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THE INFLUENCE OF CUSTOMER PERCEIVED ETHICALITY ON CUSTOMER LOYALTY AND TRUST

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Abstract. The concern for business ethics is of no doubt under huge attention today. The ethical reputation in banking sector is believed to play a crucial role and might build customer trust in financial partner as well as strengthen identification and commitment for the company. Is there a clear answer how 'ethical' is perceived by customers? Do customers trust ethical companies more? Do customers tend to be more loyal to ethical companies? The goal of the paper is to analyze factors which constitute company ethicality for customers and to examine the influence of perceived ethicality on customer loyalty and trust with the bank.

Keywords: customer, ethics, loyalty, trust, bank sector.

JEL classification: M31.

1. Introduction

The concern for business ethics is of no doubt under huge attention today. From consumer side there is emerging trend of ethical consumerism and consumers not only apply responsible principles in purchasing behavior but they also seek for information about reputation of the company they engage with (Brunk, 2010). On the other side of the market there are businesses which put efforts in developing ethical reputation by employing corporate social responsibility strategies, developing codes of ethics or communicating values such as honesty, integrity and other.

Consumer trust in the company is also one of the factors which might strengthen consumer loyalty for the company. To create long term relationships with customers is a goal for every company which seeks a long time success. The ethical reputation in banking sector is believed to play a crucial role and might build customer trust in financial partner as well as strengthen identification and commitment for the company. To put in short, this paper aims to answer several important questions:

Q1: Is there a clear answer how 'ethical' is perceived by customers? Q2: Do customers trust ethical companies more? Q3: Do customers tend to be more loyal to ethical companies?

The goal of the study *is to analyze factors which constitute company ethicality for customers and to examine the influence of perceived ethicality on customer loyalty and trust with the bank.*

2. Corporate ethics defined

Many discussions among the researchers who aim to analyze corporate ethics, marketing ethics and its effects in the market apply major philosophies which are the ground for the discussion (Brunk, 2010, Shanahan, Hyman, 2003, Ferell, Gresham, 1985). Ethics are defined as a moral judgment what is good or bad, right and wrong. Every individual has its own scale of measuring ethics in general whereas there are also culture, traditions, history and other factors which govern general norms in the society. Moreover, when the subject of morality is discussed subjectivity and ambiguity never can go aside. These are the reasons why the academic world cannot come to one definition of what in business activities and decisions are ethical and what is not. One group of academic world focuses on exploring what company activities can be named as unethical, whereas the more studied field today is how consumers perceive company ethics. It is already clear, that company and consumer perspectives about ethicality might not always match. Moreover, a strong field of interest found by examining the literature is consumer responses and reactions to ethical or unethical companies, brands or activities. Some business ethicists treat ethics as a branch of philosophy involving two types of moral principles: deontology and teleology (Shanahan, Hyman, 2003). These concepts are widely applied in discussing business ethics and that is the reason why it is necessary to present it in this study. It is worth to mention that there are much more philosophies developed by the researchers in exploring nature of moral judgment but these are two dominating concepts found in the literature (Brunk, 2010, Macdonald, Beck-Dudley, 1994).

2.1. Customer perceptions of corporate ethics

K. H. Brunk (2010) made significant works in developing and conceptualizing definition of customer perceived ethicality. Her academic interest is focused on consumer perceptions of companies and brands and her works were widely adopted by other scholars in the field. The studies which will be presented are a reasonable ground for this study for few reasons. Firstly, the research focus is close to this study and is used as a ground for analytical part of this study. Secondly, the findings of the researches were made after analyzing perception of European consumers. Therefore, the findings and major conclusions might be applicable for analyzing Lithuanian people. K. H. Brunk (2010) was one of the first researchers who aimed to name the roots of consumer perceived ethicality i.e. to which business spheres of activity consumers pay attention when the question of ethicality is raised. This academician was also the first who developed a construct which can be used in further researches in measuring consumer ethical perceptions. First study (Brunk, 2010) was aimed to explore the whole nature of consumer perceptions and identify major groups of business activities which are noticed and important factors for company ethicality. The second study (Brunk, 2011) was carried in order to put all findings together and develop a construct by identifying exact variables which can be used in measuring consumer perceived ethicality.

An empirical research developed by Brunk (2011) was based on qualitative research methodologies with the goal to explore all possible customer perceptions about corporate ethics. Twenty long face-to-face interviews with general consumers from Great Britain and Germany were made in order to identify and conceptualize potential sources of consumer perceived ethicality origin, namely the kind of corporate activities that evoke favorable or unfavorable ethical perceptions. The researcher found, that all answers could fall under six main categories together with 36 subcategories which describe the possible origin of consumer perceived ethicality. According to the research, customers tend to evaluate ethicality of the company based on these six factors which any business can have an impact on. These six domains are: consumers, employees, environment, local community and economy, business community and overseas community.

Firstly, the way a company conducts its business directly impacts the end consumer who is the target of a company's products and services. The research of K. H. Brunk (2011) shows that marketing activities bring a large pool of examples which generates a negative or positive consumer perceived ethicality. From the theory it is known that marketing activities basically fall under four main categories. These activities are related to the product or service itself, to pricing strategy, to promotion strategy and to distribution activities. Most respondents mention that one of the key unethical marketing activities is immoral advertising. The aspect of promised benefits that product should bring plays here a main role. According to respondents, companies often make false claims in their advertising.

Other authors who analyze marketing activities of the company usually talk about such important attributes as corporate values, honesty, trust, and respect to customer which should be employed in an ethical company (Singh, Iglesias, Batista-Foguet, 2012). One more significant factor distinguished by respondents is quality of company services and products. It is perceived that hiding information about the product or omitting evaluation of consumer needs evoke negative perceptions about company ethics. Treating customers fairly and making certain that they fully understand prices and pricing terms are believed to be another important part of building strong and lasting customer relationships. Customers also mention that selling techniques which employ psychological pressure strategies which use consumer lock-in technique are also often mentioned as a factor of negative perceived ethicality of the company (Singh, Iglesias, Batista-Foguet, 2012).

One more domain of consumer perceived ethicality of the company is environment which is one of the key responsibilities of socially responsible company. If we try to look what company actions might evoke negative or positive perceived ethicality, we find that consumers not only find a firm causes pollution and damages to environment to be unethical, they also expect preventative and pro-active approach (Brunk, 2010). Due to a high priority of environmental issues today companies put a big emphasis on reducing damage as much as possible while conducting the business.

2.2. Customer loyalty and trust

Loyalty can be defined as customer's sense of belonging or identification with the employees, services or products of a company. Some academicians state that these feelings have a direct impact on customer behavior. Other notice, that loyalty cannot be understood as a single-dimensional since it does not simply indicate whether a customer will make repeat purchases but it also serves as a measure of customer psychological support for a business (Shih,-I, 2011).

Academic world agrees that loyalty can be attitudinal loyalty and behavioral loyalty (Harris, Goode, 2004; Laverin, Liljander 2006, McMullan, Gilmore, 2003, Shih-I, 2011, Punniyamoorthy, Prasanna Mohan Raj, 2007). Attitudinal loyalty approaches loyalty mostly as an attitude and focuses on the psychological commitment of the consumer. Attitudinal loyalty is an analysis of the consumer attitudes and psychological attitude towards the company or brand. Attitudinal loyalty does not ensure repeat purchases but customers by word-of-mouth create a positive image of a company to others. This loyalty may not directly bring profit, but will indirectly create a positive result (Shih-I, 2011). Behavioral loyalty on the other hand considers loyalty as a concrete behavior rather than only a positive attitude. Based on this concept, it is said that when a customer repeatedly buys a product he is a loyal one. Behavioral loyalty ensures that customer loyalty can be converted into actual purchase behaviors (Shih-I, 2011). In other words, since attitudinal loyalty focuses on psychological commitment to the company or products and desirability to use the product, behavioral loyalty is visible by repeated purchases (Shih-I, 2011). F. Gecti and H. Zengin (2013) in their research supported the hypothesis that attitudinal loyalty has a positive impact on behavioral loyalty. Most part of research treats attitudinal loyalty as antecedent of behavioral loyalty (Shih-I 2011). It is assumed that customers who are behaviorally loyal to the firm have more favorable attitudes towards the firm, in comparison to competitors. Other academicians claim that behavioral loyalty not always reflects attitudinal loyalty. This situation is observed when there is no competition for the company or if other factors exist and consumer does not have possibility to leave a company (Leverin, Liljander, 2006).

R. McMullan and A. Gilmore (2003) propose proactive loyalty and situational loyalty. According to them, proactive loyalty occurs where consumer frequently buys a brand and settles for no other substitute. Situational loyalty, on the other hand, exists when the buyer purchases a brand for a special occasion.

In order to measure a customer loyalty, academicians are tend to describe customer loyalty as a multi-dimensional construct consisting of purchase intention, recommendations, price tolerance, word-of-mouth, complaint behavior and propensity to leave (Shih-I, 2011).

There is another classification of customer loyalty provided by academicians. Such dimension as advocacy loyalty, purchasing loyalty and retention loyalty are defined and might be measured (Hayes, 2008). Advocacy reflects the degree to which customers will be advocates of the company. This is similar to earlier mentioned dimension of recommendation and word-of-mouth. Advocacy summarizes all these dimensions and claim that if a customer is an advocate of the company he will bring everything what is best to others. Purchasing loyalty reflects the degree to which customers will increase their purchasing behavior. This is the same as previously presented dimension of behavioral loyalty which means that customer not only think and talk good about the company but it is also reflected in their purchasing behavior. Retention loyalty reflects the degree to which customers will remain with a given company. This is described by customer willingness to continue his or her relationships with the company in the future. There are also academicians who measure loyalty based only on repurchasing and advocacy dimensions (Fullerton, 2005), where advocacy is understood as to signify positive word-of-mouth, meaning that customers will recommend a company to others (Shih-I, 2011).

In the services sector where the intangibility and high risk involved in service transactions means that the concept of trust plays a crucial role in developing and maintaining customer relationships (Roy, Eshghi, Shekhar, 2011; Morgan, Hunt, 1994; Singh, Iglesias, Batista-Foguet, 2012). It is said that the variable most universally accepted as a basis of any human interaction or exchange is trust (Harris, Goode, 2004). Moreover, trust in banks and financial institutions today plays an essential role in economic activities, particularly in the light of former financial crisis (Shim, Serido, Tang, 2013).

Psychologists define trust in terms of the tendency to hold positive expectations of the intentions or behavior of others. Meanwhile, economists view trust as a rational and calculative response to expected future behaviors, while marketing scholars base their understanding of trust on mutually beneficial relational exchanges in the marketplace (Rousseau, Sitkin, Burt, Camerer, 1998). Others put trust in short that trust can generally be put as the reasonable belief that trusted persons: (1) tell the truth and (2) keep their promises (Frankel, 2008). The same can be applied for company and consumer interaction. The logic is that companies should make consumer believe that company never lies and will always keep its promises. This means that trust in company is observed when customer believes that company makes only truthful claims and that company is honest. Trust also is a both side feeling that no one of two sides will ruin the agreements made between them. In other words, trust reflects reliability and confidence in the exchange party to fulfill its obligation in a way that leads to positive outcomes (Roy, Eshghi, Shekhar, 2011).

Reliability and dependability in previous interactions with the customer give rise to positive expectations about the company intentions. This concept assigns a crucial role for emotions into the relationship between the parties, because frequent, longer-term interaction leads to the formation of attachments based upon reciprocated interpersonal care and concern. Repeated cycles of interaction between company and consumer together with successful fulfillment of expectations strengthen the willingness of trusting parties to rely upon each other (Rousseau, Sitkin, Burt, Camerer, 1998). Other scholars support this theory by defining a trust as having some faith in the workings of systems or processes of which customer possesses only limited knowledge. For instance, as consumers become aware of a corporation's reputation, they develop a trust in the belief that the firm will maintain certain quality standards to maintain that reputation (Choi, Eldomiaty, Kim, 2007).

Researches show that consumer trust and consumer loyalty are positively related factors. (Stanaland, Lwin, Murphy, 2011). This means that trust is one of the prerequisites to build long-term company and consumer (Roy, Eshghi, Shekhar, 2011). This factor is one which increase chances for the company to retain consumers and encourage loyalty. To build a trust with consumers is though a never-ending labor which takes hard work, dedication and a consistency of purpose and performance (Atchinson, 2004). Authors agree that trust is a major strategic component of corporate performance as well as of the sustainability of the corporate social mission. The trust of stakeholders must be gained, built, preserved and increased through permanent efforts and consistent behavior (Coomans, 2005). Morover, it is a big challenge for the company since efforts put in creating trust-based relationships with customer might be quickly lost.

2.3. Ethics and customer loyality

The recent financial crisis has shaken the faith of consumers in firms and particularly financial firms. In response, customers are paying greater attention to ethical reputation of firms (Mulki, Jaramilo, 2011). There is probably inexhaustible list of studies made in order to analyze what impact an ethical company reputation has on possible customer response such as loyalty, trust, satisfaction and other (Mulki, Jaramilo, 2011; Garcia de Los Salmones, Perez, del Bosque, 2009; Huang, 2001; Creyer, 1997; Singh, Iglesias, Batista-Foguet, 2012, Joyner, Payne, 2002, Francis, 2007). Some studies examine overall corporate ethics and some researches analyze only some specific business activities such as social corporate responsibility, advertising, accounting and other. Customers are more inclined to identify themselves with the firm and continue to do business when firm is perceived as ethical (Valenzuela, Mulki, Jaramilo, 2010).

Corporate social responsibility by many authors is put as one of the measures about company ethicality. On the other hand, other scholars say that ethics is only one factor which form a whole corporate social responsibility. In this study ethics is hold as a ground for company social responsibility. Recently presented study of K. Brunk (2011) also concluded that ethical company is the one who is perceived as socially responsible near other factors defining ethical company. A study developed by A.Stanaland, O. Lwin and P. Murphy (2011) concluded that consumer perceived corporate social responsibility is positively related to consumer trust and loyalty. Moreover, a practical implication was developed that corporate identity that is based on a strong positioning on ethics and corporate social responsibility is one that customers find appealing. One more study was aiming to examine consumer perceptions of the unethicality of business practices and how it affects their response in terms of trust, satisfaction and loyalty. The study confirmed that high level of perceived corporate unethicality decrease consumer trust. This in turn reduces consumer satisfaction which ultimately has negative effects on consumer loyalty (Leonidou, Kvasova, Leonidou, Chari, 2012). The managerial implications that were developed are that managers should realize that if their business actions are unethical, their company risks to lose its satisfied and loyal customers.

One more significant study recently was made by J. Singh, O. Iglesias and J. Foguet (2012) who examined corporate ethics through ethical brand building perspective. It was analyzed through influence of consumer perceived ethicality on their trust, brand affect and customer loyalty to the firm. This study measured customer perceived ethicality by using a construct developed by K. Brunk which was presented at the beginning of this study. The results of this study brought conclusions that customer perceived ethicality has a positive impact on brand trust. Brand trust itself has a positive impact on brand loyalty. Probably a parallel line could be drawn between brand and the company itself because often company names are as a brands. Therefore, it can be assumed that a customer perceived ethicality also has an impact on consumer trust and loyalty to the company.

A study carried by S. Arjon and M. Rambocas (2011) was examining the impact of consumer ethical perceptions of online retailers and what impact it has on consumer loyalty. Electronic environment nowadays is attacked by ethical issues concerning personal information confidentiality and the use of it for marketing purposes. As a result, the findings of the study were not surprising. The study showed that customers are more willing to demonstrate attitudinal and behavioral loyalty towards an ethical electronic retailer. Therefore online retailers who fail to provide services that can boost customers' perception of their level of ethics suffer severe consequences of eroding their customer-base and rising marketing costs. It can be concluded that together with growing e-commerce the importance of ethics is also becoming more important.

2.4. Ethics and customer trust

The relationship between ethics and trust is ambiguous as ethics can promote trust, whilst trust can simultaneously be abused resulting in unethical behavior (Bews, Rossuw, 2002). The creation of an ethical business environment that establishes consumer trust and confidence typically evolves over an extended period of time. Like brand loyalty, the goodwill, reputation and trust that take years to create can be destroyed very quickly (Atchinson, 2004).

B. K. Atchinson (2004) has analyzed the drop of consumers' trust in America after the financial crisis. The study was aiming to explore and define possible ways how financial institutions could re-establish consumer trust and perceived ethicality of the companies. A set of rigorous standards of ethical conduct were developed. The main idea of these standards was that companies should conduct business according to high standards of honesty and fairness, they should also provide competent and customer-focused sales and services, to engage in active and fair competition as well as to provide advertising materials which are honest and fair as to content. By doing this, companies can develop a high level of corporate ethicality and expect to gain a customer trust in the company.

There are many studies made aiming to examine the influence of company ethicality on consumer trust (Leonidou, Leonidou, Kvasova, 2011) The study developed by J.H. Huang (2001) was examining whether disguising advertisements, selling private information, and spamming have an impact on consumer trust, fairness and commitment. The results of the study were not surprising and concluded that these company behaviors had a negative impact on consumers' trust. Selling private information appeared to have negative impact on trust the most which is not surprising electronic world today. In addition, this study also showed that consumer trust in the company was positively related to consumers' intentions to buy products of the company (Huang, 2001).

3. Methodology

The research is divided into several parts. Firstly, the level of customers' perception about the bank (X) measured based on five factors defining the company. Second part is the measurement of customers' perceived ethicality of bank (X). The third part aims to measure customer loyalty and the fourth part seeks to define the level of customer trust in the bank (X).

For empirical research the quantitative survey method and structured data collection was applied. The instrument of the survey was questionnaire composed from structured questions. The internet survey systems and paper questionnaires were used to reach respondents. Internet survey was chosen as a convenient means for reaching customers and the ease of further data processing. On the other hand, physical form of questionnaire was handled for customers who visited bank (X) branches.

There were 374 respondents who participated in the survey. There were two designs of questions applied. For screening and classification information multiple-choice questions were developed. For measuring consumer perceptions the Likert scale type questions were used. This type of questions was chosen due to the wider possibilities for analysis.

There were two designs of questions applied. For screening and classification information multiple-choice questions were developed. For measuring consumer perceptions the Likert scale type questions were used. This type of questions was chosen due to the wider possibilities for analysis. The collected primary date will be further processed using statistical data analysis tool SPSS (*Statistical Package for the Social Science*).

The first part contains the demographic questions. The profile of respondents depicts in Table I.

Table 1. Profile of respondents (source: compiled by author)

Item	Description	Persentage
Gender	Male	25
	Female	75
Marital status	Single	32,2
	Married	67,8
Age	Uper 20	4,5
	21-30	34,5
	31-40	30,4
	41-50	16,4
	More than 50	14,2
Bank client	Less 1 year	9,6
	1-3 years	31,7
	3-5 years	22,1
	5-10 years	30,8
	More than 10 years	5,8

For data processing and hypothesis testing various analysis methods were used: scales' reliability testing by Cronbach's alpha method, frequency distribution, statistical significance analysis, analysis of variance and correlation analysis.

Based on theliterature review, hypotheses are examined; Figure 1 shows the conceptual model and proposed hypotheses:

H1: Customers with higher perceived company customer orientation perceives company as more ethical than customers whose evaluations of customer orientation of the company are lower.

H2: Customers who perceive bank (X) as being a good employer has higher perceptions of company ethicality than customers with lower perceptions of the company as a good employer.

H3: Customers with higher reliability and strength of bank (X) perceptions have also higher corporate ethicality perceptions than customers with lower reliability and strength of bank (X) evaluations.

H4: Customers who perceive product and service quality of bank (X) being higher has higher evaluations of company ethicality than customer who perceives lower product and service quality.

H5: Higher evaluations of social responsibility of bank (X) brings higher ethical perceptions than low evaluations of social responsibility.

H6: Bank (X) customers who perceive company more ethical are more loyal than those who perceive the company as less ethical.

H7: The customers who signal higher perceived ethicality of the company trust in the company more that customers who disclose lower perceived ethicality of bank (X).

H8: There is a significant difference between customer age and level of perceived ethicality of the bank (X).

H9: There is a significant difference between customer gender and level of perceived ethicality of the bank (X).

H10: There is a significant difference between customer education level and level of perceived ethicality of the bank (X).

H11: There is a significant difference between length of customer and bank (X) relationship and level of perceived ethicality of the company.

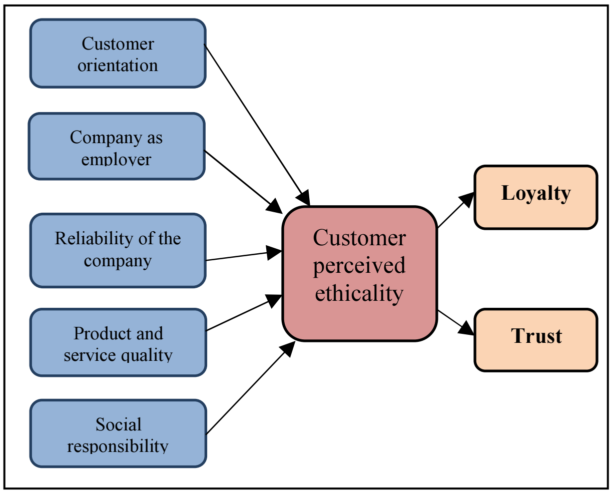

Fig. 1. Conceptual Framework

4. Hypotheses testing

One of the factors which can influence customer perceived ethicality is the level to which company is perceived to care about its customers.

$H1_0$ There is no significant relationship between the level of bank (X) customer orientation and customer perceived ethicality.

H1 Customers with higher perceived company customer orientation perceives company as more ethical than customers whose evaluations of customer orientation of the company are lower.

For hypothesis testing only customers of bank (X) were included i.e. those, who answered to the question 1 positively. To test the hypothesis correlation analysis (Pearson criterion) and analysis of variance was applied.

After conducting the analysis the results were found as follows:

Correlation = 0.583, $p<0,01$

R^2 = 0,340,

F= 52,586, (critical value 4 (df of denominator is 60) or 3.92 (df of denominator is 120)),

t=7,252, $p<0,05$

We see that there is a positive correlation between evaluations on customer orientation level and customer perceived ethicality about ban (X). The correlation is significant under 0,01 level of significance. R^2 shows that 34% variation in customer perceptions about ethicality might be explained by variation in evaluations of customer orientation level in the company. *t* value with the probability of 0,000 indicates that customer orientation has a statistically significant impact on customer perceived ethicality. F test shows that customer orientation variation explains statistically significant part of perceived ethicality variance.

Based on this we can conclude that *the null hypothesis might be rejected and alternative hypothesis applied.*

With the conclusions it is confirmed that employees who care about customer needs, who treat customers courteously and in general company which is concerned about its clients can expect higher perceived ethicality.

$H2_0$ There is no significant relationship between customer perceived ethicality and perceptions about bank (X) as a good employer.

H2 Customers who perceive bank (X) as being a good employer has higher perceptions of company ethicality than customers with lower perceptions of the company as a good employer.

For hypothesis testing the correlation analysis with Pearson criterion was applied as well as analysis of variance.

After analysis was conducted,(Apendix 3) the results were as follows:

$$Correlation=0,686,\ p<0,01$$
$$R^2=0,471$$
$$F=90,878$$
$$t=9,533$$

The correlation between customer perceived ethicality and customer perception about the company as a good employer is positive and significant. The correlation is also quite high between these two factors. 47% of variance in ethicality perceptions can be explained by variance of company evaluations as being a good employer. F test confirms that this relationship is significant and t value shows that the factor of being good employer is statistically significant.

The conclusion is that *the null hypothesis can be rejected and alternative hypothesis might be applied.*

The findings confirm the claim that being a good employer adds credits for the company to be perceived as ethical. Thus, if bank (X) looks for the clients as a company which is good to work for, and if employees seem to be treated fairly and if bank (X) seems to have a good leadership customers tend to perceive company as more ethical.

One of the assumptions is that there is a positive relationship between the strong company and ethical company. It is believed, that reliable companies can be judged as ethical too.

$H3_0$ There is no significant relationship between the level of perceived bank (X) as reliable and strong company and customer perceived ethicality.

H3 Customers with higher reliability and strength of bank (X) perceptions have also higher corporate ethicality perceptions than customers with lower reliability and strength of bank (X) evaluations.

For hypothesis testing correlation (Pearson criterion) and analysis of variance was used.

The analysis provided these results:

$$Correlation=0,413,\ p<0,01$$
$$R^2=0,171$$
$$F=20,996$$
$$t=4,582,\ p<0,05$$

From the results we see that there is a significant positive correlation between customer perceived ethicality of bank (X) and evaluations of the company as being strong and reliable. Only 17% of variance in ethical perceptions can be explained by the variance in perceptions about reliability and strength of the company. *t* test proves that this factor has a statistically significant impact on customer perceived ethicality.

The conclusion is that *the null hypothesis might be rejected and alternative hypothesis might be applied.*

The findings reveal that such factors as being a strong competitor or having prospects for the future growth can also influence customers' perceptions about company ethicality. There is positive and significant relationship between customer perceived ethicality and perceptions about company as reliable and strong.

In the field of corporate ethics product and service quality was concluded to play a crucial role. The companies which provide poor service might be judged as unethical. On the other hand, highly qualitative products and service might have an influence for positive company evaluations.

$H4_0$ There is no significant relationship between the quality of products and services offered by bank (X) and customer perceived ethicality.

H4 Customers who perceive product and service quality of bank (X) being higher has higher evaluations of company ethicality than customer who perceives lower product and service quality.

Hypothesis testing was conducted by correlation (Pearson criterion) and variance analysis.

The results after analysis were as follows:

$$Correlation=0,456,\ p<0,01$$
$$R^2=0,208$$
$$F=26,826$$

$t=5{,}179$, $p<0{,}05$

Results show that there is a positive and significant correlation between product and service quality and customer perceived ethicality. The correlation is not very strong. 20% variance in perceived ethicality might be explained by variance in product and service quality evaluations; *t* value with p = 0,000 indicate that service and product quality has statistically significant impact on customer perceived ethicality. F test confirms that by product and service quality we can explain statistically significant part of customer perceived ethicality variance.

The conclusion is that the *null hypothesis might be rejected and alternative hypothesis might be applied.*

The results bring the conclusions that by offering high quality products, innovative products it brings positive ethical evaluations of bank (X).

$H5_0$ There is no significant relationship between perceived social responsibility and customer perceived ethicality.

H5 Higher evaluations of social responsibility of bank (X) brings higher ethical perceptions than low evaluations of social responsibility.

The correlation (Pearson criterion) and variance analysis showed results as follows:

Correlation=$0{,}436$, $p<0{,}01$

$R^2= 0{,}190$

$F=23{,}909$

$t=4{,}890$, $p<0{,}05$

Analysis shows that there is significantly positive correlation between customers perceived ethicality and perceived corporate social responsibility. In addition, only 19% variance in perceived ethicality can be explained by variance of perceived social responsibility of bank (X). *t* value indicates though that social responsibility has a statistically significant impact on customer perceived ethicality.

The conclusion is that *the null hypothesis might be rejected and alternative hypothesis can be applied.*

The findings support the claim that corporate social responsibility has relationship with customer perceived ethicality.

$H6_0$ There is no significant relationship between customer perceived ethicality and customer loyalty to the bank.

H6 Bank (X) customers who perceive company more ethical are more loyal than those who perceive the company as less ethical.

For hypothesis testing correlation (Pearson criterion) was used.

After analysis of responses the following results were outlined:

Correlation= $0{,}600$, $p<0{,}01$

We see that correlation between customer perceived ethicality and customer loyalty is positive and significant. In addition, correlation is also quite high.

The conclusion is that *the null hypothesis can be rejected and alternative hypothesis can be applied.*

Results of this study contribute to the large pool of studies made by other authors and confirm the claim that company ethicality positively influences consumer loyalty to the company. The customers of bank (X) who has higher perceptions of company ethicality tend to be more loyal too.

$H7_0$ There is no significant relationship between customer perceived ethicality and customer trust in the bank.

H7 The customers who signal higher perceived ethicality of the company trust in the company more that customers who disclose lower perceived ethicality of bank (X).

In order to find the answer the correlation analysis was used.

After analysis the results were:

Correlation = $0{,}775$, $p<0{,}01$

The result shows that there is quite strong positive and significant relationship between customers' perceived ethicality and customer trust in the company.

Consequently, the *null hypothesis might be rejected and alternative hypotheses might be applied.*

$H8_0$ There is no significant difference between customer age and level of perceived ethicality of the bank (X).

H8 There is a significant difference between customer age and level of perceived ethicality of the bank (X).

To test the hypothesis analysis of variance was used.

Results of the analysis show that there are no clear patterns in the evaluations of bank (X) ethics if compared customers by age. It is visible that highest perceived ethicality is in the age group of 40-44 years. But only 3 responses fall under this category so conclusions have a limited reliability. The lowest evaluations are observed in the age categories of 25-29 and 45-49 years. Quite high mean of evaluations exists in the group of 30-34 years customers. By ANOVA statistics we see that F value is 4,658 and significance is 0,000.

Based on this we can conclude that *the null hypotheses can be rejected and alternative hypotheses might be applied.*

The results of this test show that differences between age groups are not by chance and it is likely would not disappear if analysis would be held with a new sample. There is significant association between customer age and perceived ethicality of the company but it appears to be not very strong.

$H9_0$ There is no significant difference between customer gender and level of perceived ethicality of the bank (X).

H9 There is a significant difference between customer gender and level of perceived ethicality of the bank (X).

After conducting the ANOVA (Appendix 10) the results showed that means are very close to each other between men and women. F value confirms that there is no significant difference among genders. Significance level is also very high.

Based on this we can conclude that *the null hypotheses cannot reject and alternative hypotheses cannot be applied.*

The results of this test indicate that bank (X) customer perceptions do not differ significantly within men and women. Thus, we cannot conclude that women tend to perceive bank (X) as being more ethical than men would do.

$H10_0$ There is no significant difference between customer education level and level of perceived ethicality of the bank (X).

H10 There is a significant difference between customer education level and level of perceived ethicality of the bank (X).

ANOVA analysis indicates that with the F value of 2,011 and significance level of 0,117 the difference between the groups is not statistically significant.

So**,** *the null hypotheses cannot be rejected and alternative hypothesis cannot be applied.*

The results show that gender is not a factor which would contribute to significantly different customer perceptions of company ethicality.

$H11_0$ There is no significant difference between length of customer and bank (X) relationship and level of perceived ethicality of the company.

H11 There is a significant difference between length of customer and bank (X) relationship and level of perceived ethicality of the company.

ANOVA analysis show that with the F value of 1,591 and significance level of 0,183 we can conclude that there is no significant difference between the length of customer and bank (X) relationship and perceived ethicality of the bank (X).

The null hypothesis cannot be rejected so alternative hypothesis cannot be applied.

5. Conclusions

This research analyses the role of ethical sales person behavior as perceived by the customer in developing customer loyalty through customer satisfaction and trust in the insurance industry. The results show that customers tend to trust ethical companies (bank sector) more than the companies which do not apply or violate ethical principles. Also, it was found that ethical company (bank sector) reputation might contribute to customer loyalty. Loyalty in the literature is divided into attitudinal and behavioral which means that ethical companies (bank sector) might expect psychological support from the customers as well as repeated purchases and positive word-of-mouth, the finding also consistent with Alrubaiee (2012) and Chen and Mau (2009). According to Chen and Mau (2009), "the salesperson's ethical behavior is vital. Therefore, for these companies which have a dream to establish a long term relationship with their customers, how to encourage their salesperson to upload ethics when making sales to customer is very important." The results also show that customer satisfaction has a great impact on customer trust. Furthermore, the most important factors which impacts customer perceived ethicality are customer orientation and company (bank sector) as being a good employer. The less important factors were found to be reliability and strength of the company, quality of products and services and social and environmental responsibility of the company. Customers who have higher level of perceived company ethicality have higher level of loyalty as well. Even higher relationship was found between customer trust in the bank and customer perceived ethicality. The findings indicate that ethical reputation of the company (bank sector) is quite significant factor for building consumer trust whereas there are probably other means to develop customer loyalty to the company.

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