | 1.02    | .305    | Accepted |
| H5         | Lo <--- Eco. | .287                 | .069 | 3.51    | ***     | Accepted |
| H6         | Lo <--- Emp. | .390                 | .094 | 4.04    | ***     | Accepted |
| H7         | Lo <--- So.  | .009                 | .048 | .17     | .861    | Accepted |
| H8         | Lo <--- Env. | .146                 | .061 | 1.97    | .048    | Accepted |
|            | SG <--- Lo   | .560                 | .098 | 6.37    | ***     |          |
|            | CSR→loyalty  | R <sup>2</sup> =.51  |      |         |         |          |
|            | CSR→LO→SG    | R <sup>2</sup> =.93  |      |         |         |          |

#### 4.4 Coefficient of determination

The study also finds the factors variance influence on the final outcomes. As shown in figure 2 and Table 4, CSR practice causes 51% changes in customer loyalty, the final generated value of  $R^2$  was 0.93, suggests 93% of the variance impact on sustainable growth is due to the effect of combined CSR practice and loyalty factors. A value of  $R^2$  higher than 1.5%, hence level of structural model quality is considerable (51% and 93%) (Khalil et al, 2023).



**Figure 2 path diagram**



#### 4.5 Bootstrap result

One of the proposed hypotheses is to determine the mediating role of loyalty, and the mediation analysis investigated using bootstrap approach. This study utilized bias-corrected bootstrapping and percentile at a 95% confidence interval with a 5000 resampling. That is the study-measured confidence of interval of the lower and upper bound to evaluate the significance level of the indirect effect. When zero is not contained in confidence interval (CI), the path coefficient is significant whereas in the presence of zero it is insignificant. The research evaluated the mediating role of customer loyalty on the correlation between CSR practice and sustainable growth. Initially the total effect of comprehensive CSR on sustainable growth evaluated without mediator. Considering the procedure of Baron and Kenny (1986), first, only the correlation between CSR and sustainable growth is tested. As shown in Table 5, total effect is positive and significant ( $\beta=1.104$ ,  $p=.01$ ), CI not contain zero. CSR regarding economic, employee, social and environment have significant effect on sustainable growth. This fact enables to evaluate the indirect effect.

Table 5 demonstrated that with mediator the total direct effect estimate ( $\beta=.598$ ,  $p<0.001$ ) which is positive and significant, zero is not contained in CI. The total indirect effect of the CSR on sustainable growth is also positive and significant ( $\beta=.464$ ,  $p=0.001$ ), zero is not included in CI. This result supports H<sub>9</sub>. Customer loyalty mediates the relationship of CSR practice with sustainable growth. Thus, these findings evidenced that customer loyalty partially mediates the association between comprehensive CSR practice and sustainable growth.

**Table 5 Total Direct effect of CSR on sustainable growth**

|                                | Link      | Standardized $\beta$ | Lower bound | Upper bound | P    |
|--------------------------------|-----------|----------------------|-------------|-------------|------|
| Direct effect without mediator | Eco→SG    | .183                 | .070        | 2.407       | .016 |
|                                | Emp→SG    | .640                 | .115        | 6.056       | ***  |
|                                | So→SG     | .097                 | .053        | 1.943       | .049 |
|                                | Env→SG    | .148                 | .065        | 2.082       | .037 |
| Total direct effect            | CSR→SG    | 1.104                | .880        | 1.347       | .001 |
| Total Indirect Effect          | CSR→LO→SG | .598                 | .401        | .882        | .000 |

Based on specific CSR practice, the outcomes of bootstrapping estimates of the correlation between theoretical concepts depicted specifically in Table 5. In all dimensions of CSR practice, the indirect effect is positive and significant due to  $p \leq 0.05$

and zero not included in CI. Relatively CSR related to employees has highest indirect significant influence ( $\beta = .213$ ,  $p = .001$ ), CI not contain zero. Then CSR practice related to economic measure ( $\beta = .162$ ,  $p = .001$ ) followed by environmental CSR aspect ( $\beta = .084$ ) and social CSR ( $\beta = .005$ ). In all estimates zero is not included in CI. This implies that the extent of indirect effect of each CSR practice on sustainable growth through customer loyalty is positive and significant.

The total effect model in all forms of CSR related to employees ( $\beta = .640$ ,  $p < .001$ ), economic ( $\beta = .183$ ,  $p < .05$ ), environment ( $\beta = .148$ ,  $p < .05$ ) and environment ( $\beta = .097$ ,  $p < .05$ ) is positive and significant. However, with mediators direct estimates  $\beta$  are significant in employee ( $p < .001$ ) and social CSR ( $p < .05$ ) measures and sustainable growth. In contrary economic and environment CSR have insignificant ( $p > .05$ ) (see Table 4). Thus, the finding confirms presence of partial mediation between the association of CSR regarding employee and social activity and sustainable growth. In addition, loyalty fully mediates economic and environmental aspect of CSR and sustainable growth relationship (See Table 5).

**Table 5 Mediation analysis outcome**

| Path link              | Direct effect (DE) | Indirect effect (IF) | CI          |             | P value | Mediation result |
|------------------------|--------------------|----------------------|-------------|-------------|---------|------------------|
|                        |                    |                      | Lower Bound | Upper bound |         |                  |
| ec→lo→SG               | .024               | .162                 | .055        | .294        | .001    | Full             |
| em→lo→SG               | .418               | .213                 | .097        | .410        | .001    | Partial          |
| so→lo→SG               | .091               | .005                 | .062        | .167        | .001    | Partial          |
| env→Lo→SG              | .065               | .084                 | .008        | .177        | .001    | Full             |
| Total IF               | -                  | .464                 | .335        | .652        | .000    | Partial          |
| Total DE with mediator | .598               |                      | .401        | .882        | .000    |                  |

## 5. Discussion of the finding

This study investigated the correlation between the CSR and sustainable growth as mediated by customer loyalty. Mostafa and Hamieh (2022) noted that inadequate research conducted in CSR and loyalty in higher education context. Moreover, further study called on the role of customer loyalty in the relationship of CSR with performance (Jie and Huam, 2019). Therefore, this research intends to fill this gap.

### 5.1 CSR relationship with sustainable growth and loyalty

The study results generally confirm the entire hypothesis supposed based on the conceptual framework of the study. Casual links among the factors CSR, customer loyalty and sustainable growth have positive relationships. The combined CSR practice has both direct and indirect positive and significant effects on the sustainable growth conceptualized by rapid expansion of campus, accredited programs, economic success, and enrollment increase. Eventually sustainable organizations attain better performance. The study result supports the viewpoint of Cincalov and Hedija (2020), Eromafuru et al (2023) and empirical finding of Claver-Corte et al (2020) and Kim and Keane (2023), CSR have important role in attaining sustainable growth and performance.

The employee aspect of CSR has a greater role for attaining universities' sustainable growth than the three measures (economic, environmental, social). Universities have CSR programs to assist academic staff grow their knowledge and abilities, through offering opportunity to continue training and a capacity building program, promotion, fair salary and treatment as well as creating a better working environment. This condition helps the universities to have motivated staffs that exert effort towards performance. The reason is adequate CSR practice in relation to employee aspect leads to long- term success (Rosak-Szyrocka et al, 2022). That is consistent internal CSR practice leads to employee loyalty and better productivity, subsequently more sustainable performance. Literature shows that CSR practice substantially influences staff loyalty, hence more commitment to the organization (Stojanovic et al, 2020). Retained human capital can ensure sustainable growth of the organization. Similarly social dimension also have positive and significant effect on sustainable growth. Community services, financial support, offering scholarship, collaboration are social activities that help to create positive image, this in turn helps to enhance university sustainability. Therefore, university social responsibility has a positive influence on performance (Latif et al, 2022). Further, the direct relationship between CSR related to economic and environmental aspect with sustainable growth is positive and insignificant. This result is partially consistent with an earlier work report that environmental CSR practice measures along with economic and social measures have positive links with performance, (Yang et al, 2019). However, the finding disagree the conclusion environmental factors and growth have negative link (Jeon et al, 2019). This result can be due to different measures utilized in the context.

Further, the analysis confirms that customer loyalty has a positive and strong effect on sustainable growth. The research outcome is matched with the past study conclusion that loyalty is very essential for the sustainability of a business in university and other organization context (Park et al, 2017; Mahayuddin et al; Qomariah et al, 2020; Daud et al, 2021). Customer loyalty is essential and is major cause to improve sustainable growth.

Ultimately, better sustainability performance results enhanced organizational performance (Munir et al, 2019).

### **5.2 The role of customer loyalty in the CSR and sustainable growth relationship**

Empirical evidence confirms that comprehensive CSR practice has a positive and significant influence both in the presence and absence of mediator customer loyalty. The research evidenced the assumption that customer loyalty mediates the correlation between CSR practice and sustainable growth. This implies that to attain sustainable growth, universities need to emphasize investment in CSR initiation regarding economic, employee, social and environmental aspects, as well as creating strong customer loyalty. The reason is that CSR practice influences customer behavior and their perception towards institutions. Customers take into account how the universities involved in CSR practice leads them to be loyal as well as they recommend them to others.

The research confirm that except social aspect of CSR practice, the three dimensions such as employee CSR measure, economic and environmental responsibilities have positive and significant influence on loyalty. This result confirms prior work of Rashid et al (2014) found positive link in the issue. Although direct social dimension contribution is less, based on the result, it is understood that CSR practice (employee, economic, environment and social) serves as a strategy to build high customer loyalty. That is due to social activity indirectly has significant role to attain sustainable growth through loyalty. As a result, this condition assists to achieve financial performance. The reason is high student loyalty enables to slash cost (Daud et al, 2021). Moreover studies by Moisesescu (2018) and (Latif, 2020) have concurrent result and viewpoint in line with study context and other setting. Thus, comprehensive CSR practice is important factor to enhance loyalty in which the organization can retain existing customers and reach prospective customers. The outcome of this research aligns with recent past finding of Fauzi et al (2023) as well as Suranta and Rahmawati (2024) in the context.

In general, all four constructs of CSR practice have a positive and significant indirect influence on sustainable growth through customer loyalty. However, employee and social CSR activities have both direct and indirect effects on sustainable growth. CSR is an effective means to build loyalty and differentiate the institute from the competitive market. Customers more support to those institutions provide valuable community service (Khalil et al, 2023). For instance, specifically, this research confirms that economic responsibility has positive and emphatic influence on loyalty. This finding corroborate the prior study report satisfactorily campus infrastructure and support system leads to enhance student loyalty (Mahayuddin et al, 2019). This implies that universities demonstrated high concern to enhance sustainable growth using CSR practice through customer loyalty. Thus, to attain sustainable growth giving emphasis to incorporate CSR

practice regarding economic, employee, social and environmental aspect in CSR programs is crucial, accordingly the implementation of CSR leads to build strong customer loyalty. This circumstance is important because of organization growth relies on customer loyalty (Kotler and Armstrong, 2010).

The finding can be interpreted based on stakeholders view. By fulfilling stakeholder interest, HEIs can create better value to the organization (Langrafe et al, 2020). However, universities need to behave ethically and responsibly in terms of fulfilling four elements of CSR. Ethical responsibilities can be employee fair treatment as well as training and advancement, fair tuition fees, offering an accredited program and reasonable profits. Moreover, being involved in social and environmental activities (green campus, encouraging students and other stakeholders to minimize environmental impact through appropriate waste removal mechanisms, use of resource-efficient materials) are essential institute practice leads to developing a good image. Ultimately, universities create a good impression on society and other stakeholders. This fact in turn leads universities to establish good relationships with the stakeholders as well as ensure the legitimacy of universities' operations. This situation places the universities in good position in the market and enjoys sustainable growth. The reason is economic, social, environmental components significantly and affirmatively influences customer loyalty (Moisescu, 2018; Moisescu and Gica, 2020; Tran, 2022). Recent relevant research established positive link between CSR and customer loyalty (Suranta and Ramawati, 2024). The improvement of customer loyalty based on CSR practice would ultimately contribute towards attaining sustainable growth of the institute. In line with this notion the study confirm the claims of past studies of Asvat et al (2018) and Jeon et al (2019), The reason is according to Ismanova (2019) and Mahayuddin et al (2019), student loyalty ensures and enhances survival extent of the universities. Specifically the study confirms the conclusion of Al-najjar (2016), in this study quality program, fees along with others have emphatic role in raising sustainable growth.

To conclude, CSR practice through internal CSR practice, offering accredited program based on need, social and environmental activities are significant factor to ensure sustainable growth. CSR assists to attain long-term growth (Streimikiene and Ahmed, 2021). This study identified the level of each elements of CSR practice role on performance. Employee CSR activities has high influence on both loyalty and sustainable growth. Thereafter consecutively economic, environment and social are important factors to attain performance through customer loyalty.

## 6. Conclusion and implication

### 6.1 Conclusion

This research aimed to examine the association of CSR with sustainable growth through the effect of customer loyalty. The study identifies that CSR practice is an essential factor in attaining the sustainable growth of private universities, and customer loyalty partially mediated the relationship between CSR and the outcome. The finding extends the present body of research related to CSR practice and their link to the sustainable growth of universities.

Employee aspect CSR has a greater proportion effect on customer loyalty and sustainable growth than the economic, environmental and social aspects of CSR. It is important to incorporate CSR practice, specifically employee, economic, environmental and social activity, while adopting a general university strategy. In the present competitive environment, it is required to shift from the traditional approach of enhancing customer loyalty. It is appropriate to be involved in CSR practice. Thereafter, this leads to maintain sustainable growth.

Universities should have a CSR strategy is one of the key resources that helps to attain sustainable growth through enhancing customer loyalty. Reaching and engagement with students with a better quality program, infrastructure, fair fees along with internal CSR practice, and commitment to social and environmental activities are essential factors that make customers loyal. This fact leads to institutional sustainability.

### 6.2 Implication

In relation to the theoretical contribution, the research contributes to insight into some associated factors that previous studies have not sufficiently investigated. This study focused on the association of CSR with sustainable growth in the education sector. Most prior studies focus on financial outcomes. To extend better insight into the influence of CSR on sustainable growth through customer loyalty is the core theoretical contribution. This study enriches the literature on stakeholder theory. CSR practice enables us to meet stakeholder members (economic, employee, social and environmental) expectations and it is a means for achieving institutional success in a competitive environment. According to stakeholder theory, high extent of CSR leads to high extent of performance (Madueno et al, 2016).

This research empirically confirmed the role of customer loyalty in the link between CSR and sustainable growth. Customer loyalty is an intangible resource that is an outcome due to a prolonged relationship between the customer and institution. As a result, it helps to have a better competitive position. Thus, the findings offer overall insight into the theoretical foundation, in which a sequential link between CSR practices, customer loyalty and sustainable growth is developed. Identification of customer loyalty as a



mediating construct is a theoretical contribution. Past studies emphasized little on this issue, considering sustainable growth as an outcome.

From practical implication aspect, the generation of customer loyalty which is essential and serve as effective marketing tool due to justified as customers inform positive experience about organization, also continuing further education and this fact helps to strengthen good relationship with its stakeholders, Loyal students disseminate positive things about university, even after university departure (Yu and Kim, 2008). Satisfied customers can promptly disclose information about the positive experience of the institute. Thus, scholars need to integrate this factor as a variable, which is important for achieving sustainable growth. Universities should give attention to their CSR programs and inform consistently to be transparent and recognized that shows their commitment of CSR program. Sustainability reporting has essential role in helping institutions to fulfill stakeholder need (James et al, 2024).

The finding of this research would be important for the management of universities in identifying effective and efficient approach to strengthen relationship with clients and maintain sustainable growth. It is important to incorporate CSR practice specifically economic, employee, social and environmental in adopting the general university strategy. Students consider universities CSR practice is essential in developing their loyalty. The present competition among higher education institute leads to emphasize more in significance of student loyalty as a means to attain sustainable growth.

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