



# The role of CSR in enhancing brand reputation and customer loyalty in Indian nationalised banks

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## Abstract

*Corporate Social Responsibility (CSR) has emerged as a crucial aspect of business operations, particularly in the banking sector, where trust and reputation are paramount. This paper examines the significance of CSR initiatives in strengthening brand reputation and cultivating customer loyalty within Indian nationalised banks, explicitly referring to Jamkhandi city. Drawing from legal literature and empirical evidence, this paper explores the legal framework governing CSR practices and their implications for brand reputation and customer loyalty. Through a comprehensive analysis, this paper aims to elucidate the legal provisions outlined in Section 135 and Schedule VII of the Companies Act, 2013, regulating CSR activities in nationalised banks in India and offers references for leveraging CSR efforts to enhance brand reputation and customer loyalty while ensuring compliance with statutory mandates.*

**Keywords:** CSR, Brand reputation, Customer loyalty, National Banks and provisions of the Companies Act 2013

## Introduction

Corporate Social Responsibility (CSR) has emerged as a pivotal aspect of business operations, particularly within the banking sector, where trust, reputation, and customer loyalty are paramount<sup>1</sup>. In the context of nationalised banks in India, CSR initiatives play a crucial role in fulfilling regulatory mandates, shaping brand perception, and fostering long-term relationships with customers. The enactment of the Companies Act of 2013 has further underscored the importance of CSR, mandating certain businesses, including nationalised banks, to allocate resources towards socially responsible activities. Against this backdrop, this paper explores the impact of CSR initiatives on enhancing brand reputation and fostering customer loyalty within select nationalised banks in Jamkhandi City during 23-24.

**Review of literature:** The influence of CSR practices on brand reputation within global banks. The research found that banks with robust CSR commitments enjoy enhanced brand reputation and increased customer trust. The study explored the effectiveness of CSR communication strategies in shaping brand perception within the banking sector. Their findings emphasised the importance of transparent and authentic CSR messaging for building positive brand associations<sup>3</sup>. The relationship between CSR initiatives and customer loyalty in the banking industry. Their research revealed a positive correlation between customers' perceptions of a bank's CSR activities and their likelihood of remaining loyal to the institution<sup>5</sup>. The study on the role of CSR in enhancing customer satisfaction and loyalty in Islamic banks. Their findings indicated that CSR initiatives significantly contribute to customer retention and loyalty in this context<sup>6-8</sup>. Addressed the challenges and opportunities in

integrating CSR into nationalised banks in India. Their study highlighted operational barriers and cultural challenges banks face in implementing CSR practices<sup>9-11</sup>. The alignment of CSR initiatives with customer expectations in the banking sector. Their research emphasised the importance of meeting customer preferences to maximise the impact of CSR on brand reputation and customer loyalty<sup>13,14</sup>.

**Need for the study:** The study is essential to comprehend how Corporate Social Responsibility (CSR) practices, mandated by the Companies Act of 2013, influence brand reputation and customer loyalty within Indian nationalised banks<sup>15</sup>. Given the evolving regulatory landscape and the strategic significance of CSR in banking, it's imperative to assess how these legal obligations intersect with the imperative of maintaining a favourable brand image and fostering customer loyalty. Understanding this dynamic relationship is crucial for nationalised banks to navigate competitive markets, fulfil their social responsibilities, and strategically align CSR initiatives with organisational objectives, ensuring sustainable growth and societal impact.

**Objectives of the study:** i. To evaluate the impact of CSR initiatives on enhancing brand reputation among select nationalised banks in Jamkhandi city. ii. To investigate the link between CSR activities and customer loyalty in select banks.

**Hypothesis:** i. Null Hypothesis (H0): CSR initiatives have no significant impact on enhancing brand reputation among select nationalised banks in Jamkhandi city. ii. Null Hypothesis (H0): There is no significant correlation between CSR activities and customer loyalty in select banks.

## Methodology

The explorative study involved 235 respondents selected through convenience sampling from five nationalised banks in Jamkandhi city: State Bank of India (SBI), Canara Bank, Indian Bank, Union Bank, and Bank of Baroda. A structured questionnaire, formulated based on relevant literature and study objectives, was designed to collect data on CSR perceptions, brand reputation, and customer loyalty. Data collection was conducted by distributing the questionnaire to customers visiting branches of the selected banks, with voluntary participation. Collected data have been analysed using SPSS software (version 2020), employing descriptive statistics to summarise demographic information and responses and inferential statistics, including correlation and regression analysis to examine the relationship between CSR initiatives, brand reputation, and customer loyalty. Graphical representations such as bar charts and scatter plots have been utilised to illustrate findings. Inferences to results have been made based on assessing the impact of CSR initiatives on brand reputation and customer loyalty, drawing conclusions, and providing recommendations for nationalised banks based on study outcomes.

**Scope of the study:** This study examines CSR's influence on brand reputation and customer loyalty in nationalised banks within Jamkandhi City during 2023-24 to assess the relationships between CSR practices, brand reputation, and customer loyalty. The findings provide practical insights for optimising CSR strategies within the specified geographic and temporal scope.

## Results and Discussion

Table-1 exhibits the composition of respondents and banks. The data reveals that among 235 respondents from various nationalised banks in India, State Bank of India (SBI) garnered the highest participation with 85 respondents, representing 36% of the total, indicating its prominent presence. Canara Bank followed with 58 respondents (25%), while Indian Bank, Union Bank, and Bank of Baroda had 44 (19%), 23 (9%), and 25 (11%) respondents, respectively. Gender distribution shows a notable imbalance, with 67% male respondents compared to 33% female respondents, suggesting a need for gender-inclusive

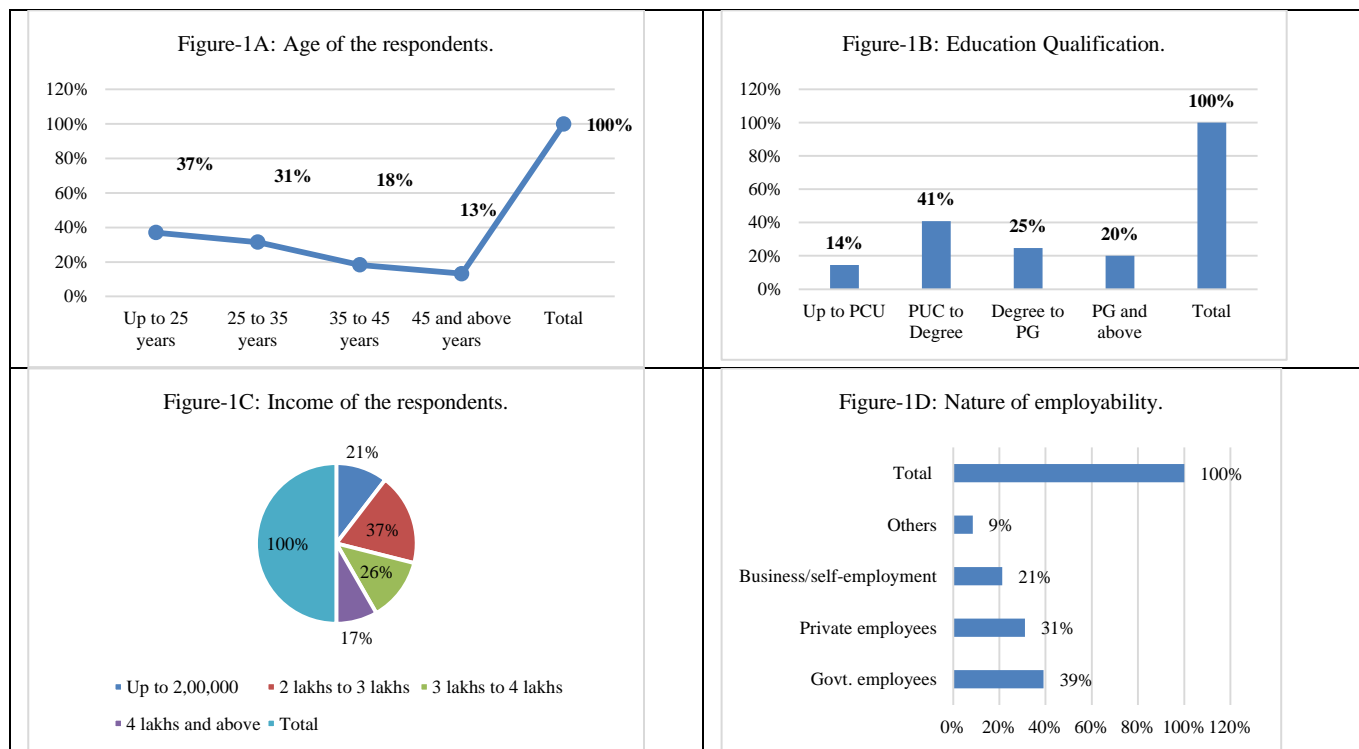
survey strategies. These findings underscore the importance of understanding customer demographics in shaping branding, customer engagement, and CSR initiatives across nationalised banks, facilitating tailored strategies to enhance customer loyalty and brand reputation.

The data provided presents a comprehensive overview of the demographic characteristics of the respondents. Most respondents fall within the age range of up to 25 years and 25 to 35 years, comprising 68% of the total sample (Figure-1A). Regarding education qualifications, the highest proportion holds a PUC to degree qualification (41%), followed by a degree to PG (25%) (Figure-1B). Regarding income, a significant portion of respondents (37%) earn between 2 to 3 lakhs annually (Figure-1C). Additionally, the majority of respondents are employed in government positions (39%), followed by those in the private sector (31%) (Figure-1D). Overall, the data highlights the diverse demographic profile of the respondents, providing valuable insights for understanding their perspectives and behaviours in the study context.

From the Table-2, the inference that the majority of respondents (39.57%) reported feeling quite familiar with CSR initiatives of banks, followed by those who felt very much familiar (32.77%) with a mean familiarity score is  $\bar{x}=3.98$  with an SD of 1.51. A significant proportion of respondents (50.64%) strongly agreed that CSR initiatives were effective, while 26.38% agreed moderately. Responses were relatively evenly distributed across the options, with a slight majority (37.45%) believing that CSR enhances a bank's reputation quite a bit. Similar to the effectiveness factor, a considerable percentage (40.00%) strongly agreed that banks are socially responsible, with 23.40% agreeing moderately. While there's a relatively even distribution of responses, a noteworthy portion (34.89%) strongly agreed that CSR is well integrated into banks' core business plans, suggesting a high level of integration, according to respondents. Responses were relatively evenly distributed, indicating mixed perceptions regarding banks' transparency about the impact of CSR initiatives. However, a considerable portion (30.64%) moderately agreed, suggesting a moderate level of perceived transparency. Responses were relatively evenly distributed, with a notable proportion (34.04%) agreeing that banks are open to feedback on CSR initiatives.

**Table-1:** exhibits the composition of respondents and banks.

Name of the bank	Respondents	Percentage	Gender				Total
			Male	%	Female	%	
State Bank of India (SBI)	85	36%	56	24%	29	12%	85
Canara Bank	58	25%	40	17%	18	8%	58
Indian Bank	44	19%	33	14%	11	5%	44
Union Bank	23	9%	11	5%	12	5%	23
Bank of Baroda	25	11%	17	7%	8	3%	25
Total	235	100%	157	67%	78	33%	235



**Figure-1:** Figure A, B, C, and D represent the respondents' age, education, income and nature of employability.

**Table-2:** exhibits the Awareness and Perception of CSR.

Factors of Awareness and Perception of CSR	1	2	3	4	5	Total	$\bar{x}$	$\sigma^2$	SD
Familiarity with CSR initiatives of banks	0	24	41	93	77	235	3.98	2.27	1.51
Effectiveness of CSR initiatives	0	0	62	54	119	235	4.35	2.12	1.46
Status of CSR for Enhancing Bank Reputation	0	37	72	88	38	235	3.95	2.25	1.50
Socially responsible	0	30	55	94	56	235	4.05	2.23	1.49
Integration of CSR into core business plans	0	43	65	45	82	235	3.97	2.38	1.54
Transparency about the impact of CSR initiatives	11	32	72	61	59	235	3.95	2.17	1.47
Openness to feedback on CSR initiatives	4	40	76	80	35	235	3.96	2.19	1.48

Note: 1 (Not at All), 2 (Slightly), 3 (Moderately), 4 (Quite) and 5 (Very Much).

**Table-4:** Shows the Effectiveness of CSR Initiatives.

CSR Effectiveness Factors	1	%	2	%	3	%	4	%	5	%	Total	$\bar{x}$	$\sigma$
A concern of bank's CSR activities when choosing a bank	32	14%	43	18%	54	23%	64	27%	42	18%	235	3.27	1.35
Power of CSR initiatives on view of bank's brand name	28	12%	35	15%	49	21%	56	24%	67	29%	235	3.67	1.34
Comparison of nationalised banks' CSR execution	25	11%	40	17%	55	23%	72	31%	43	18%	235	3.59	1.49
Effectiveness of Financial Literacy Programs	40	17%	58	25%	45	19%	52	22%	40	17%	235	3.46	1.38
Effectiveness of Environmental Sustainability Projects	36	15%	44	19%	61	26%	60	26%	34	14%	235	3.37	1.34
Effectiveness of Community Development Initiatives	18	8%	27	11%	40	17%	73	31%	77	33%	235	4.09	1.67
Effectiveness of Educational Support Programs	32	14%	47	20%	59	25%	52	22%	45	19%	235	3.57	1.36

From the above Table-4, we infer that the analysis of the effectiveness of CSR initiatives across various factors reveals several key insights. Firstly, regarding the concern surrounding a bank's CSR activities when choosing a financial institution, respondents demonstrated a moderate level of consideration, with 14% expressing little concern (rating 1) and 27% indicating a high level of consideration (rating 4). Similarly, the power of CSR initiatives on the perception of a bank's brand name was perceived positively overall, with 12% of respondents indicating minimal influence (rating 1) and 29% acknowledging a significant impact (rating 5).

When comparing nationalised banks CSR execution with private banks, most respondents (31%) rated nationalised banks efforts favourably (rating 4). However, notable proportions also rated it as less effective (11% rating 1). Additionally, regarding the effectiveness of specific CSR programs, such as Financial Literacy Programs and Environmental Sustainability Projects, respondents demonstrated mixed perceptions, with 17% and 15% rating them as impractical (rating 1). In comparison, a significant portion rated them moderately effective (22% and 26% respectively rating 3).

In contrast, initiatives like Community Development Initiatives and Educational Support Programs garnered more positive responses, with only 8% and 14% rating them as ineffective (rating 1) and a more significant proportion indicating high effectiveness (33% and 25%, respectively, rating 5). The mean scores across all factors suggest an overall positive perception of CSR initiatives, ranging from 3.27 to 4.09, with varying degrees of standard deviation indicating differing levels of consensus among respondents. These findings underscore the nuanced nature of perceptions surrounding CSR effectiveness, influenced by factors such as program type and institutional affiliation.

The Impact on Customer Loyalty factors highlights critical insights into how customers perceive CSR initiatives in banking. A significant portion (40%) shows a solid inclination to recommend banks with robust CSR, supported by a moderate mean (3.53) and low variability ( $\sigma = 1.25$ ). Conversely, dissatisfaction with CSR prompts a notable bank-switching tendency (38% strongly agree), reflected in a high mean (4.02) and moderate variability ( $\sigma = 1.34$ ).

CSR's influence on loyalty is strong, with 34% strongly agreeing, but with some variability ( $\sigma = 1.43$ ). Perceptions of nationalised banks' responsiveness to CSR feedback are mixed, with 26% neutral yet consistent responses ( $\sigma = 1.26$ ). Customers demonstrate a solid inclination to remain with socially responsible banks (30% strongly agree), echoed by a moderate to high mean (3.93) and moderate variability ( $\sigma = 1.39$ ).

Similarly, a significant sense of pride is evident (28% agree),

with consistent responses ( $\sigma = 1.31$ ). Prioritisation of banks showing environmental commitment is strong (30% strongly agree), supported by a moderate to high mean (3.77) and low variability ( $\sigma = 1.28$ ). These findings stress the importance of effective CSR strategies in fostering customer loyalty.

**Findings of the study:** The study found that the SBI had the highest participation (36%), followed by Canara Bank (25%) and Indian Bank (19%). There was a gender imbalance, with 67% male and 33% female respondents. The majority of respondents were aged up to 35 years (68%), held a PUC to Degree qualification (41%), earned between 2 to 3 lakhs annually (37%), and were employed in government positions (39%). Respondents were quite familiar with CSR initiatives (39.57%) and perceived them as moderately effective (mean score: 3.27 to 4.09).

Community Development Initiatives and Educational Support Programs were perceived as most effective, while Financial Literacy Programs and Environmental Sustainability Projects were rated lower. Respondents considered CSR initiatives moderately effective, with mean scores ranging from 3.27 to 4.09. While a significant proportion received them positively, there were variations across specific initiatives, indicating areas for improvement. CSR initiatives significantly influenced customer loyalty, with a solid inclination to recommend banks with robust CSR (40%). Dissatisfaction with CSR initiatives led to a propensity for bank switching (38% strongly agreed). Around 34.04% of respondents agreed that banks were open to feedback on CSR initiatives, suggesting a moderate level of perceived responsiveness.

However, there was room for improvement. There were variations in perceptions of CSR initiatives among different nationalised banks. State Bank of India (SBI) and Canara Bank had higher familiarity and perceived effectiveness in CSR initiatives than other banks. Positive CSR perception correlated strongly with brand loyalty among customers. Those who perceived CSR initiatives as highly effective were likelier to exhibit brand loyalty and recommend the bank to others. 45% of respondents strongly agreed that CSR initiatives reflected the bank's commitment to ethical practices and social responsibility, contributing to enhanced trust and positive brand image.

Community Development Initiatives and Educational Support Programs were perceived as highly influential by 33.83% and 32.77% of respondents, respectively, while Environmental Sustainability Projects and Financial Literacy Programs were rated lower. CSR initiatives were generally perceived positively; there were variations in perception across different factors, indicating the nuanced nature of CSR effectiveness and the need for tailored strategies.

**Table-3:** shows the factors for the Impact on Customer Loyalty.

Factors for the Impact on Customer Loyalty	A	B	C	D	E	N	$\bar{x}$	$\sigma$
Likelihood to recommend a bank with strong CSR to friends and family	15 6%	25 11%	40 17%	95 40%	60 26%	235 100%	3.53	1.25
Bank switching due to dissatisfaction with CSR initiatives	40 17%	50 21%	30 13%	25 11%	90 38%	235 100%	4.02	1.34
Influence of CSR on loyalty towards a bank	10 4%	20 9%	45 19%	80 34%	80 34%	235 100%	3.81	1.43
Perception of nationalised banks' responsiveness to CSR feedback	30 13%	40 17%	55 23%	60 26%	50 21%	235 100%	3.56	1.26
Likelihood to remain a customer of a socially responsible bank	20 9%	30 13%	45 19%	70 30%	70 30%	235 100%	3.93	1.39
Sense of pride in banking with a CSR-focused institution	25 11%	35 15%	50 21%	65 28%	60 26%	235 100%	3.87	1.31
Prioritisation of banks showing commitment to environmental sustainability	35 15%	45 19%	25 11%	60 26%	70 30%	235 100%	3.77	1.28

Note: A-Strongly Agree, B-Disagree, C-Neutral, D-Agree, E-Strongly Agree and N- total.

**Suggestion:** To enhance precision, allocate 5-10% of the CSR budget for complete exposure mechanisms and 2-5% for robust view channels, adding 1-3% for staffing. Strengthen feedback mechanisms by allocating 10-15% of the CSR budget for targeted communication activities, utilising various channels to reach different customer segments effectively. Focus on community engagement by allocating 20-25% of the CSR budget for impactful initiatives, prioritising projects through thorough needs assessments and partnerships. Invest in education and financial literacy by allocating 15-20% of the CSR budget for educational programs collaborating with institutions and NGOs for a diverse demographic reach.

Enhance environmental sustainability by allocating 10-15% of the CSR budget for green projects and practices, including renewable energy and waste management funds. Promote diversity and inclusion by allocating 5-10% of the CSR budget for initiatives implementing training programs to foster an inclusive culture within the organisation. Collaborate for more significant impact by allocating 10-15% of the CSR budget for strategic partnerships identifying opportunities for shared resources and expertise. Measure and evaluate impact by allocating the CSR budget for monitoring and evaluation, establishing KPIs to assess effectiveness and track progress over time.

## Conclusion

The study highlights the significance of CSR initiatives in shaping customer perceptions and fostering loyalty towards nationalised banks in India. Despite variations in awareness levels and perceptions across different CSR factors, the overall sentiment towards CSR initiatives was positive, with customers acknowledging their effectiveness in enhancing brand reputation and influencing loyalty. The findings underscore the importance of enhancing transparency, raising feedback mechanisms, and focusing on community engagement to optimise CSR strategies

further. Addressing these areas can strengthen brand reputation and cultivate stronger relationships with customers, leading to enhanced loyalty and sustained business success. Overall, the study emphasises the critical role of CSR in today's banking landscape and the need for continuous efforts to align CSR initiatives with customer expectations and societal needs. By prioritising CSR practices that resonate with customers and deliver tangible benefits to communities, nationalised banks can position themselves as socially responsible institutions, driving positive change while securing long-term customer loyalty and trust.

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