

## FROM CSR TO CUSTOMER LOYALTY: AN EMPIRICAL INVESTIGATION IN THE RETAIL BANKING INDUSTRY OF A DEVELOPING COUNTRY

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### Abstract

The objective of the current paper is to investigate the impact of customers' perceptions of their service providers' corporate social responsibility (CSR) on customer loyalty, bringing relevant and useful insights regarding the nature of this relationship in the retail banking industry, and in the particular context of a developing country. The objective was accomplished by planning and implementing a consumer survey among a sample of 1449 Romanian retail banking customers, using an item-pool drawn up from the literature. The observed variables were grouped into several reflective latent variables, and afterwards included into a multiple regression model. The results indicate that customers' loyalty towards retail banking companies is significantly and positively impacted by how customers perceive their providers' CSR. Moreover, analyzing each category of responsibilities individually, banks' responsibility towards their customers can be emphasized as being the most important dimension in our research context. The results convey practical implications for customer loyalty enhancement in a European developing country's retail banking industry, by identifying those CSR dimensions on which organizations should focus on within their CSR policies implementation and communication.

**Keywords:** CSR; customer loyalty; retail banking; developing country.

**JEL classification:** M14; M31.

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### 1. INTRODUCTION

Corporate social responsibility (CSR) and customer loyalty have been acknowledged by both scholars and practitioners as important business benefits generators. Researchers suggest that by being a good corporate citizen, a company can turn customers into brand ambassadors, can make consumers more willing to pay price premiums for its products or services, and can determine the public to be more resilient to negative brand news (Du *et al.*, 2010).

At the same time, a positive image in what concerns a company's CSR can significantly increase the probability that it would attract investors, and that skilled workers would seek employment with that company (Du *et al.*, 2010; Kim and Park, 2011).

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Considering the impact of perceptual CSR on the employer brand power, previous studies have linked CSR not only to improved employee attraction, but also to employee retention (Kim and Park, 2011).

Moreover, perceptual CSR has been proven to be significantly and positively correlated with customer satisfaction, as well as with the strength of the relationship between organizations and their stakeholders (Sen and Bhattacharya, 2001; Pelozo and Shang, 2011). Previous research has also showed that most consumers take into consideration companies' engagement in CSR when making purchase decisions (Brown and Dacin, 1997; Sen and Bhattacharya, 2001; Becker-Olsen *et al.*, 2006).

However, the relationship between customer loyalty and perceptual CSR has not been deeply and thoroughly investigated yet, further research being needed in this direction, especially in the tertiary sector in which case customer loyalty is more elusive and unpredictable as compared to other sectors (Vlachos and Vrechopoulos, 2012). Moreover, the impact of various facets of perceptual CSR on customer outcomes (such as purchase or repurchase intentions, positive word of mouth intentions etc.) should be expected to differ among the tertiary sector, between various service industries (retail, telecom, retail banking etc.), especially considering the particular and distinctive nature of activities and customer relationship issues in each service domain.

Previous studies have generally investigated the relationship between customer loyalty and perceptual CSR within limited frameworks, in which CSR was conceptualized and constructed narrowly, with focus on one or some of its specific dimensions (e.g.: environmental responsibility, concern for community development etc.). Therefore, a scientific approach of the relationship, in which CSR is included in a holistic manner is needed to fill in a current gap of the literature.

Furthermore, with few exceptions (Moiescu, 2015a; Moiescu, 2015b; Moiescu and Berács, 2015), the actual knowledge regarding the nature of such a relationship, within a complex and holistic framework of CSR, is extremely scarce in the particular socio-cultural and economic context of developing countries, especially those from Central and Eastern Europe.

Starting from the previously described literature gaps, the objective of the current paper is to investigate the impact of customer-based perceptual CSR (the extent to which customers perceive companies as taking interest in CSR) on customer loyalty in the retail banking sector of a developing country. Such a research should be proficient in bringing relevant insights on CSR, customer loyalty, and their relationship, in a very important service sector (the retail banking industry), in an increasingly important part of the global economy (the developing countries). Moreover, the paper should significantly complement previous research on the subject, the investigation being conducted in a quasi-exhaustive framework in which CSR is conceptualized and constructed taking into account a large range of specific constituents, from a stakeholder-based perspective.

## 2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

### 2.1 The concept of CSR

From a general perspective, CSR can be regarded as businesses' commitment to improve social well-being through discretionary business practices and contributions from their own resources (Kotler and Lee, 2005). However, this definition is not able to cover the complexity and wideness of the concept, and is not generally accepted by scholars. Dahlsrud (2008), for

example, identified 37 definitions of CSR, concluding that even though there are certain similarities among these, a widely accepted definition of the concept still remains an issue.

Matten and Moon (2008) argue that CSR consists of clearly articulated and communicated policies and practices of corporations that reflect business responsibility for some of the wider societal good. However, the same authors emphasize the fact that there is plenty of cross-national evidence that CSR varies in terms of its underlying meanings, and that despite a vast and growing body of literature on CSR and on related concepts, defining CSR is not easy.

Some authors (e.g. van Marrewijk, 2003) go even further, stating that there are significant problems when trying to discriminate the concept of CSR from other related or relatively similar concepts such as corporate sustainability. Thus, van Marrewijk (2003) asserts that CSR, as well as corporate sustainability, refer to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and in interactions with stakeholders.

In what concerns the systematization and measurement of CSR, the literature provides researchers with at least three main approaches. Thus, one of the traditional approaches refers to four dimensions of CSR – economic, legal, ethical, and discretionary or philanthropic (Carroll, 1979). A second important view on CSR systematization and measurement relates the concept of social responsibility to that of sustainable development (Kolk and Van Tulder, 2010). From this standpoint, CSR comprises three dimensions – economic, environmental and social. Finally, a third important approach regards CSR from a stakeholder-based perspective, systematizing it into several components related to corporate responsibilities towards certain stakeholder categories: shareholders, customers, employees, business partners, the environment, the society, and others (Freeman *et al.*, 2010). Based on these three main approaches, scholars have developed various scales for measuring customers' perceptions of a company's social responsibility (Arli and Lasmono, 2010, Maignan, 2001, Oberseder *et al.*, 2014, Pérez and Bosque, 2013, Ramasamy and Yeung, 2009, Salmones *et al.*, 2005).

## 2.2 The concept of customer loyalty

Customer loyalty represents a complex and wide concept, while its definition has been a challenge in the literature for several decades. Despite the apparent simplicity of some definitions such as those provided by the American Marketing Association (“the situation in which a consumer generally buys the same manufacturer-originated product or service repeatedly over time rather than buying from multiple suppliers”), or by brand “guru” Aaker (1991) in his pioneer book on brand management (“a reflection of how likely a consumer is to switch to another brand, especially when that brand makes a change in price, product features, communication, or distribution programs”), the concept of customer loyalty must be constructed carefully and considering its dual nature: attitudinal and behavioral.

A more relevant and comprehensive definition of customer loyalty comes from Jacoby and Chesnut (1978) who regard customer loyalty as the biased behavioral response expressed over time by consumers with respect to one or more alternative brands out of a set of brands, being a function of psychological processes. From this standpoint, customer loyalty, in general, cannot distinguish between true loyalty and spurious loyalty, customers' behavior being always accompanied by psychological commitment and positive brand attitude in the case of genuine customer loyalty.

Bloemer and Kasper (1995) assert that only the behavior of rebuying is important, regardless of the consumer's degree of commitment to the brand. However, the same authors acknowledge the fact that customer loyalty not only concerns the behavior of rebuying, but also takes into account that actual behavior's antecedents, making thus a distinction between true loyalty and spurious loyalty.

Consequently, Dick and Basu (1994) developed a conceptual framework of customer loyalty, the starting point being the idea that both a favorable attitude that is high compared to potential alternatives and repeated patronage are required for true loyalty. Thus, the authors define customer loyalty as the relationship between the relative attitude toward an entity (the degree to which consumers' evaluation of that entity – e.g. brand – dominates over other alternatives) and repeat patronage behavior. This relationship has several antecedents and consequences, being also influenced by consumers' social norms and situational effects. In this framework, true customer loyalty signifies a favorable correspondence between relative attitude and repeat patronage (Dick and Basu, 1994).

The idea that genuine customer loyalty implies a favorable attitude is also supported by Oliver (1999), a significant contributor in the area of customer loyalty, who defines customer loyalty as “a deeply held commitment to rebuy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts, having the potential to cause switching behavior” (Oliver, 1999, p. 34). Moreover, Oliver (1999) proposes a model for the development of customer loyalty which includes four phases, consumers being theorized to become loyal “in a cognitive sense first, then later in an affective sense, still later in a conative manner, and finally in a behavioral manner” (Oliver, 1999, p. 35).

### **2.3 The relationship between customer-based perceptual CSR and customer loyalty in the retail banking industry**

The relationship between customer loyalty and customer-based perceptual CSR has been previously investigated by various scholars. In what concerns service industries, in which case customer loyalty is more elusive and unpredictable as compared to other sectors (Vlachos and Vrechopoulos, 2012), most studies have been focused on industries such as: retail (Ailawadi *et al.*, 2014, Gupta and Pirsch, 2008, Lombart and Louis, 2014, Vlachos, 2012, Vlachos and Vrechopoulos, 2012, Walsh and Bartikowski, 2013), banking (Choi and La, 2013, Chomvilailuk and Butcher, 2014, Mandhachitara and Poolthong, 2011, Marin *et al.*, 2009, Matute-Vallejo *et al.*, 2011, Pérez *et al.*, 2013, Salmones *et al.*, 2009, Walsh and Beatty, 2007), and telecom (He and Li, 2011, Moiescu, 2015a, Salmones *et al.*, 2005, Vlachos *et al.*, 2009).

However, scholars' analyses were generally done within limited frameworks in which CSR was constructed narrowly, with focus on one or some of its specific dimensions (e.g.: environmental responsibility, concern for community development etc.).

In this paper CSR will be conceptualized in a quasi-exhaustive stakeholder-based approach, analyzing the relationship between customer loyalty and six main constituents of perceptual CSR, each referring to a specific stakeholder category: shareholders, customers, employees, environment, community/society, and public authorities. Therefore, in this section, a brief literature analysis will be conducted for each CSR component, with focus on the retail banking industry, in order to depict the hypothesis of the research.

Shareholders or investors are generally included among the stakeholders of any company, CSR being frequently associated with companies fulfilling their obligations to shareholders or investors (Maignan, 2001). However, scholars who have investigated the relationship between CSR and customer outcomes such as purchase intentions or customer loyalty have rarely taken into account this dimension when assessing companies' CSR. The few studies which considered this issue, generally found a significant and positive relationship between the perceived corporate responsibility towards stakeholders and customer loyalty. Thus, Walsh and Beatty (2007), after surveying a sample of American bank customers, came to the conclusion that being perceived as a reliable and financially strong company is positively correlated with brand trust and customer loyalty (including word of mouth). Moreover, Oberseder *et al.* (2014), after conducting a survey among a sample of Austrian retail bank customers, found a positive and significant correlation between purchase intention and the extent to which banks are perceived as being responsible towards their shareholders (ensuring the economic success of the company, correctly investing shareholders' capital, providing sustainable growth and long-term success for the company). Considering these results, the following research hypothesis was issued in order to be tested in the specific context of the retail banking sector of a developing country:

**H<sub>1</sub>:** *Perceptual responsibility towards shareholders has a positive impact on customer loyalty.*

Customers, as essential stakeholders of any company, represent another pillar of the stakeholder-based CSR approach. Being concerned with customer satisfaction and service quality, being honest when communicating with customers, being fair in establishing prices, or being careful about customers' safety, are all core elements of a company's responsibility towards its customers. Previous research conducted in the retail banking industries of developed countries suggest the existence of a strong and positive relation between financial institutions' perceived corporate responsibility towards their customers, on one hand, and customer loyalty or purchase intentions, on the other hand. Thus, Walsh and Beatty (2007) found that American bank customers' satisfaction, loyalty and trust, are positively correlated with their perceptions of their banks' customer orientation. Also, Mandhachitara and Poolthong (2011) demonstrated that perceived customer orientation is significantly, strongly and positively associated with attitudinal loyalty among bank customers, service quality having a moderating effect on the relationship. Moreover, Matute-Vallejo *et al.* (2011), after analyzing the Spanish retail banking sector, proved that customer loyalty is influenced by costumers' perceptions of their banks' price fairness, while Oberseder *et al.* (2014) showed that purchase intentions in the Austrian retail banking sector is positively impacted by the extent to which banks are perceived as implementing fair sales practices, comprehensibly labelling services, meeting quality standards, and offering their customers safe products and the possibility to file complaints. Another relevant and recent study in the retail banking industry was conducted by Choi and La (2013) among American consumers, their results indicating that when banks are being perceived as behaving honestly, they enjoy higher customer trust and loyalty. Taking into account all these findings, the following research hypothesis was issued for the retail banking sector of a developing country:

**H<sub>2</sub>:** *Perceptual responsibility towards customers has a positive impact on customer loyalty.*

The importance of companies' responsibility towards their employees, especially in service industries, is given by the generally accepted fact that better employee satisfaction naturally leads to better services and customer satisfaction, and therefore, higher customer loyalty. Being perceived as a good employer, or the extent to which a company is perceived as respecting the rights of its employees, setting safe and decent working conditions, offering adequate remuneration, training its employees, and communicating honestly with them, have been proven to be positively correlated with purchase intentions in the Austrian retail banking sector (Oberseder *et al.*, 2014), or with repurchase and word of mouth intentions in the American financial services sector (Walsh and Beatty, 2007). Mandhachitara and Poolthong (2011) also found that customer loyalty in retail banking is affected by banks' employer brand image (offering a safe workplace, supporting employees' family values, and offering fair compensations and equal employment opportunities). Put together, these findings lead to the third research hypothesis of this study:

**H<sub>3</sub>:** *Perceptual responsibility towards employees has a positive impact on customer loyalty.*

The environmental issues and, respectively, those related to society or community development have been the most frequently analyzed CSR constituents. Moreover, most of previous research conducted on the relationship between perceptual CSR and consumer behavior has focused on companies' responsibilities towards the environment and the society/community. In the retail banking sector, even though a few authors didn't find any significant correlations between perceptual social and environmental responsibility and repurchase or recommendation intentions (Walsh and Beatty, 2007), most published research reveal a positive and significant relationship between retail banking customers' attitudes or behavioral intentions (including those related to customer loyalty), and the extent to which financial institutions are seen as being environmental responsible (reducing energy consumption, preventing waste, recycling, disposing of waste correctly etc.), or as being responsible towards the development of communities or the society as a whole (making donations to social facilities, supporting social projects, or generally contributing to solving various societal problems).

Thus, Marin *et al.* (2009), after surveying the customers of a regional bank from Spain, found that treating employees well, supporting children in need, and generally being perceived as socially responsible has an indirect effect on customer loyalty via brand identification. Their results suggest that CSR initiatives are linked to stronger loyalty both because consumers develop a more positive company evaluation, and because they identify more strongly with the company. Salmones *et al.* (2009) also conducted a survey among Spanish customers of financial services, and showed that being perceived as philanthropic helped banks in improving their customers' loyalty, by enhancing customer-company identification. Similar results were obtained more recently by Pérez *et al.* (2013), also in the Spanish retail banking sector. After investigating a large sample of customers, the scholars showed that the perceived philanthropic responsibility of companies contributes to building customer-company identification and customer satisfaction, which, in turn, further significantly and positively impacts attitudinal customer loyalty. More recently, Chomvilailuk and Butcher (2014) surveyed a sample of Australian bank customers, in order to investigate the impact of CSR perceptions on several aspects of customer loyalty. The authors concluded that repurchase and positive word of mouth intentions are significantly and positively influenced by the extent to which banks are perceived as using a substantial portion of their profits to help community groups, as being active in supporting

environmental protection activities, as supporting traditional values and culture, as well as devoting time and money to help wide sections of society. Considering all the above, the following two research hypotheses were further issued for the specific context of the retail banking sector of a developing country:

*H4: Perceptual responsibility towards the environment has a positive impact on customer loyalty.*

*H5: Perceptual responsibility towards community development has a positive impact on customer loyalty.*

Many researchers regard companies' responsibility and fairness towards public authorities as being an important element of CSR, respecting the norms defined by the law when carrying out activities representing an important constituent of the overall concept of CSR (Maignan, 2001; Salmones *et al.*, 2005; Turker, 2009). Thus, a responsible company complies with legal regulations completely and promptly, submits to the principles defined by the regulatory system, and refrains itself from bending the law even if this helps improve performance. Paying taxes in a fairly manner, on a regular and continuing basis, is included among companies' legal or ethical responsibilities, as part of the complex construct of CSR (Wagner *et al.*, 2008; Turker, 2009), while cheating on taxes and paying bribes are considered as reflections of corporate social irresponsibility (Wagner *et al.*, 2008). Previous research in developed countries' retail banking industries has shown that the extent to which banks are perceived as respecting the norms defined in the law positively influence customer loyalty, the influence being mediated by customer satisfaction (Pérez *et al.*, 2013; Choi and La, 2013). Therefore, the following research hypothesis was issued in order to be tested in the specific context of the retail banking sector of a developing country:

*H6: Perceptual responsibility towards public authorities has a positive impact on customer loyalty.*

### 3. METHODOLOGY

In order to test the research hypotheses, within the particular economic and socio-cultural circumstances of a developing country, in the specific retail banking industry, a questionnaire based survey was designed and conducted among a large sample of Romanian bank customers.

#### 3.1 Sample and data collection procedure

From a procedural standpoint, about 2000 paper and pencil questionnaires were distributed and thoroughly explained by several survey operators, using quota sampling by gender and age. Questionnaires were afterwards self-administered by respondents who were clearly guided to mention a specific retail banking company of which they were customers, and, further on, to refer to it and to state their beliefs regarding its responsibility towards its main stakeholders. After collecting and auditing the completed questionnaires, the final sample comprised 1,449 urban Romanian retail banking customers (see Table no. 1).

Table no. 1 – Sample descriptive statistics

<b>Gender</b>	
Men	49.14%
Women	50.86%
<b>Age</b>	
18-34 years	50.04%
35-60 years	49.96%
<b>Residence</b>	
Towns with up to 50 thousands inhabitants	34.37%
Cities with 50 to 200 thousands inhabitants	31.68%
Cities with more than 200 thousands inhabitants	33.95%

The investigated sample comprised customers of all the main retail banks from Romania: 554 customers of Banca Transilvania (owned by the BT Financial Group from Romania), 295 customers of BCR (owned by the Erste Group from Austria), 245 customers of BRD (owned by the Société Générale Group from France), 145 customers of Raiffeisen Bank (owned by Raiffeisen Banking Group from Austria) and, respectively, 210 customers of several other smaller banks, considering their financial assets.

### 3.2 Measurement scales

The questionnaire included several Likert-type items (ranging from 1="strongly disagree" to 7="strongly agree"), among which 28 were designed so as to measure customer-based perceptual CSR, considering all the six stakeholder-based perspectives (shareholders, customers, employees, environment, community, and public authorities), while another set of 6 items was included in the data collection instrument in order to quantify customer loyalty.

The CSR items were constructed following previously developed scales in the literature, and as already stated, were designed so as to depict customer-based perceptual CSR from a stakeholder-based perspective, referring to specific stakeholders as it follows:

- *responsibility towards shareholders* (2 items): striving to maximize profits, and pursuing long-term success (Maignan, 2001, Oberseder *et al.*, 2014, Pérez and Bosque, 2013, Salmones *et al.*, 2005);
- *responsibility towards customers* (6 items): offering services of reasonable quality, being concerned with customer satisfaction, providing honest and complete information about services, charging fair and reasonable prices, providing safe services, and working diligently to handle and solve customer complaints (Oberseder *et al.*, 2014; Pérez and Rodríguez del Bosque, 2013; Turker, 2009; Wagner *et al.*, 2008);
- *responsibility towards employees* (6 items): paying fair wages, offering decent working conditions, avoiding discrimination of employees, respecting employees' rights, treating employees with respect, and providing employees with professional development opportunities (Oberseder *et al.*, 2014, Pérez and Bosque, 2013, Wagner *et al.*, 2008);
- *responsibility towards the environment* (4 items): doing everything possible to reduce negative effects on the environment, striving to minimize the consumption of resources, working diligently to use environmentally friendly materials, and being concerned with waste management and recycling activities (Oberseder *et al.*, 2014, Pérez and Bosque, 2013, Turker, 2009, Wagner *et al.*, 2008);



- *responsibility towards community development* (7 items): contributing to economic growth, contributing to life quality, creating and sustaining jobs, contributing to the development of other companies, respecting the culture of the region, supporting charitable projects, and supporting cultural projects (Oberseder *et al.*, 2014, Pérez and Bosque, 2013, Salmones *et al.*, 2005);

- *responsibility towards public authorities* (3 items): fully complying with the legislation, always paying taxes in a fairly and honestly manner, and doing everything possible to prevent and avoid corruption in its relation with public authorities (Turker, 2009; Wagner *et al.*, 2008).

Table no. 2 – Latent variables

Latent variables	Reflecting items	Components loadings							Variance explained
		1	2	3	4	5	6	7	
Responsibility towards shareholders	CSR1	.097	.107	.095	.043	.073	.102	<b>.861</b>	5.258
	CSR2	.125	.254	.176	.092	.054	.110	<b>.810</b>	
Responsibility towards customers	CSR3	.116	<b>.697</b>	.229	.279	.070	.042	.318	11.836
	CSR4	.138	<b>.727</b>	.215	.304	.101	.082	.167	
	CSR5	.161	<b>.762</b>	.162	.304	.088	.079	.043	
	CSR6	.146	<b>.742</b>	.124	.321	.141	.083	-.022	
	CSR7	.142	<b>.671</b>	.182	.163	.139	.143	.080	
	CSR8	.176	<b>.686</b>	.197	.233	.181	.066	.093	
Responsibility towards employees	CSR9	<b>.702</b>	.172	.119	.090	.137	.152	-.014	12.709
	CSR10	<b>.749</b>	.134	.176	.113	.047	.118	.122	
	CSR11	<b>.778</b>	.133	.081	.127	.171	.148	.039	
	CSR12	<b>.839</b>	.117	.123	.111	.165	.142	.049	
	CSR13	<b>.822</b>	.110	.139	.148	.159	.175	.028	
Responsibility towards the environment	CSR14	<b>.700</b>	.096	.240	.144	.186	.122	.136	8.765
	CSR15	.263	.172	.190	.152	<b>.702</b>	.101	.089	
	CSR16	.172	.142	.177	.140	<b>.821</b>	.066	.051	
	CSR17	.178	.133	.176	.156	<b>.839</b>	.134	.030	
Responsibility towards the community	CSR18	.182	.116	.218	.066	<b>.754</b>	.188	.016	11.820
	CSR19	.160	.135	<b>.694</b>	.112	.177	.050	.197	
	CSR20	.192	.244	<b>.687</b>	.164	.184	.022	.130	
	CSR21	.175	.168	<b>.771</b>	.105	.020	-.027	.184	
	CSR22	.132	.093	<b>.724</b>	.103	.149	.011	.084	
	CSR23	.164	.117	<b>.595</b>	.187	.224	.203	.045	
	CSR24	.064	.194	<b>.648</b>	.132	.133	.317	-.129	
CSR25	.075	.171	<b>.640</b>	.128	.098	.318	-.104		
Responsibility towards public authorities	CSR26	.257	.117	.210	.157	.126	<b>.730</b>	.121	6.797
	CSR27	.307	.084	.136	.087	.147	<b>.805</b>	.085	
	CSR28	.274	.151	.150	.145	.198	<b>.758</b>	.098	
Customer loyalty	LOY1	.079	.316	.175	<b>.695</b>	.070	.062	.071	11.380
	LOY2	.133	.240	.168	<b>.775</b>	.069	.084	.051	
	LOY3	.081	.328	.142	<b>.745</b>	.065	.088	.160	
	LOY4	.107	.241	.146	<b>.724</b>	.132	.123	-.048	
	LOY5	.109	.369	.189	<b>.738</b>	.105	.107	.042	
	LOY6	.198	.046	.038	<b>.598</b>	.134	.037	-.001	

Note: Exploratory factor analysis; Varimax rotation

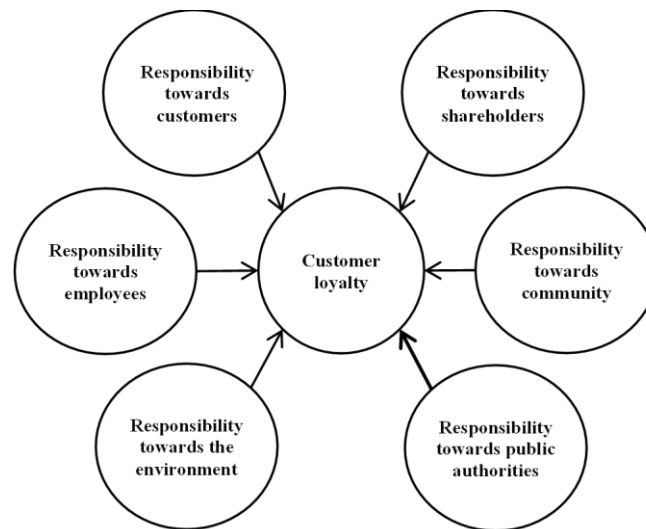
The set of 6 items employed in the study in order to measure customer loyalty was based on scales previously developed by Zeithaml *et al.* (1996), Cronin *et al.* (2000), Sloat *et al.* (2005), Rosenbaum (2006) and Martinez and Bosque (2013). The items were structured so as to measure customer loyalty in the retail banking sector in an extended manner, taking into account not only repurchase or recommendation behavioral intentions, but also several other aspects related to what loyalty is generally associated with, such as the extent to which the current bank is considered as a first choice among the competition, the behavioral intentions regarding the probability to increase the amount of products/services purchased from the current bank, or the probability to switch the banking services provider in case of a better offer.

The item pool designed for measuring perceptual CSR and customer loyalty was previously tested and validated in the context of analyzing the relationship between the two constructs in three industries: dairy products (Moiescu and Berács, 2015), telecommunication services (Moiescu, 2015a), and personal care products (Moiescu, 2015b). However, considering the significant differences between the secondary and tertiary sectors' industries, as well as between the various industries of the service sector, due to the particularities and distinctive nature of activities and customer relationship issues in each domain, a factor analysis of the whole item pool was conducted before testing the research hypotheses. As it can be seen in Table no. 2, the factor analysis indicate a proper clustering of the items depicting customer loyalty and, respectively, the six facets of perceptual CSR, as suggested by theory: responsibilities towards shareholders, customers, employees, the environment, community, and public authorities. The factor analysis was reliable, the Kaiser-Meyer-Olkin value exceeding .9 (KMO=.937) and suggesting excellent sampling adequacy, the Bartlett's test of sphericity (chi-square=31609.326; df=561; p<.001) indicating correlations in the data set that are appropriate for factor analysis, while the resulted latent variables explaining a total of 68.565% of their common variance.

#### 4. RESULTS AND DISCUSSION

Considering the research hypotheses, a multiple regression model was proposed (Figure no. 1) in which the latent variables regarding CSR perceptions were considered predictors, while the latent variable corresponding to customer loyalty was treated as dependent variable, each latent variable being assigned a score equal to the mean value of the reflecting items.

The computed scores of each latent variable (as items mean scores) allowed a comparative representation of customers' perception of CSR, according to specific CSR domains, for the main competitors of the Romanian retail banking sector, more specifically for those competitors which were most frequently referred to by respondents, and which were actually the top four banks in Romania at the end of 2016, considering their total net assets. As it can be seen in Table no. 3, the proposed instrument for measuring CSR perceptions can be used as a CSR benchmarking tool in the banking sector. Thus, Banca Transilvania can be depicted as being the most socially responsible (as perceived by its customers) if compared to the other three main competitors, being at the same time the bank that benefits from the highest customer loyalty mean score. This intuitive analysis suggests that banks perceived as being more socially responsible benefit from higher customer loyalty.



Note: All variables in the model are latent and reflectively measured

**Figure no. 1 – Proposed multiple regression model**

**Table no. 3 – Customers' loyalty and perceptions of CSR for the main competitors in the Romanian retail banking sector**

	<b>Transilvania</b>	<b>BCR</b>	<b>BRD</b>	<b>Raiffeisen</b>
<b>Shareholders</b>	6.00	5.76	5.80	5.91
<b>Customers</b>	5.45	4.89	5.09	5.29
<b>Employees</b>	4.85	4.81	4.66	4.71
<b>The environment</b>	4.65	4.64	4.56	4.64
<b>Community</b>	5.22	4.82	5.02	4.86
<b>Public authorities</b>	4.82	4.79	4.72	4.73
<b>Customer loyalty</b>	5.19	4.74	4.72	4.95

Note: Mean scores. Initial measurements on a Likert scale ranging from 1 to 7.

The regression analysis' results show that a significant amount of the variance in the dependent variable (customer loyalty) is accounted for by the proposed model's predictors (perceptual responsibility towards the most important stakeholders):  $R^2=0.483$ . Moreover, considering the ANOVA test results ( $F(6,1442)=224.32$ ,  $p<.001$ ), which indicate that the model's  $R^2$  differs significantly from zero, it can be stated that 48.3% of the variance in customer loyalty in the Romanian retail banking industry is accounted for by the six constituents of customer-based perceptual CSR.

The multiple linear regression analysis parameters are shown in [Table no. 4](#). The negative sign of the standardized regression coefficient for the variable reflecting perceptual responsibility towards shareholders might suggest a collinearity problem. However, the variance inflation factor (VIF) values are below 3 – threshold suggested by [Hair \(2010\)](#) – for each independent variable and, hence, no collinearity problems affect the estimation.

Table no. 4 – Multiple linear regression analysis results

	Unstandardized Coefficients		Standardized Coefficients	t	p	VIF
	B	Std. Err.	Beta			
(Constant)	.211	.176		1.197	.231	
(H <sub>1</sub> ) Shareholders	-.063	.025	-.053	-2.515	.012	1.224
(H <sub>2</sub> ) Customers	.648	.027	.572	23.659	.000	1.628
(H <sub>3</sub> ) Employees	.083	.033	.061	2.492	.013	1.691
(H <sub>4</sub> ) The environment	.066	.031	.050	2.126	.034	1.571
(H <sub>5</sub> ) Community	.124	.034	.090	3.643	.000	1.720
(H <sub>6</sub> ) Public authorities	.080	.029	.066	2.736	.006	1.612

The results show that customer loyalty in the Romanian retail banking sector is significantly impacted by customers' perceptions of CSR on all six dimensions. These results are surprising if compared to those obtained in previous studies conducted among Romanian customers from another important service industry. Thus, perceptual responsibility towards shareholders or employees was not depicted as having any significant influence on customer loyalty in the Romanian telecom sector (Moiescu, 2015a). Moreover, previous results obtained after investigating Romanian customers of personal care products brands (Moiescu, 2015b) showed that customer loyalty is not significantly impacted by companies' perceptual responsibility associated to shareholders, employees, or community development. Also, results from the Romanian dairy products market (Moiescu and Berács, 2015) suggested no significant influence of perceptual CSR on loyalty when employees or sponsorship based community development activities were taken into account.

The results from the Romanian retail banking sector reveal the fact that the most important effect on customer loyalty is, by far, given by how customers perceive their banks' responsibility towards their customers (Beta=.572;  $p<.001$ ), followed by how customers perceive companies' responsibilities towards community development (Beta=.090;  $p<.001$ ), public authorities (Beta=.066;  $p=.006$ ), employees (Beta=.061;  $p=.013$ ), and, respectively, the environment (Beta=.050;  $p=.034$ ). The perceived responsibility towards shareholders has a surprisingly negative impact on customer loyalty (Beta=-.053;  $p=.012$ ).

The revealed significant impact on customer loyalty of what was termed as perceptual responsibility towards customers is consistent with previous findings such as those of Walsh and Beatty, 2007 who depicted a positive relationship between a bank's perceived customer orientation, as facet of its CSR, and, respectively, the loyalty of its customer base. The output is also supported by the results obtained by other researchers who identified a positive relationship between customer loyalty and banks' perceived fairness in what concerns pricing strategy (Matute-Vallejo *et al.*, 2011) and banks' perceived honest behavior with customers (Choi and La, 2013).

Walsh and Beatty (2007), Salmones *et al.* (2009), Pérez *et al.* (2013), as well as Chomvilailuk and Butcher (2014) previously showed that a financial institution's philanthropic actions, as well as its perceived orientation towards helping communities, can foster customer loyalty. These results are consistent with the output of the current research which also shows that perceptual responsibility towards community development has a significant impact on customer loyalty, being the second most important CSR facet after the perceptual responsibility towards customers.

As our results suggest, retail banks' perceived responsibility towards their employees can also contribute, although in a small amount, to customer loyalty. This result is consistent with previous findings such as those of [Walsh and Beatty \(2007\)](#) and [Marin et al. \(2009\)](#), who depicted a positive relationship between customer loyalty and financial institutions' perceived behavior towards their internal publics, the authors suggesting that being perceived as a good employer and treating employees well could indirectly generate better customer loyalty.

In what concerns the impact of banks' perceptual responsibility towards public authorities on their customers' loyalty, our findings are consistent with those revealed by [Salmones et al. \(2009\)](#) and [Pérez et al. \(2013\)](#) who also emphasized such a positive relationship taking into account financial institutions' legal responsibilities.

According to our results, although significant, the impact of perceptual responsibility towards the environment is the lowest if compared with the other five facets of CSR. This result is only partially consistent with previous findings such as those of [Walsh and Beatty \(2007\)](#), [Chomvilailuk and Butcher \(2014\)](#) and [Choi and La \(2013\)](#) who found environmental responsibility to be an important indirect predictor of customer loyalty. The low influence of environmental responsibility on our investigated customers' loyalty can be due to local mindsets which include less "green" attitudes of the population as compared to that of more western European countries or to that characterizing developed countries.

Finally, regarding bank's perceived responsibility towards shareholders, as previously mentioned, our results indicate that this perceptual CSR dimension has a negative impact on customer loyalty. In other words, the more a bank is perceived as focusing on its own economic success and satisfying its shareholders, the less loyal its customers are. This result apparently contradicts the findings of [Walsh and Beatty \(2007\)](#) who depicted a positive relationship between a bank's perceived financial performance and its customers' loyalty. The contradiction might be explained by the cultural differences between developed and developing countries' consumers, especially taking into account the population of ex-communist countries such as those of Eastern Europe. The current results reflect a general attitude of Romanians who are often tempted to regard banks which strive to maximize profits and improve their economic/financial performance as being somehow greedy and/or selfish.

## 5. CONCLUSIONS AND IMPLICATIONS

The current study reveals that in the retail banking industry of Romania – one of the largest country of Central and Eastern Europe – loyalty is significantly impacted by the extent to which customers perceive their banks as being good citizens and socially responsible towards most of their stakeholders. Except for the perceived responsibility towards shareholders in which case the effect is negative (but very limited), all other perceptual CSR dimensions (related to customers, employees, the environment, community, or public authorities) have positive and significant effects on customer loyalty.

As the results show, not all responsibility areas reveal the same impact on customer loyalty. As expected, retail banks' responsibility towards their customers is the most important. Also, due to the specifics of the industry, which is generally not associated with pollution or other environmental issues, the ecological responsibility does not play such an important role in enhancing customer loyalty as it does in other industries. Perceptual responsibility towards employees is relevant for customer loyalty, even though it does not have a very strong effect, while being perceived as involved in community development is also beneficial for gaining higher customer attachment.

With certain limitations, the results of this paper can be extrapolated to the retail banking industries of other developing countries, especially the ex-communist countries from Central and Eastern Europe. Thus, the findings of the current paper can enable retail banking companies from developing countries to better study and assess their CSR activities, in different responsibility areas. The practical implications of the results are relevant especially for properly dosing the commercial communication mix, enabling companies to identify and solve the main shortcomings in CSR engagement and communication. Researchers agree that the benefits and business returns of CSR are contingent on stakeholders' – customers, in this case – awareness of a company's CSR activities (Du *et al.*, 2010). Therefore, considering that customer-based perceptual CSR is determined by a marketing communication mix, retail banking companies from developing countries such as Romania should actively communicate and disclose their CSR policies and actions through all available communication media, in order to enhance their customer base loyalty. Moreover, this dissemination should be designed and implemented in a selective manner, with focus on those CSR areas which have a significant and positive impact on customer loyalty, especially responsibility towards customers, but without neglecting the communication of all actions which can convey responsibility towards community development, public authorities, employees, or the environment. Nevertheless, banks' focus on business performance, profitability and shareholders' satisfaction should be limitedly praised among customers, as this could negatively impact their customers' loyalty, even though this negative effect is rather reduced.

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