

# Influence of Corporate Social Responsibility on Brand Image of Commercial Banks

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## Abstract

Corporate Social Responsibility (CSR) has been a strategy of banks to respond to the society in which they operate activities so that they can enhance their brand image. It encourages banks to make a positive contribution to the society. A good image of a bank is an asset because it has positive impact on its customers' perception and preference about the bank. There are few empirical investigations that relate CSR and brand image in Nepalese banks. For this reason, the purpose of the study is to explore the relationship between economic, legal, ethical and philanthropic responsibility on brand image of Nepalese commercial banks. Quantitative research approach was followed for the purpose. Data was collected from 210 valid questionnaires received from respondents met around Kirtipur. The responses were analyzed using SPSS 25 version. The findings revealed that there is a significant and positive influence of economic, legal, ethical and philanthropic responsibility on brand image of Nepalese commercial banks. The result of this study can be used by CEOs and marketing executives to develop strategies that make use of CSR as a strategy for building brand image.

**Keywords:** brand image, commercial bank, corporate social responsibility, Nepal

## Introduction

Corporate Social Responsibility has become the latest buzzword among companies (Kandel, 2018). It is gaining increased public attention (Wu & Wang, 2014). According to World Business Council for Sustainable Development, CSR is a company's continual commitment to act morally, promote economic growth and enhance the lives of its employees and their families, as well as the local community and society at large (WBCSD,1999).

In the words of Nepal Rastra Bank, CSR includes protecting the environment, striving to benefit stakeholders and society, and making additional contributions to the uplift of underprivileged, disadvantaged, and vulnerable groups of people (NRB, 2021). The most efficient way to solve many of the world's most serious issues is to activate the corporate

sector in ways that are advantageous to both society and businesses (Porter & Kramer, 2002). CSR has emerged as a new strategy for tackling societal issues and generating social value among businesses. It is socially and environmentally sustainable initiatives taken by the organization. Under CSR, businesses should consider how their actions affect society and the environment (Carroll, 1979).

In order to grow a society through their capacity to generate capital and invest it for social empowerment, businesses must change their function from one that just involves selling goods and services with the aim of making profits and increasing their income (Maheshwari & Kumar, 2013). According to Lu et al. (2020), CSR represents a firm's responsibility towards society which helps in strengthening its overall image. Businesses require appealing alternatives that increase the symbolic worth of brands (Rodrigues & Real, 2011). It is a cutting-edge strategy for companies to improve customer interactions by boosting customer loyalty and trust while also enhancing their brand's reputation (Bhattacharya & Sen, 2004). Ethical, altruistic and strategic are the three standard examples of CSR practices (Chaudhary, 2017).

In the modern world, fierce competition among business houses has made it possible to develop solid branding strategies that preserve devoted clients while maximizing value (Ramesh et al., 2018). People now demand an ethical and socially responsible company from corporations, thus making a profit is not enough for them (Forte, 2013). CSR has therefore been a strategy that affects a company's performance to improve reputation and gain a competitive advantage. (Mahmood & Bashir, 2020; Bista, 2017; Kaur, 2016; Arslan, 2014; Ramesh et al., 2018). Many businesses use CSR initiatives as a distinctive management strategy to make a positive impression on their clients (Chen et al., 2021) and its employees.

The increased availability of information, shifting corporate strategies and intense rivalry among businesses have all contributed to CSR's development as an important strategic tool for many organizations. Socially conscious businesses can provide a better environment, a better standard of living, and a more desirable community through CSR (Forte, 2013). Today CSR has been a means of contribution of socio-economic development (Arslan, 2014). In this sense, CSR activities of businesses serve as an alternate tool for sustainable development. (Kaur, 2016, Kaur, 2017; Ahamad, 2016).

CSR encourages businesses to make a positive contribution to the society in which they operate. It has been a key component in the improvement of an organization's reputation among customers and stakeholders, including employees, investors, communities, and society as a whole (Forte, 2013; Kaur, 2017; Arslan, 2014; Kandel, 2018).

It is challenging for multinational corporations to develop their customers' brands without considering the social demands of a society (Mahmood & Bashir, 2020). Consumers are

valuing more and more the social, philanthropic and environmental activities of businesses (Ruiz & Garica, 2021). Based on several studies, it has been found that CSR has a positive impact on brand image (Arslan, 2014; Salehzadeh, Pool & Najafabadi, 2018; Khanal, 2019; Dawood, 2019; Lu et al., 2020). The positive association between CSR and brand image leads to positive attitude among consumers. Rodrigues and Real (2011) even discovered that these optimistic sentiments increase brand loyalty and increase consumer willingness to pay a premium price. Because of the connection between corporate social responsibility and brand equity and image, businesses are prepared to invest in CSR (Salehzadeh, Pool & Najafabadi, 2018).

In developing nations like Nepal, CSR may play an important role in the socioeconomic development of the society (NRB, 2021). In Nepal, big corporations have much greater levels of CSR practices than do small and medium-sized businesses (Chapagain, 2020). Bista (2017) observed that although there is awareness about CSR activities of commercial banks, its trend is unpredictable. Nepalese banks are found focused towards community activities like health camps, blood donation camp, afforestation, environment protection, heritage conservation, etc. Commercial banks are conducting cleanliness programs in several temples across country. They are involved in financial inclusion and financial literacy programs. They are supporting under privileged people. Some banks are assisting community school and public library. They are also found serving people who are suffering from natural calamities and disasters (Khanal, 2019). Nepalese businesses are still not paying adequate attention on social and environmental issues (Chapagain, 2020). However, the majority of banking and financial firms engage in CSR activities to improve their reputation (NRB, 2021).

There are very few studies based on the Carroll Model (1979) that examine CSR activities in Nepalese context. Therefore, the purpose of this study is to investigate CSR efforts in Nepalese commercial banks. The findings of this study can be used by CEOs and marketing executives to develop strategies that make use of CSR as a strategy for building brand image.

### **Economic Responsibility**

The primary social responsibility of an organization is economic in nature (Carroll, 1979). Mahmood and Bashir (2020) call economic responsibility as the equitable distribution of scarce resources to produce goods and services. Economic responsibility is the most important of all the responsibilities for any company because its primary responsibility is to its stakeholders, who are there to generate money.

### **Legal Responsibility**

Besides pursuing profitability, businesses must follow laws and regulations issued by government (Thuy & Minh, 2020). Banks are responsible to follow the legal provision mentioned in Bank and Financial Institution Act, 2073 B.S.

### **Ethical Responsibility**

Businesses need to be responsible towards customers, society and government. Ethical responsibility entails avoiding questionable actions (Thuy & Minh, 2020). These are the corporate social responsibilities that are expected by society but are not defined in laws (Carroll, 1979). Under ethical responsibility, businesses must respect moral principles even when they are not required by law.

### **Philanthropic Responsibility**

Philanthropy is actually strategic as it increases organizational competitiveness while providing social benefit (Porter & Kramer, 2002). Thus, companies must donate to society in order to improve the quality of life as part of their philanthropic responsibilities (Mahmood & Bashir, 2020).

### **Brand Image**

According to Keller (1993), a company's brand image reflects how well it performs in the minds of its customers. Rodrigues and Real (2011) also agree that an individual's mental representations of the product or service are highlighted by brand image. It is the consumer's general perception and feeling about a brand which influences consumer behavior (Zhang, 2015). Therefore, brand image is the factor most likely to have an impact on a firm from the perspective of customers (Naqvi et al., 2013).

## **Methods**

This is a quantitative research based on the philosophy of positivism. It involves descriptive as well as inferential analysis. In this study, the researcher used survey research design the informants of which consisted of management students of bachelor and master levels that holds bank accounts in Kirtipur branches.

The researcher used scales from the prior validated research to develop questionnaire. Economic responsibility(ER), legal responsibility(LR), ethical responsibility(ETR) and philanthropic responsibility(PR) are the major items borrowed from the original model of Carroll. Brand image (BI) is used as dependent variable. Some questions were modified considering Nepalese context.

The questionnaire items that measured CSR and brand image were measured on five point-Likert scale. The questionnaire is divided into two portions. The first portion

supports to collect demographic information of respondents and name of banks where they have bank accounts. The second portion consists of all together fifteen items of five constructs for actual measurement. The questionnaires were distributed to the respondents by meeting them physically.

Questionnaires were distributed to 250 students. They were met physically at university, colleges and tuition centers in Kirtipur. Only 210 (84%) useable responses were successfully obtained from them.

After gathering all the completed and usable questionnaires from the respondents, they were analyzed and presented in proper tabular format. The data was processed using SPSS 25<sup>th</sup> version as the main statistical tool. Both descriptive statistics and inferential statistics were used to analyze data.

### Results and Discussion

The analysis of data has been illustrated in tabular format followed by results and discussion consequently. Following tables provide descriptive information of respondents.

**Table 1**

*Number of Respondents on the Basis of Bank*

| Name of Bank       | Number of Respondents | Percentage of Respondents |
|--------------------|-----------------------|---------------------------|
| Everest Bank       | 18                    | 8.57                      |
| Siddhartha Bank    | 22                    | 10.48                     |
| Nabil Bank         | 19                    | 9.05                      |
| NIC Asia Bank      | 23                    | 10.95                     |
| Machhapuchhre Bank | 22                    | 10.48                     |
| Citizen Bank       | 26                    | 12.38                     |
| Civil Bank         | 20                    | 9.52                      |
| NIBL               | 20                    | 9.52                      |
| Prabhu Bank        | 16                    | 7.62                      |
| Mega Bank          | 24                    | 11.43                     |

Customers from 10 commercial banks participated in the study, out of which 12.38% were from Citizen Bank. Among those who participated in this research, least number of respondents (7.62%) were form Prabhu Bank.

**Table 2**

*Demographic Characteristics of Respondents*

| Demographic variable | Categories | Frequency | Percentage (%) |
|----------------------|------------|-----------|----------------|
| Gender               | Male       | 75        | 35.71          |
|                      | Female     | 135       | 64.29          |
| College              | Private    | 59        | 28.10          |
|                      | Public     | 151       | 71.90          |
| Education            | Bachelor   | 140       | 66.67          |
|                      | Master     | 70        | 33.33          |

Two hundreds and ten (210) customers participated in the study; out of this 64.29 per cent were females. Among those customers, majority of them were from public colleges that constituted 71.90 per cent. Bachelor level students constituted majority of the respondents that represented 66.67 per cent.

**Table 3**

*Mean, Standard Deviation and Cronbach's Alpha of Studied Variables*

| Variables                        | Mean | Std. Deviation | Cronbach's Alpha |
|----------------------------------|------|----------------|------------------|
| Economic Responsibility(ER)      | 4.13 | 0.67           | .706             |
| Legal Responsibility(LR)         | 4.07 | 0.69           | .712             |
| Ethical Responsibility(ETR)      | 3.87 | 0.75           | .922             |
| Philanthropic Responsibility(PR) | 3.88 | 0.57           | .718             |
| Brand Image(BI)                  | 4.39 | 0.45           | .710             |

All the Cronbach's Alpha are greater than 0.7. They indicate the reliability of data for further analysis. A mean of 4.13 indicates that bank customers believe that economic responsibility influences the brand image of bank. Likewise, a mean of 4.07 indicates that bank customers believe that legal responsibility influences the brand image of bank. In the same way, a mean of 3.87 indicates that bank customers believe that ethical responsibility influences the brand image of bank. A mean of 3.88 indicates that bank customers believe that economic responsibility influences the brand image of bank. Similarly, they believe that there is positive perception of brand image due to CSR which is supported by mean of 4.39.

### Regression Analysis

Regression analysis is done to have a better understanding of the strength of the relationship between two or multiple variables. Multiple regression analysis is used to analyze the impact of multiple independent variables on a single dependent variable. Thus, multiple regression analysis is used to analyze the impact of various independent variables(ER, LR, ETR and PR) on brand image (BI).

SPSS generates different tables as output for regression. The main tables required to understand the result are model summary table, ANOVA table and coefficient table which are given below.

**Table 4**

*Model Summary*

| Model | R     | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|-------|----------|-------------------|----------------------------|
| 1     | 0.737 | 0.543    | 0.534             | 2.24273                    |

The model summary table shows that the fitted model, or all four predictors together, explains around 54 per cent of the total variation of the dependent variable.

**Table 5***ANOVA*

| Model      | Sum of Squares | df  | Mean Square | F      | Sig.  |
|------------|----------------|-----|-------------|--------|-------|
| Regression | 1227.001       | 4   | 306.750     | 60.986 | 0.000 |
| Residual   | 1031.114       | 205 | 5.030       |        |       |
| Total      | 2258.114       | 209 |             |        |       |

Here p-value is 0.000. It is less than 1 per cent level of significance. So the ANOVA table indicates that model is appropriate for predicting how the four independent variables (economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility) influence brand image of Nepalese commercial banks. R square is also highly significant.

**Table 6***Coefficients*

| Model      | Unstandardized Coefficients |            | Standardized Coefficients | T     | Sig.  | VIF   |
|------------|-----------------------------|------------|---------------------------|-------|-------|-------|
|            | B                           | Std. Error | Beta                      |       |       |       |
| (Constant) | 6.454                       | 1.126      |                           | 5.729 | 0.000 |       |
| ER         | 0.416                       | 0.165      | 0.194                     | 2.527 | 0.012 | 2.640 |
| LR         | 0.196                       | 0.159      | 0.085                     | 1.232 | 0.028 | 2.129 |
| ETR        | 0.265                       | 0.045      | 0.371                     | 5.916 | 0.000 | 1.761 |
| PR         | 0.741                       | 0.127      | 1.634                     | 5.851 | 0.000 | 1.267 |

Dependent Variable: BI

The variance inflation factor (VIF) values of all predictors are less than 5, indicating that there is no any problem of multicollinearity.

In alignment with the previous studies, the study found a direct positive relationship of CSR with brand image (Naqvi et al., 2013; Maldonado-Guzman, Pinzon-Castro & Leana-Morales, 2017; Ramesh et al., 2018; Hafez, 2017). The empirical result of this study suggests that there is a significant and positive influence of economic responsibility on brand image ( $\beta = 0.416$ ,  $p < 0.05$ ) of commercial banks. This result significantly supports H1. This finding is in line with the researches conducted by Chaudhary (2017) and Chen et al. (2021), where the empirical result generated in testing economic responsibility on the brand image of business organization showed positive and significant result. Similarly, above result suggests that there is a significant and positive influence of legal responsibility on brand image ( $\beta = 0.196$ ,  $p < 0.05$ ) of commercial banks. It also significantly supports H2. Likewise, this finding is also parallel with the study conducted by Chen, et al. (2021). There is a significant and positive influence of ethical responsibility on brand image ( $\beta = 0.265$ ,  $p < 0.05$ ). So the result significantly supports H3. This finding is consistent with Thuy & Minh (2020) and Chen et al. (2021) study. Finally, there is a significant and positive influence of philanthropic responsibility on brand image ( $\beta = 0.741$ ,  $p < 0.05$ ). The result significantly supports H4. It is also consistent with the finding of Chaudhary (2017) and Thuy & Minh (2020). Thus one can argue that the degree of brand image depends on the degree of CSR adoption and implementation.

### Conclusion

Certain Nepalese organizations are becoming more aware of CSR practices in order to safeguard their family-brand reputation (Chaudhary, 2017). Mandatory provision of Nepal Rastra Bank has enforced banks to spend 1 per cent of their profit under CSR. Due to awareness of CSR among businesses, they are taking various initiatives for social change. Banks are not taking CSR as an expense but as a value creation activity. Through CSR, they are showing their presence in the society. CSR initiatives have been means to address social problems. This study concludes that all the independent variables (economic, legal, ethical and philanthropic) significantly influence the brand image of commercial bank. Philanthropic responsibility is the most influential factor stirring the brand image of commercial bank. The findings of this study provide valuable information to commercial banks in Nepal in regard to the major factors that are important to boost up brand image in our context. Brand managers that fully commit to CSR and actively participate in it can achieve exceptional results (Hafez, 2017). Our banks should be responsible economically, legally, ethically and philanthropically so that it will the benefit companies, communities, and society as a whole.

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