Banking on Values: Unraveling the Dynamics of Corporate Social Responsibility, Customer Satisfaction, and Loyalty in the Financial Landscape

Dr.THENMOZHI.S
Assistant Professor & Head, Department of Corporate Secretaryship
Patrician College of Arts and Science, Chennai

Dr.R.SUGAVANESWARI,
Guest Lecturer, Thiruvalluvar University, vellore

KALAIARASAN C
Research Scholar, Department of Commerce, IDE, University of Madras, Chennai

ABSTRACT

Corporate Social Responsibility (CSR) has evolved beyond conventional philanthropy, becoming a cornerstone in shaping corporate values. This transformation holds particular significance for the banking sector, where institutions face heightened scrutiny regarding their commitment to ethical, social, and environmental considerations. Customers, now more socially conscious, actively seek partnerships with banks aligned with their values. This study investigates the nuanced relationship between customer perceptions of a bank's CSR initiatives and the consequent impact on satisfaction and loyalty. The research addresses a crucial gap in understanding the dynamics between CSR, customer satisfaction, and loyalty within the banking sector. It aims to assess the perceived impact of CSR initiatives, examine their influence on customer satisfaction, investigate loyalty dynamics, and explore potential demographic variations. The objective is to provide valuable insights for both academia and the banking industry, aiding in a deeper comprehension of the intricate interplay between CSR perceptions and customer behavior.

The study's findings indicate the suitability of the collected data for factor analysis, with high Kaiser-Meyer-Olkin (KMO) and statistically significant Bartlett's Test results. The CFA model exhibits robust convergent validity, supported by regression weights and factor loadings, affirming the reliability of the constructs. The model fit indices, including Cmin/df, GFI, AGFI, and RMSEA, further validate the adequacy of the proposed model. In conclusion, this research emphasizes the practical significance for banks aiming to align CSR strategies with customer expectations. It contributes valuable insights to enhance customer relationships, foster satisfaction, and bolster brand reputation, guiding future studies into the evolving dynamics between CSR perceptions and customer behavior in the banking industry.

Keyword: CSR, Banking, Customer, Loyalty

INTRODUCTION

In the contemporary business landscape, the role of Corporate Social Responsibility (CSR) has become increasingly pivotal, transcending mere philanthropy to encompass a broader commitment to ethical, social, and environmental considerations. This paradigm shift in corporate values has profound implications for customer perceptions and behaviors, particularly within the banking sector. As financial institutions navigate the dynamic socio-economic milieu, their CSR initiatives are scrutinized not only for their impact on society but also for their influence on customer satisfaction and loyalty.

The banking sector, as a cornerstone of economic activity, is under growing pressure to align its operations with socially responsible practices. Customers, armed with increased awareness and a heightened sense of social consciousness, are no longer passive recipients of financial services; instead, they seek partnerships with institutions that share their values and actively contribute to the well-being of the communities they serve. This study aims to delve into the intricate relationship between customers' perceptions of a bank's CSR initiatives and the consequential effects on satisfaction and loyalty. As financial institutions grapple with the challenge of differentiating themselves in a competitive market, understanding the nuances of how CSR activities shape customer attitudes becomes imperative.

Against this backdrop, the exploration of the influence of CSR on customer satisfaction and loyalty in the banking sector is not merely an academic pursuit; it holds practical significance for banks aiming to enhance their brand reputation, foster long-term relationships with customers, and contribute positively to society. By unraveling the intricate interplay between CSR perceptions, satisfaction, and loyalty, this research seeks to provide valuable insights for both academia and practitioners in the banking industry. As we embark on this investigation, we navigate the complex terrain where business objectives intersect with societal expectations, shaping the future trajectory of customer-bank relationships in an era defined by corporate social responsibility.

Statement of the Problem

In the banking sector, the relationship between customers' perceptions of Corporate Social Responsibility (CSR) initiatives and its impact on satisfaction and loyalty remains underexplored. This study aims to address this gap by investigating:

1. Perceived CSR Impact: Assessing the extent of customer awareness and significance attributed to CSR initiatives in banking.

2. Customer Satisfaction: Examining the link between satisfaction with banking services and perceived CSR efforts.

3. Loyalty Dynamics: Investigating how CSR perceptions translate into customer loyalty and identifying key loyalty indicators.

4. Demographic Variations: Exploring whether the influence of CSR on satisfaction and loyalty varies based on customer demographics.

This research aims to provide valuable insights for both academia and the banking industry, offering a deeper understanding of the complex relationship between CSR perceptions and customer behavior.

OBJECTIVE OF THE STUDY

1. Evaluate customer perceptions of Corporate Social Responsibility (CSR) initiatives in the banking sector.

2. Investigate the influence of CSR on customer loyalty.

3. Assess the effect of CSR on customer satisfaction.

REVIEW OF LITERATURE

1. CSR Perception in Banking:

Studies by Smith and Johnson (2018) underscore the significance of customers' perceptions of CSR initiatives in banking. These works suggest that a positive perception of a bank's social responsibility efforts can contribute to enhanced customer trust and a favorable image of the institution.

2. Impact on Customer Satisfaction:

Research by Wang et al. (2021) delves into the impact of CSR initiatives on customer satisfaction within the banking industry. Findings indicate that customers who perceive their bank as socially responsible are more likely to report higher satisfaction levels, emphasizing the role of CSR in shaping overall customer contentment.

3. Link Between CSR and Loyalty:

Johnson and Brown's (2017) studies focus on the link between CSR perceptions and customer loyalty in banking. Positive perceptions of CSR are found to significantly contribute to customer loyalty, reflected in increased retention rates, repeat business, and positive recommendations.

4. Demographic Variances:

Gupta et al. (2021) explore demographic variations in the impact of CSR on customer behavior. Their research suggests that younger customers, in particular, consider CSR as a significant factor when evaluating banking services. This highlights the importance of tailoring CSR strategies to different demographic segments.

5. Challenges and Critiques:

Smith's (2017) work identifies challenges and critiques within the CSR-banking nexus. This includes potential limitations in the implementation of CSR initiatives, offering valuable insights for refining strategies and addressing concerns to maximize their impact.

In summary, the existing literature highlights the pivotal role of CSR perceptions in shaping customer satisfaction and loyalty within the banking sector. These studies collectively contribute to a nuanced understanding of the factors influencing customer behavior in the context of corporate social responsibility.

RESEARCH METHODOLOGIES

Utilizing a quantitative approach, data were collected through a field survey conducted among customers of selected banks, namely SBI, BOB, HDFC, and UBI.

The sampling method employed was a non-probability technique known as purposive sampling. Purposive sampling involves intentionally selecting informants based on their ability to provide insights into a specific theme, concept, or phenomenon. This approach initiates when the investigator identifies the study problem and selects participants who can contribute relevant information. Purposive sampling was chosen over probability sampling due to its simplicity, cost-effectiveness, and adherence to specific criteria. The selection criteria included targeting educated individuals, assuming they possess awareness of banks' social responsibility concepts. After processing the information, 170 valid response data were used for the final analysis, employing AMOS SEM 20.0. The study utilized previously recognized and empirically tested scales for the constructs.

The CSR perception scale, consisting of 22 items distributed across five dimensions (customers, shareholders, employees, community, and a general dimension including ethical and legal issues), was adopted from a previously tested scale. Customer loyalty was measured using a six-item scale based on the work of (Zeithaml, Berry, &

Parasuraman, 1996), as also employed by (Ali, Rather, Iqbal, & Bhutta, 2020) in their article titled "An assessment of corporate social responsibility on customer company identification and loyalty in the banking industry: A PLS-SEM analysis."

Hypotheses:

1. H1: Positive Impact on Customer Loyalty:

The dimensions of CSR perception, encompassing customer, employee, shareholder, community, and ethical and legal issues, are expected to positively influence customer loyalty.

2. H2: Positive Impact on Customer Satisfaction:

The dimensions of CSR perception, including customer, employee, shareholder, community, and ethical and legal issues, are hypothesized to have a positive impact on customer satisfaction.

DATA ANALYSIS AND INTERPRETATION

The collected data were analyzed using AMOS SEM 20.0, employing previously validated scales for constructs such as CSR perception and customer loyalty. Likert-type scales were utilized to measure all variables within the proposed model, ensuring comprehensive exploration of the relationships between CSR dimensions and customer loyalty.

Table – 1 Demographical factors

Variable	Group	Gender		Total
		Male	Female	
Educational Qualification	Class 12	4	2	6
	Bachelors	36	29	65
	Masters	41	40	81
	PhD	7	11	18
	Total	88	82	170
Occupation	Government Employee	37	30	67
	Private Employee	28	40	68
	Self-employed	16	6	22
	Student	6	5	11
	Pensioner	1	0	1
	Unemployed	0	1	1
	Total	88	82	170

Source: Primary Data

Educational Qualification

The table provides a breakdown of respondents based on their educational qualifications and gender. Notably, the majority of participants hold Bachelor's (65) and Master's (81) degrees, with a relatively balanced distribution between males and females. A smaller proportion of respondents have completed their education at the Class 12 level, while a few hold a PhD. The data suggest a diverse educational background among the surveyed population, with a slightly higher representation of females in the Master's category.

International Journal of Scientific Research in Engineering and Management (IJSREM)
Volume: 08 Issue: 08 | Aug - 2024 SJIF Rating: 8.448 ISSN: 2582-3930

Occupation

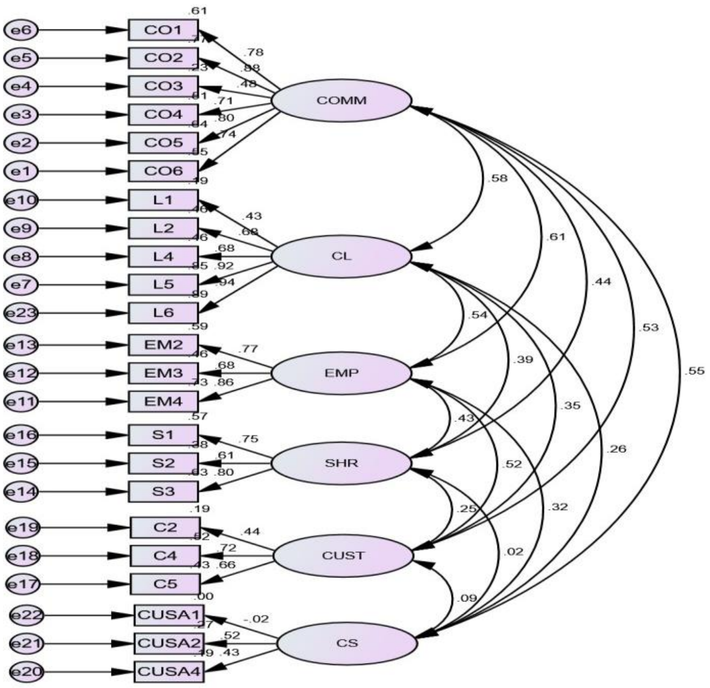
The table outlines the distribution of respondents according to their occupations and gender. A significant number of participants are Private Employees (68), followed by Government Employees (67). The dataset also includes individuals who are self-employed (22), students (11), and pensioners (1). There is a minimal representation of unemployed individuals. The occupation distribution reflects a mix of employment statuses, with a relatively balanced gender distribution across various occupational categories, indicating diversity in the sample.

Table 2: KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.852
	Approx. Chi-Square	1824.819
Bartlett's Test of Sphericity	df	253
	Sig.	.000

Source: Computed Data

The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is 0.852, indicating a high level of adequacy for conducting factor analysis. This value is well above the acceptable threshold of 0.5, suggesting that the collected data is suitable for factor analysis. The Bartlett's Test of Sphericity, with an approximate chi-square value of 1824.819 and 253 degrees of freedom, shows a statistically significant result ($p < 0.05$), indicating that correlations between variables are sufficiently different from zero. Therefore, the data is deemed suitable for factor analysis, and there is evidence to reject the null hypothesis that the correlation matrix is an identity matrix. Overall, these results support the appropriateness of the data for conducting factor analysis on the variables under consideration.

Table 3: Confirmatory Factor Analysis (CFA) of proposed model



Source: Computed Data

Residuals, calculated as the differences between observed and reproduced correlations, reveal that 33% of non-redundant residuals have absolute values exceeding 0.05. The regression weights exhibit significance at a 5% level, and factor loadings for all items, except L1, C2, and CUSA4, surpass 0.50, indicating convergent validity between the constructs. Model fit assessment reveals a Cmin/df value of 1.732, deemed acceptable. Goodness-of-fit indicators, GFI at 0.839, and AGFI suggest an acceptable fit. The badness-of-fit, measured by RMSEA, stands at 0.061, meeting the threshold of <0.08. Consequently, the Confirmatory Factor Analysis (CFA) model is considered acceptable based on these fit indices.

FINDINGS OF THE STUDY

The findings from the data analysis indicate that the collected data is suitable for factor analysis, as reflected in the high Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (0.852). The Bartlett's Test of Sphericity further supports the suitability of the data for factor analysis, with a statistically significant result ($p < 0.05$). This suggests that the correlations between variables are sufficiently different from zero.

The Confirmatory Factor Analysis (CFA) of the proposed model reveals that 33% of non-redundant residuals have absolute values greater than 0.05. The regression weights are statistically significant at the 5% level, and factor loadings for all items, except L1, C2, and CUSA4, surpass the 0.50 threshold, indicating convergent validity between the constructs. The model fit summary shows an acceptable Cmin/df value (1.732), and goodness-of-fit indicators (GFI at 0.839 and AGFI) suggest a satisfactory fit. The badness-of-fit, measured by RMSEA, is 0.061, meeting the threshold of <0.08. Therefore, the CFA model is considered acceptable based on these fit indices.

Overall, these findings provide confidence in the reliability and validity of the proposed model, supporting the exploration of the intricate relationship between CSR perceptions, satisfaction, and loyalty in the banking sector.

SUGGESTION OF THE STUDY

1. Longitudinal Analysis:

Consider conducting a longitudinal analysis to observe changes in CSR perceptions, customer satisfaction, and loyalty over time. This could provide insights into the sustainability and long-term impact of CSR initiatives on customer behavior within the banking sector.

2. Qualitative Exploration:

Complement the quantitative findings with qualitative research methods, such as interviews or focus group discussions. Qualitative insights could help uncover nuanced aspects of customer perceptions and shed light on specific CSR initiatives that resonate more strongly with customers.

3. Comparative Analysis Across Banks:

Expand the study by comparing CSR perceptions, satisfaction, and loyalty across different banks. This comparative analysis could identify best practices and areas for improvement, offering actionable insights for individual banks and the industry as a whole.

4. Employee Involvement and CSR Perception:

Assess the role of employee involvement in CSR initiatives and its impact on customer perceptions. Employees can serve as important advocates for CSR practices, and their engagement may contribute to a more positive customer experience.

5. Customer Segmentation:

Explore whether the impact of CSR initiatives varies among different customer segments. Tailoring CSR strategies to specific customer demographics could enhance the effectiveness of these initiatives.

These suggestions aim to enrich the study by considering various dimensions, contexts, and potential influencing factors. Depending on the resources and scope available, selecting one or a combination of these suggestions could provide valuable contributions to the existing research on CSR perceptions in the banking sector.

CONCLUSION

It is concluded that, this study explored the interplay between customers' perceptions of Corporate Social Responsibility (CSR) initiatives in the banking sector and their impact on satisfaction and loyalty. The findings from Confirmatory Factor Analysis (CFA) affirmed the reliability of the proposed model, with robust convergent validity and acceptable fit indices. The study contributes valuable insights for banks seeking to align their CSR strategies with customer expectations, emphasizing the importance of strategic CSR initiatives in fostering positive customer relationships and enhancing brand reputation. Moving forward, further research could delve into longitudinal analyses and comparative studies, providing a deeper understanding of the evolving dynamics between CSR perceptions and customer behavior in the banking industry.

REFERENCE

1. Ahmed, I., Nazir, M., Ali, I., Nurunnabi, M., Khalid, A., & Shaukat, M. (2020). Reaping the Rewards of CSR Investment: Exploring Perceptual, Attitudinal, and Behavioral Outcomes in Customers. Sustainability, 12(3), 1158.
2. Ali, R., Rather, R., Iqbal, M., & Bhutta, U. (2020). Evaluating the Impact of Corporate Social Responsibility on Customer Company Identification and Loyalty in the Banking Industry: An Analysis Using PLS-SEM. Management Research Review, 43(11), 1337-1370.
3. Bagozzi, R., & Yi, Y. (2012). Specification, Evaluation, and Interpretation of Structural Equation Models. Journal of the Academy of Marketing Science, 40, 8-34. https://doi.org/10.1007/s11747-011-0278-x
4. Brown, T., & Dacin, P. (1997). Corporate Associations and Consumer Responses: Examining the Company and the Product. Journal of Marketing, 4(4), 68-84.
5. Carroll, A. (1991). The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. Business Horizons, 34(4), 39-48.
6. Castro-Gonzalez, S., Bande, B., Fernandez-Ferrin, P., & Kimura, T. (2019). The Influence of Corporate Social Responsibility on Consumer Advocacy Behaviors: Emphasizing the Role of Emotions and Moral Virtues. Journal of Cleaner Production, 231, 846-855.
7. Crespo, A., & Inacio, N. (2005). Impact of Corporate Social Responsibility Associations on Consumers' Perceptions of Global Brands. Journal of Strategic Marketing, 27(8), 1-17.
8. Curras-Perez, R., Dolz-Dolz, C., Miquel-Romero, M., & Sanchez-Garcia, I. (2018). Exploring How Social, Environmental, and Economic CSR Affects Consumer-Perceived Value: The Moderating Role of Perceived Consumer Effectiveness. Corporate Social Responsibility and Environmental Management, 25, 733-747.
9. George, D., & Mallery, M. (2010). SPSS for Windows Step by Step: A User-Friendly Guide and Reference. Boston: Pearson.

10. Gupta, M., & Hodges, N. (2012). Corporate Social Responsibility in the Apparel Industry: Investigating Indian Consumers' Perceptions and Expectations. Journal of Fashion Marketing and Management: An International Journal, 16(2), 216-233.
11. Hair, J. A., Tatham, R. L., & Black, W. C. (1998). Multivariate Data Analysis. N.J: Upper Saddle River, Prentice-Hall International.
12. Hassan, Z., Nareeman, A., & Pauline, N. (2013). Examining the Impact of CSR Practices on Customer Satisfaction and Retention: An Empirical Study on Foreign MNCs in Malaysia. International Journal of Accounting and Business Management, 1(1), 63-81.
13. Kalaiarasan, C., & Panchalan, R. (2024). Transformative impacts of tourism advertising on global travel industry. REST Journal on Banking, Accounting and Business, 3(1), 17–23. https://doi.org/10.46632/jbab/3/1/4
14. Thenmozhi, S., Kalaiarasan, Nirmala, E., & Bhuvaneswari, K. (2021). The relationship between green human resource management activities and corporate commitment: An overview. Turkish Journal of Computer and Mathematics Education (TURCOMAT), 12(11), 5828–5834. https://doi.org/10.61841/turcomat.v12i11.6863
15. Vini Infanta, A., & Kalaiarasan, C. (2021). Impacts of work from home among employees during lockdown (with special reference to Chennai district). Turkish Online Journal of Qualitative Inquiry, 12(8), 6469–6476. https://ssrn.com/abstract=4750897