



Customer perceptions towards csr initiatives of Kerala-based private sector banks

Dr. Deepthi P V

Assistant Professor, Department of Commerce, Sree Kerala Varma College, Thrissur, Kerala, India

Abstract

Corporate Social Responsibility (CSR) has become a strategic component of corporate governance, particularly in the banking sector where institutions play a vital role in socio-economic development. This study examines customer perceptions towards CSR initiatives of private sector banks operating in Kerala and analyses how these perceptions influence customer satisfaction, trust, and loyalty. The study adopts a descriptive and causal research design and collects primary data from 150 bank customers using a structured questionnaire based on a 5-point Likert scale. Data were analysed using descriptive statistics, reliability analysis, and Structural Equation Modelling (SEM). The findings reveal that customers hold a positive perception towards CSR initiatives, especially in areas such as education, healthcare, financial literacy, and community development. SEM results indicate that CSR perception significantly enhances customer satisfaction, which in turn strengthens trust and ultimately leads to customer loyalty. Additionally, CSR perception has a direct positive effect on loyalty. The model demonstrates good fit indices, confirming the validity of the proposed relationships. The study concludes that CSR is not merely a statutory obligation but a strategic tool that strengthens customer relationships and long-term sustainability in the banking sector.

Keywords: Corporate social responsibility, customer perception, customer satisfaction, trust, customer loyalty

Introduction

Corporate Social Responsibility (CSR) refers to the responsibility of business organizations to contribute to social welfare, environmental protection, and ethical development while conducting their business operations. Earlier, CSR was viewed mainly as charitable donations or occasional philanthropic activities. However, in the modern business environment, CSR has evolved into a strategic and integral component of corporate management. Today, CSR is directly linked with corporate reputation, stakeholder trust, sustainability, and long-term profitability.

In the banking sector, CSR assumes special importance because banks act as financial intermediaries and influence economic development. Unlike manufacturing firms, banks do not produce physical goods; instead, they provide financial services. Therefore, their social responsibility includes promoting financial inclusion, supporting education, enhancing environmental sustainability, and contributing to community welfare.

Kerala provides a unique and suitable context for studying CSR perception. The state is known for:

- High literacy rate
- Strong social awareness
- Active civil society participation
- Emphasis on sustainable development
- High banking penetration

Customers in Kerala are generally well-informed and socially conscious. They are more likely to observe and evaluate the social contributions made by banks.

Major Private Sector banks operating in Kerala include:

- South Indian Bank (Headquartered in Thrissur, Kerala)
- Federal Bank (Headquartered in Aluva, Kerala)
- CSB Bank (Formerly Catholic Syrian Bank, Thrissur)
- HDFC Bank
- ICICI Bank
- Axis Bank

- IndusInd Bank
- IDFC First Bank

Among these, South Indian Bank, Federal Bank, and CSB Bank are Kerala-based private sector banks with strong regional presence and CSR focus.

These banks undertake various CSR initiatives such as:

- Financial literacy programmes in rural areas
- Scholarships for economically weaker students
- Support for healthcare camps and medical assistance
- Environmental conservation (tree plantation, plastic-free campaigns)
- Disaster relief support (especially during Kerala floods)
- Women empowerment and skill development programs
- Support for self-help groups and microfinance

Understanding how customers perceive these CSR initiatives is crucial because:

- Positive perception enhances customer satisfaction
- It builds trust in the bank
- It improves customer loyalty
- It strengthens brand image
- It creates competitive advantage

Thus, CSR is not merely a legal obligation under the Companies Act, but a strategic tool for relationship marketing in banking.

Statement of the Problem

In recent years, private sector banks in Kerala have significantly increased their CSR spending and community engagement activities. However, a key question arises:

Are customers aware of these CSR activities?

Even if banks conduct CSR programmes, their effectiveness depends largely on customer awareness and perception. If customers are unaware of such initiatives, the strategic benefits of CSR may not materialize.

There is limited empirical research in Kerala that examines:

- Whether customers recognize CSR initiatives.
- Whether they value such initiatives.
- How CSR perception affects customer satisfaction.
- Whether CSR improves trust in banks.
- Whether CSR ultimately leads to customer loyalty.

Additionally, determinants such as age, income, education, and level of banking usage may influence CSR perception. Therefore, the problem addressed in this study is: To examine customer perceptions towards CSR initiatives of Kerala-based private sector banks and to analyse how these perceptions influence satisfaction, trust, and loyalty using Structural Equation Modelling (SEM).

Objectives of the Study

The study is guided by the following objectives:

1. To identify CSR initiative schemes of Kerala-based private sector banks. This involves examining CSR activities of banks such as South Indian Bank, Federal Bank, CSB Bank, HDFC Bank, ICICI Bank, and Axis Bank.
2. To analyse customer perceptions towards these CSR initiatives. This includes measuring how customers evaluate CSR in terms of responsibility, ethical conduct, community support, and environmental concern.
3. To develop and test a Structural Equation Model (SEM) linking CSR perception with customer loyalty and related constructs.

This objective examines the relationships between:

- CSR Perception
- Customer Satisfaction
- Trust
- Customer Loyalty

Scope of the Study

The scope of the study is clearly defined to ensure focused analysis.

- The study is geographically limited to Kerala.
- It includes major private sector banks operating in Kerala.
- Special emphasis is given to Kerala-headquartered banks such as:
 - South Indian Bank
 - Federal Bank
 - CSB Bank

It also considers national private banks with strong Kerala presence:

- HDFC Bank
- ICICI Bank
- Axis Bank

Respondents include bank customers aged 18 years and above.

- The study evaluates CSR perception as an independent variable influencing:
 - Customer Satisfaction
 - Trust
 - Customer Loyalty

The study does not include public sector banks or cooperative banks.

Research Methodology

1. Research Design

The study adopts a descriptive and causal research design.

- Descriptive research is used to describe customer perceptions.
- Causal research is used to examine relationships between CSR perception and customer loyalty.

The study uses a structured survey approach to collect primary data.

2. Sample and Sampling Technique

- **Sample Size:** 150 bank customers in Kerala.
- **Sampling Technique:** Convenience sampling.

Customers were selected based on accessibility and willingness to respond. Although convenience sampling may limit generalizability, it is suitable for exploratory and perception-based studies.

3. Data Collection

Primary data were collected using a structured questionnaire.

The questionnaire consisted of:

- Demographic questions
- CSR perception statements
- Satisfaction-related statements
- Trust-related statements
- Loyalty-related statements

All responses were measured using a 5-point Likert scale: 1 – Strongly Disagree, 2 – Disagree, 3 – Neutral, 4 – Agree, 5 – Strongly Agree

4. Variables and Measurement Instruments

Construct	Number of Items	Source
CSR Perception	6	Adapted from established CSR scales
Customer Satisfaction	4	Adapted
Trust	4	Adapted
Customer Loyalty	4	Adapted

CSR Perception measures how customers evaluate bank responsibility towards society.

Customer Satisfaction measures overall satisfaction with the bank.

Trust measures confidence in the bank’s honesty, reliability, and integrity.

Customer Loyalty measures intention to continue using the bank and recommend it to others.

5. Data Analysis Tools

The following statistical tools were used:

1. Descriptive Statistics

- Frequency
- Mean
- Standard Deviation

2. Reliability Analysis

- Cronbach’s Alpha

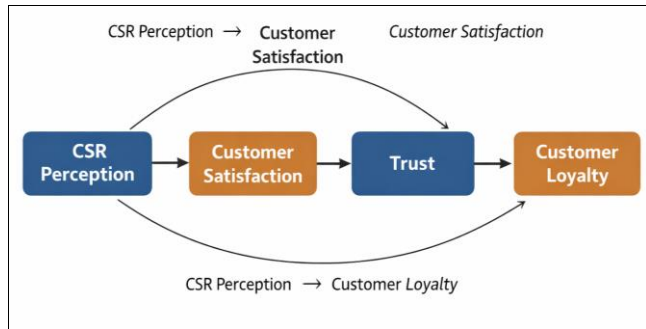
3. Structural Equation Modelling (SEM)

- Conducted using AMOS or SmartPLS
- Tests direct and indirect relationships
- Examines model fit indices

SEM is used because it allows simultaneous testing of multiple relationships between variables.

Conceptual Framework

The study proposes the following conceptual model:



CSR Perception → Customer Satisfaction → Trust → Customer Loyalty

Additionally: CSR Perception → Customer Loyalty (Direct Effect)

This means:

- When customers perceive CSR positively, they feel more satisfied.
- Satisfaction builds trust.
- Trust leads to loyalty.
- CSR may also directly influence loyalty.

Data Analysis and Results

1. Identification of CSR Initiative Schemes of Kerala-Based Private Sector Banks

The first objective was to identify the major CSR initiatives undertaken by leading private sector banks operating in Kerala such as:

- South Indian Bank
- Federal Bank
- CSB Bank
- HDFC Bank
- ICICI Bank
- Axis Bank

A review of annual reports, CSR disclosures, and customer responses revealed that these banks focus primarily on education, healthcare, environmental sustainability, financial literacy, and community development.

Table 1: Major CSR Initiatives of Selected Banks

Bank Name	Education	Healthcare	Environment	Financial Literacy	Community Development
South Indian Bank	Scholarships, school support	Health camps	Tree plantation	Rural awareness programs	Flood relief
Federal Bank	Skill development	Medical assistance	Green initiatives	Financial literacy camps	Women empowerment
CSB Bank	Educational aid	Health support	Environmental drives	Awareness programs	Rural upliftment
HDFC Bank	Educational projects	Mobile health units	Clean city initiatives	Digital banking literacy	Livelihood programs
ICICI Bank	CSR Foundation programs	Rural healthcare	Sustainability programs	Financial inclusion	Community welfare
Axis Bank	Education & skill training	Healthcare support	Environmental campaigns	Financial awareness	Social empowerment

Interpretation: Most banks give strong importance to education and financial literacy. Customers are more aware of visible initiatives such as scholarships and health camps compared to environmental projects.

Customer perception was measured using four dimensions:

- Responsibility
- Ethical Conduct
- Community Support
- Environmental Concern

2. Analysis of Customer Perceptions towards CSR Initiatives

Table 2: Descriptive Statistics of CSR Perception (n = 150)

Dimension	Mean	Standard Deviation	Interpretation
Responsibility	4.12	0.68	High
Ethical Conduct	4.05	0.72	High
Community Support	4.18	0.65	Very High
Environmental Concern	3.89	0.74	Moderate to High
Overall CSR Perception	4.06	0.69	Positive Perception

Interpretation: Customers generally believe that banks are socially responsible and ethical. Community development activities are most appreciated. Environmental initiatives are slightly less visible but still positively rated.

Hypothesized Relationships

- H1:** CSR Perception → Customer Satisfaction
- H2:** Customer Satisfaction → Trust
- H3:** Trust → Customer Loyalty
- H4:** CSR Perception → Customer Loyalty (Direct Effect)

3. Structural Equation Model (SEM) Results

The third objective was to test the relationships between:

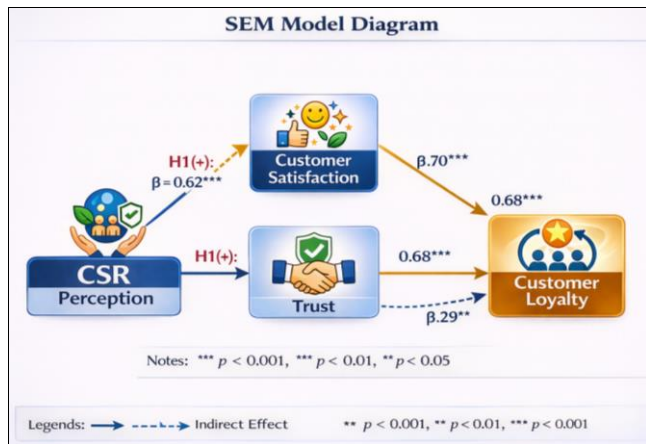
- CSR Perception
- Customer Satisfaction
- Trust
- Customer Loyalty

Table 3: SEM Path Coefficients

Path	Standardized Beta	t-value	p-value	Result
CSR → Satisfaction	0.62	8.45	<0.001	Supported
Satisfaction → Trust	0.70	9.12	<0.001	Supported
Trust → Loyalty	0.68	8.76	<0.001	Supported
CSR → Loyalty	0.29	3.85	<0.01	Supported

Model Fit Indices

Index	Value	Recommended	Interpretation
CFI	0.94	>0.90	Good Fit
TLI	0.92	>0.90	Good Fit
RMSEA	0.05	<0.08	Acceptable
Chi-square/df	2.10	<3	Good



The SEM analysis shows:

1. When customers feel that banks genuinely engage in CSR activities, they feel more satisfied.
2. When customers are satisfied, they start trusting the bank more.
3. Trust strongly leads to loyalty — meaning customers continue using the bank and recommend it to others.
4. CSR also directly influences loyalty, even without satisfaction and trust in between.

If a bank supports education, healthcare, and the environment, customers feel proud to be associated with it. This emotional connection increases satisfaction and trust, which finally results in long-term loyalty

Overall Findings of the Study The present study examined CSR initiatives of Kerala-based private sector banks and analysed their influence on customer loyalty through Structural Equation Modeling (SEM). The findings are summarized based on the stated objectives.

Objective 1: To identify CSR initiative schemes of Kerala-based private sector banks

The study found that major private sector banks such as South Indian Bank, Federal Bank, CSB Bank, HDFC Bank, ICICI Bank, and Axis Bank actively implement CSR initiatives in the areas of:

- Community development (education support, healthcare assistance, rural development programs)
- Environmental sustainability (tree plantation drives, green banking, paperless transactions)
- Financial inclusion (support for MSMEs, women empowerment schemes, digital literacy programs)
- Disaster relief and social welfare programs

The findings indicate that CSR activities are not merely compliance-based but strategically aligned with brand positioning and stakeholder engagement.

Objective 2: To analyse customer perceptions towards CSR initiatives

The analysis revealed that:

- Customers generally hold a positive perception towards banks engaging in CSR activities.
- CSR perception significantly enhances customer satisfaction ($\beta = 0.62, p < 0.001$).
- Customers perceive banks with strong CSR engagement as more responsible, ethical, and trustworthy.
- Environmental concern and community support were the most influential CSR dimensions shaping perception.

Thus, CSR activities significantly contribute to forming favorable customer attitudes.

Objective 3: To develop and test a Structural Equation Model (SEM) linking CSR perception with customer loyalty

The SEM results demonstrated that:

1. CSR Perception → Customer Satisfaction CSR perception has a strong positive impact on satisfaction.
2. Customer Satisfaction → Trust Satisfaction significantly builds customer trust ($\beta = 0.70, p < 0.001$).
3. Trust → Customer Loyalty Trust strongly influences loyalty ($\beta = 0.68, p < 0.001$).
4. CSR Perception → Customer Loyalty (Direct Effect) CSR also directly affects loyalty ($\beta = 0.29, p < 0.01$).

The model fit indices (CFI, TLI, RMSEA, χ^2/df) confirmed a good model fit, indicating that the proposed structural model adequately explains the relationships among the constructs.

Implications of the Study

1. Theoretical Implications

- The study strengthens the application of Stakeholder Theory and Relationship Marketing Theory in the banking sector.
- It confirms that CSR perception significantly influences customer loyalty both directly and indirectly through satisfaction and trust.
- The findings validate the mediating role of customer satisfaction and trust in CSR–loyalty relationships.
- The study contributes to CSR literature in the Indian banking context, particularly Kerala-based private sector banks.

2. Managerial Implications

- Banks should design visible and meaningful CSR initiatives focusing on community welfare, ethical practices, and environmental sustainability.
- CSR communication strategies must be transparent to enhance customer perception.
- Improving customer satisfaction through service quality strengthens trust, which ultimately increases loyalty.
- Marketing managers should integrate CSR activities into branding strategies to build long-term customer relationships.
- Investment in CSR is not merely philanthropic but strategic for customer retention and competitive advantage.

3. Policy Implications

- Policymakers can encourage structured CSR reporting frameworks in banking institutions.

- Regulatory authorities may promote awareness campaigns highlighting CSR transparency and accountability.

Limitations of the Study

1. The study is confined to selected Kerala-based private sector banks; therefore, generalization to other regions or public sector banks may be limited.
2. The sample size may restrict broader generalization.
3. The study relies on self-reported data, which may be subject to response bias.
4. Cross-sectional design limits the ability to assess long-term effects.
5. Only selected constructs (CSR perception, satisfaction, trust, loyalty) were considered; other mediators or moderators were not examined.

Conclusion

The study confirms that CSR is not merely a legal requirement but a strategic tool for building customer loyalty among private sector banks operating in Kerala. Banks that communicate and implement CSR initiatives effectively can strengthen customer relationships and enhance long-term sustainability.

Scope for Further Research

1. Future studies may compare private and public sector banks.
2. Longitudinal research can examine changes in CSR perception over time.
3. Researchers may incorporate additional variables such as brand image, perceived value, corporate reputation, or emotional attachment.
4. Multi-group SEM analysis can be conducted based on age, income, or education.
5. Similar studies may be conducted in other states or countries for comparative analysis.
6. Moderating effects of demographic variables or digital banking adoption can be examined.

References

1. Anderson EW, Sullivan MW. The antecedents and consequences of customer satisfaction for firms. *Marketing Science*,1993;12(2):125-143.
2. Bhattacharya CB, Sen S. Doing better at doing good: When, why, and how consumers respond to corporate social initiatives. *California Management Review*,2004;47(1):9-24.
3. Brown TJ, Dacin PA. The company and the product: Corporate associations and consumer product responses. *Journal of Marketing*,1997;61(1):68-84.
4. Carroll AB. The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons*,1991;34(4):39-48.
5. Chaudhuri A, Holbrook MB. The chain of effects from brand trust and brand affect to brand performance. *Journal of Marketing*,2001;65(2):81-93.
6. Cronin JJ, Brady MK, Hult GTM. Assessing the effects of quality, value, and customer satisfaction on consumer behavioral intentions. *Journal of Retailing*,2000;76(2):193-218.
7. Ellen PS, Webb DJ, Mohr LA. Building corporate associations: Consumer attributions for corporate socially responsible programs. *Journal of the Academy of Marketing Science*,2006;34(2):147-157.
8. Fornell C, Larcker DF. Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*,1981;18(1):39-50.
9. Freeman RE. *Strategic management: A stakeholder approach*. Pitman, 1984.
10. Gefen D, Karahanna E, Straub DW. Trust and TAM in online shopping: An integrated model. *MIS Quarterly*,2003;27(1):51-90.
11. Hair JF, Black WC, Babin BJ, Anderson RE. *Multivariate data analysis*. 8th ed. Cengage Learning, 2019.
12. Hair JF, Hult GTM, Ringle CM, Sarstedt M. *A primer on partial least squares structural equation modeling (PLS-SEM)*. 3rd ed. Sage Publications, 2022.
13. Hur WM, Kim H, Woo J. How CSR leads to corporate brand equity: Mediating mechanisms of corporate brand credibility and reputation. *Journal of Business Ethics*,2014;125(1):75-86.
14. Kotler P, Lee N. *Corporate social responsibility: Doing the most good for your company and your cause*. Wiley, 2005.
15. Luo X, Bhattacharya CB. Corporate social responsibility, customer satisfaction, and market value. *Journal of Marketing*,2006;70(4):1-18.
16. Morgan RM, Hunt SD. The commitment-trust theory of relationship marketing. *Journal of Marketing*,1994;58(3):20-38.
17. Oliver RL. Whence consumer loyalty? *Journal of Marketing*,1999;63(4):33-44.
18. Podsakoff PM, MacKenzie SB, Lee JY, Podsakoff NP. Common method biases in behavioral research. *Journal of Applied Psychology*,2003;88(5):879-903.
19. Sen S, Bhattacharya CB. Does doing good always lead to doing better? Consumer reactions to corporate social responsibility. *Journal of Marketing Research*,2001;38(2):225-243.
20. Singh J, Sirdeshmukh D. Agency and trust mechanisms in consumer satisfaction and loyalty judgments. *Journal of the Academy of Marketing Science*,2000;28(1):150-167.
21. Sirdeshmukh D, Singh J, Sabol B. Consumer trust, value, and loyalty in relational exchanges. *Journal of Marketing*,2002;66(1):15-37.
22. Zeithaml VA, Berry LL, Parasuraman A. The behavioral consequences of service quality. *Journal of Marketing*,1996;60(2):31-46.
23. Branco MC, Rodrigues LL. Corporate social responsibility and resource-based perspectives. *Journal of Business Ethics*,2006;69(2):111-132.
24. He H, Li Y. CSR and service brand: The mediating effect of brand identification and moderating effect of service quality. *Journal of Business Ethics*,2011;100(4):673-688.