Chapter 74
Impact of Corporate Social Responsibility on Service Performance in Mediating Effect of Brand Equity With Reference to Banks in India

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ABSTRACT

In competitive global scenario banks are very keen in branding their corporate social responsibility to enhance their service performance to compete effectively. This study was carried out to explore and assess the impact of corporate social responsibility on service performance in banking sector through reputation. To measure the corporate social responsibility, Maignan and Ferrell (2004) CSR scale, for the service performance the SERVPERF Model Parasoarman (1985), and for brand equity the brand equity (BI) index, developed by Aaker (1991) were used. The simple random sampling technique was used to collect the data from 617 banking customers. Structural Equation Modelling was used to measure the impact of corporate social responsibility on service performance through brand equity. The findings of the study indicates that CSR initiatives were linked to stronger service performance of the bank which ends stronger brand performance with the bank.

1. INTRODUCTION

The idea of Corporate Social Responsibility (CSR) first discussed in 1953 when it became an academic topic in HR Bowen's Social Responsibilities of the Business. Since then, there has been continuous debate on the concept and its implementation. Although the idea has been around for more than half a century, there is still no clear consensus over its definition. One of the most contemporary definitions is from the World Bank Group, stating, "Corporate social responsibility is the commitment of busi-

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nesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large, to improve their lives in ways that are good for business and for development." Banking is a specialized business. Banks have large number of creditors and debtors. The failure of one bank can lead to the failure of many other banks as the customers lose faith that can cripple the entire economy of a nation. The global financial meltdown in 2008 has created a negative and gloomy sentiment in all the stakeholders in the entire banking industry, including in India since financial markets in India even if loosely, but are connected to global financial markets. If banks can leverage this social capital in times of distress, it can help to negate or reduce the potential negative influence on their performance Due to tough competition across the banking industry in India, it is very important for the banking industry to develop a well-working relationship with its stakeholders (both internal and external). Today banks are spending millions of dollars on CSR activities to create a stronger relationship with their stakeholders and enhance their performance. This change may have been because of increased pressure from Reserve Bank of India (RBI) and external stakeholders. Banking industry focuses on CSR activities such as education, health, environmental marketing etc. Banks are embracing CSR strategies because it increases profit, customer loyalty, trust and a positive brand attitude. This study proposed to develop model to examine the impact of perceived CSR on service performance of the bank with mediating effect of brand equity. This study reviews the literature on CSR, Brand equity and service performance.

2. REVIEW OF LITERATURE

Luo and Bhattacharya (2006) investigated Fortune 500 companies, finding a direct link between CSR and customer satisfaction. Their study identified that satisfaction fully mediated the relationship between CSR and firm market value. That is, the inclusion of the customer satisfaction construct diminished to non-significance the effect of CSR on market value

Aishath Nareeman, Zubair Hassan (2013) in their research they examine the impact of perceived corporate social responsibility (CSR) practices or initiatives on customer satisfaction and loyalty. A conceptual framework comprises of four elements (economic, legal, ethical and philanthropy) developed by Carroll (1991) was used to examine the CSR practices and its impact on customer satisfaction and loyalty. A multivariate likert-scale questionnaire (scale from 1-6) has been developed with one additional dimension (customer satisfaction) and its impact on loyalty. A sample of 152 respondents has been used to collect the data using convenience-sampling method. The results shows that there is a significant and positive impact of CSR dimensions of economic, ethical, and philanthropy on both customer satisfaction and loyalty. The result shows a negative relationship between legal CSR dimensions and customer satisfaction and loyalty. This result is confirmed by correlation analysis as well, which is run on both full version and modified version of dataset generated after exploratory factory analysis. In addition, this research found that there is significant and strong positive relationship between improved customer satisfaction and loyalty. This study concluded that increasing perceived CSR practices such as economic, ethical and philanthropy CSR would improve both customer satisfaction and loyalty. Therefore, manager at corporate sector should take initiatives to increase perceived CSR practices to improve customer satisfaction in order to retain and build loyalty of customer.

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