

# Corporate social responsibility: a pathway to sustainable competitive advantage?

Corporate  
social  
responsibility

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## Abstract

**Purpose** – The purpose of this paper is to investigate the impact of customers' perceptions of corporate social responsibility (CSR) on affective and continuance commitment. It analyses the moderation effect of relationship age on the CSR-commitment relationships in the banking industry of an emerging economy.

**Design/methodology/approach** – Partial least squares based structural equation modeling was used to test the proposed hypotheses in a sample of 360 respondents collected from the retail banking sector of Pakistan.

**Findings** – Customers' CSR perceptions directly and positively influence affective and continuance commitment. The findings also confirm that relationship age is a positive moderator of the CSR-continuance commitment relationship, but does not influence the CSR-affective commitment relationship.

**Practical implications** – Marketers should use CSR activities to enhance customers' commitment. Given the moderating role of relationship age, marketers should devise different strategies for new and long-term customers. The results clearly show that relationship age affects the CSR-continuance commitment relationship. Long-term banking customers will more likely be in a binding relationship when their banks do CSR activities and disseminate those activities to long-term customers. The study explicitly indicates that maintaining long-term customers' base through CSR activities helps the marketers in achieving sustainable competitive advantage.

**Originality/value** – First, it is the pioneering study to empirically investigate the understudied relationship between CSR and continuance commitment. Second, it examines the moderation effect of relationship age on CSR-commitment relationships in the banking industry of an emerging economy.

**Keywords** PLS, Affective commitment, Corporate social responsibility, Banking sector, Continuance commitment, Relationship age

**Paper type** Research paper

## 1. Introduction

Corporate social responsibility (hereafter CSR) has received much scholarly attention as it has become widespread in the marketplace (Yeh, 2015). The term CSR is used to refer to the economic, legal, ethical and social expectations of the community that compel businesses to adopt CSR measures (Venus, 2005). Customers expect that management should recognize the interests of other important stakeholders, as well as those of shareholders (Clarkson, 1995; Caruana *et al.*, 2018), and that corporations should find a balance between societal well-being and shareholders' expectations (Mostafa and ElSahn, 2016; Ramasamy and Yeung, 2009). Since the notion of CSR was proposed, many studies have revealed that CSR activities have a positive influence on customers' attitudes (Bhattacharya and Sen, 2003; Jaiswal and Singh, 2018). A positive customer attitude engendered through CSR activities contributes to sustainable competitive advantage (Hur *et al.*, 2018; Hafez, 2018; Khan *et al.*, 2015; Perez *et al.*, 2013). In this regard, Kotler and Lee (2005) also posited that investing in CSR activities will help firms to gain a sustainable competitive advantage. This is particularly relevant in services context because of the increased homogeneity of services. It has been argued that customers do not perceive substantial differences among various competing service firms due to limited point of differences available in their services offerings. Due to these explicit reasons, relationship marketing strategies are becoming crucial for service firms to retain and grow its customer base (Moliner-Tena *et al.*, 2019;



Rajaobelina *et al.*, 2018; Ojeme *et al.*, 2016; Atorough and Salem, 2016). Marketing scholarship has emphasized the importance of maintaining relationships with long-term customers (Rajaobelina *et al.*, 2018; Ojeme *et al.*, 2016). In this regard, long-term customer relationships with service firms are recognized as a source of competitive advantage that can be further bolstered by CSR activities, which in turn may help to ensure the sustainability of that competitive advantage (Bharadwaj *et al.*, 1993; Arrive *et al.*, 2019). In times of such strategic challenges, marketers value CSR as an important positioning tool and way of building and maintaining long-term customer relationships (Perez and Rodriguez del Bosque, 2015; Chomvilailuk and Butcher, 2018).

There is a long standing consensus that customer commitment is of prime importance in building long-term relationships within the services context (Rajaobelina *et al.*, 2018). In other words, it is also the desire of the customer to maintain long-term relationships with his/her service firm (Atorough and Salem, 2016; Yeh, 2015; Markovic *et al.*, 2018). Due to the centrality of customer commitment in the relationship marketing strategies, customer-related CSR studies have reported the influence of CSR on customers' commitment. For example, Markovic *et al.* (2018) argued that CSR influences customers' affective commitment, Perez *et al.* (2013) reported that CSR creates customer-firm identification and influences customers' loyalty intentions and Hur *et al.* (2018) argued that CSR influences customers' behavior through affective commitment. Scholars have argued that affective commitment is an emotional response, based on attachment and sense of belongingness (Fullerton, 2005). In this regard, scholars have posited social identity theory to explain the relevance between CSR and affective commitment (e.g. Perez *et al.*, 2013; Turker, 2009).

On the other hand, continuance commitment is derived from high switching costs or a perceived lack of attractive alternatives (Fullerton, 2005). Marketing practitioners are using CSR as an important positioning tool and they may be interested in knowing how it influences customers' continuance commitment. Gustafsson *et al.* (2005) argued that marketers need to focus on customers' continuance commitment and position their firm in such a way that it binds customers to long-term relationship through lack of perceived choice, lack of attractive alternatives, perceived high procedural and/or social switching costs. Khan and Ferguson (2015) posited that firms that have been able to bind their customers in this way would have a sustainable competitive advantage over its rivals. However, in spite of the relevance of continuance commitment in the services context, there is still a lack of research into the link between CSR and continuance commitment.

Our study aims to contribute to the customer-related CSR literature in the services context by investigating the influence of CSR on customers' affective and continuance commitment in the retail banking sector of Pakistan. It attempts to capture the advantages to banking service firms of using positive perceptions of CSR as a positioning tool in an emerging market context. The banking sector of the Pakistani economy is an emerging sector and is intensely competitive, because of the homogeneity of banking services. This provides the ideal context for banking firms to differentiate themselves by proper use of CSR to strengthen customers' commitment.

The central questions of this study are: do customers' CSR perceptions influence their commitment to a firm (both affective and continuance commitment) and are any such association influenced by relationship age? First, we seek to establish a link between CSR and continuance commitment, because earlier research on continuance commitment treated it as an independent variable and measured its effect on observable outcomes such as retention, satisfaction, and purchase intentions (Jones *et al.*, 2008; Verhoef, 2003), yet no published study has investigated positioning strategies, such as use of CSR activities, as an antecedent of continuance commitment. The first objective of our research is, therefore, to investigate whether retail banking customers' CSR perceptions affect their continuance commitment.

Second, as customer-firm relationships change over time and because of the intangibility and credence properties of services, customers may seek ongoing relationships with service firms (Bendapudi and Berry, 1997). In such situations, relationship marketing strategies are crucial and can be a source of competitive advantage for firms (Atorough and Salem, 2016; Weißhaar and Huber, 2016; Dwyer *et al.*, 1987). Hence marketers are interested in whether and how relationship age moderates the CSR-continuance commitment relationship. The moderating role of relationship age can provide key managerial insights while we investigate its effect on CSR-continuance commitment relationship. Thus we aim to add to the customer-related CSR literature by investigating the moderating effect of relationship age in the CSR-continuance commitment relationship.

## 2. Literature review and hypotheses development

### 2.1 *Corporate social responsibility and customer commitment*

Developing and maintaining long-term customer relationships is the ultimate desire of any business (Moliner-Tena *et al.*, 2019) and subsequently the importance of such relationships is highlighted by the growing marketing scholarship (Rajaobelina *et al.*, 2018; Ojeme *et al.*, 2016). Firms have recognized that attractive corporate associations are an asset when it comes to building long-term customer relationships (Brown and Dacin, 1997), because they tend to increase customer commitment and loyalty. This is particularly relevant to service firms because of the highly interactive nature of services and the inseparability of production and consumption processes (Grönroos, 2006). This is further catalyzed by the growing ethical concerns and increasing interconnectedness of the modern business world, which have increased customers' expectations that firms will uphold ethical values and behave in a socially responsible manner (Markovic *et al.*, 2018; Carrigan and Attalla, 2001). The customers now expect firms to balance societal well-being and shareholder expectations and this has led firms to place greater emphasis on societal orientation (Clarkson, 1995; Ramasamy and Yeung, 2009; Mostafa and ElSahn, 2016; Caruana *et al.*, 2018). In response to this, service firms now tend to be more proactive toward their social responsibilities by investing in CSR activities and promoting their ethical behavior in order to reap the benefits (Podnar and Golob, 2007).

The concept of CSR was introduced by Carroll (1979) and it embodies the combination of economic, legal, ethical and philanthropic responsibilities that a firm has toward society. The economic dimensions of CSR include obligations such as profit maximization for shareholders, obtaining the best value of money, establishment of a strong competitive position and maintenance of a high level of operational efficiency (Perez *et al.*, 2013). The legal dimension reflects an organization's commitment to compliance with the law (Carroll, 1979). The ethical domain covers corporate activities which are expected by society but not a formal, legal requirement (Schwartz and Carroll, 2003). The philanthropic dimension consists of voluntary actions that go beyond the purely ethical activities, and encompasses donations to charitable causes, active participation in environmental conservation or sponsorship of cultural activities (Carroll, 1979). These activities affect customers' overall evaluation of a firm (Bhattacharya and Sen, 2003) and hence their long-term commitment to it. Investment in CSR activities can enhance a firm's social image, increase customer loyalty, and may create a better and sustainable competitive advantage (Kotler and Lee, 2005). Similarly, several studies have reported that positioning strategies such as investment in CSR may help in achieving sustainable competitive advantage (Becchetti *et al.*, 2012; Vilanova *et al.*, 2009). Thus it can be argued that investing in CSR activities may help firms to sustain long-term customer relationships in two important ways. First, CSR activities position a firm as socially orientated, making it an attractive choice in the marketplace. Second, the attractiveness of a service firm may encourage customers to develop a long-term, binding relationship with that service firm and the strength of the relationship may increase as the relationship continues.

Furthermore, marketers believe that establishing commitment is crucial in order to build long-term customer relationships (Rajaobelina *et al.*, 2018; Ojeme *et al.*, 2016). Commitment is defined as the desire to maintain a long-term relationship or the resistance to change (Moorman *et al.*, 1992). Marketing scholars have argued that at least two components of commitment (affective and continuance) are of prime importance from a marketing perspective (Gundlach *et al.*, 1995). Affective commitment is an emotional response that is based on liking, identification, attachment, and values, and is also referred to as psychological commitment (Bendapudi and Berry, 1997). Social identity theory by Tajfel *et al.* (1979) implies that the affective component of commitment is more strongly related to CSR. In line with this, Singh *et al.* (2012) argued that customers tend to develop a strong liking for and attachment to a firm when they perceive that it is careful in fulfilling its societal obligations and acts in an ethical manner. On the other hand, continuance commitment is based on perceptions of high switching costs, high dependence, high procedural cost and the perception that the benefits of a specific service firm would not easily be replaced (Bendapudi and Berry, 1997). Continuance commitment is also referred to as economic commitment (Williamson, 1975). It is of great importance in services context (Gustafsson *et al.*, 2005), because service managers often focus on positioning strategies, such as investment in CSR activities, that bind customers into a long-term relationship (Khan and Ferguson, 2015). This may be partly due to the fact that customers with positive CSR perceptions may perceive their current service firm as the best option and may feel dependent on that firm due to the perceived high switching cost (Figure 1).

2.2 CSR perceptions and customers' affective commitment

Social identity theory by Tajfel *et al.* (1979) proposes that people's sense of who they are is based on their group membership and sense of belongingness to a social world and on this basis marketing scholars recognize that CSR perceptions influence customers' behavior. Thus, Scott and Lane (2000) argued that customers only recognize those firms whose identities are attractive and they share common values. This argument has generated a line of research on the impact of CSR perceptions on customers' affective commitment. For example, Markovic *et al.* (2018) reported that customers' perceptions regarding corporate ethicality of a service firm influence their affective commitment. Similarly, in another study of retail banking industry, Mandhachitara and Poolthong (2011) reported that CSR expectations are positively related to strong emotional ties to a firm. Perez *et al.* (2013) reported that CSR image affects customers' emotions about a firm. These evidences have been used to argue that CSR perceptions are important antecedents of affective commitment; hence our first research hypothesis is presented:

H1. CSR perceptions positively affect customers' affective commitment.

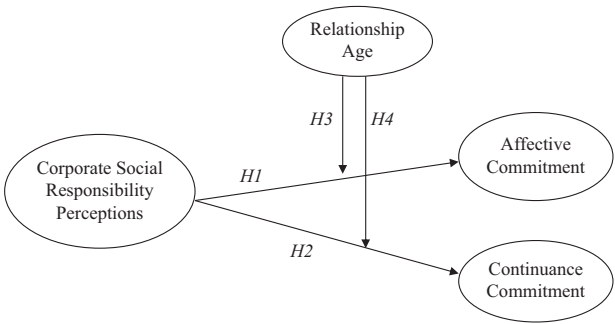


Figure 1.  
Theoretical framework

### 2.3 CSR perceptions and customers' continuance commitment

After the conceptualisation of commitment from marketing perspective, a good understanding of the concept of continuance commitment and its implications for marketing relationships developed amongst marketing scholars. Continuance commitment is the degree to which a customer feels bound to a relational partner (Bansal *et al.*, 2004; Fullerton, 2011). It is based on feelings of dependence and switching costs (Meyer and Allen, 1991). Many marketing scholars have studied continuance commitment and its effect on outcome variables such as satisfaction, advocacy intentions and customer loyalty, but there appears to be mixed findings. For example, Fullerton (2011) argued, based on studies of several service domains, that continuance commitment destroys customers' advocacy intentions, whereas Ranaweera and Menon (2013) argued that continuance commitment has a positive interaction effect on customers' word of mouth intentions. Similarly, Khan and Ferguson (2015) found that continuance commitment had a positive relationship with customers' advocacy intentions. Other studies have reported that there are a number of other important variables that can affect continuance commitment, such as scarcity of alternatives, perceived switching cost, discounts and packages. For example, Fullerton (2011) argued that scarcity of alternatives is positively related to continuance commitment. Khan and Ferguson (2015) argued that discounts and packages have a direct, positive effect on continuance commitment that in turn leads toward positive customers' advocacy intentions. In line with this, it can be argued that customers' CSR perceptions may affect their continuance commitment because there is an established consensus that stakeholders are interested in maintaining associations with firms that engage in CSR activities (Pratihari and Uzma, 2018; Perez *et al.*, 2013; Bhattacharya and Sen, 2003). CSR perceptions posit the firm as more socially responsible that may acts as an antecedent to influence the customers' perceptions about the firm. The customers desire to maintain a long-term relationship with the firm given the mental calculations associated in terminating the relationship (Meyer and Allen, 1991) and which in turn may trigger perceived lack of attractive alternatives (Han *et al.*, 2018; Boichuk and Menguc, 2013). To the best of the authors' knowledge this is the first study to examine the link between CSR and continuance commitment. This relationship is important because CSR perceptions posit the firm as an attractive and responsible firm that may act as a mechanism to maintain a long-term relationship, or in other words that may acts as constraint in terminating the relationship with the service firms given the high switching cost.

Marketers believe that attractive CSR image has a positive effect on customers' attitudes to a service firm. In line with this, Becker (1960) argued that doing business with a socially responsible service firm gives customers status or privileges in their society that would be lost if the relationship were terminated. This implies that positive CSR perceptions about a service firm may trigger perceptions of dependence and high switching costs that may subsequently lead to an increase in customers' continuance commitment. No previous research has examined this relationship, thus we present our new research hypothesis:

*H2. CSR perceptions positively affect customers' continuance commitment.*

### 2.4 Moderating effect of relationship age

Social psychologists and marketing scholars argued that customer-firm relationships go through different stages and that the length of relationship is positively associated with the parties' evaluations of confidence in one another (Dwyer *et al.*, 1987). Moreover, marketing scholars are interested in studying the ongoing relationships that lead to customers' commitment for reliable and repeat business. There is a consensus amongst marketing scholars that customer-firm relationships evolve through several developmental stages (Weißhaar and Huber, 2016; Jap and Anderson, 2007), and so marketing scholars have

studied the relationships between relationship age and various outcome variables, such as commitment, satisfaction, word of mouth, and intentions. For example, Weißhaar and Huber (2016) reported that relationship age moderates the relationship between empathy and customers' relational commitment. Similarly, Ranaweera and Menon (2013) reported that relationship age moderates the satisfaction-word of mouth relationship in such a way that increase in customer satisfaction produce a greater increase in positive word of mouth intentions in new customers than in long-term customers. Although there is plethora of studies examining the effect of relationship age on customer outcome variables, however, to the best of the authors' knowledge, there has been no study of how relationship age moderates the relationship between CSR and customer commitment. There is a consensus that customers' perceptions of a firm's ethicality influence their affective commitment (Markovic *et al.*, 2018) and that CSR perceptions influence customer-firm identification and loyalty intentions to the firm (Perez *et al.*, 2013). Taking this idea further, we argue that the positive association between customers' CSR perceptions and affective commitment is positively moderated by relationship age in case of banking services. On the other hand, customers' CSR perceptions may trigger a sense of dependence. Marketers are focusing on continuance commitment and they tend to use positioning strategies that differentiate their firms from competitors because continuance commitment tends to capture competitive element by improving the unique value propositions (Gustafsson *et al.*, 2005). Hence, investing in CSR activities gives unique value proposition to the firm as well as it creates emotional attachment and a sense of dependence amongst customers. Dependence increases with an increase in relationship age due to the perceived high switching cost (Fullerton, 2005). This may be due to the fact that over the course of a long relationship with a firm, customers develop personal relationships with its employees and become familiar with its procedure. Customers may also perceive a high switching cost in terminating a relationship with a socially responsible firm. No previous study has investigated these relationships; hence we present our two research hypotheses:

H3. Relationship age moderates the CSR-affective commitment relationship.

H4. Relationship age moderates the CSR-continuance commitment relationship.

### 3. Research methodology

#### 3.1 Data collection and sampling procedure

Data were collected from retail banking customers via a field survey, carried out in four major cities - Islamabad, Rawalpindi, Lahore and Peshawar - with a total population of approximately 23m. In total, 500 survey questionnaires were distributed and 446 were returned (response rate of 89 percent) which is considered to be a good response rate for survey studies as suggested by Babbie (2007). After processing the information and considering social desirability bias as per the proposal of Middleton and Jones (2000), a total of 360 valid survey data were used in the final data analysis. The data were collected between June 2018 and September 2018. SPSS v.21 and Smart PLS 2 were used for statistical analysis.

A preliminary study was carried out to identify banks that were actively involved in CSR activities. In 2018, there were 29 banks offering retail banking services in Pakistan. Banks offering services targeted at specific customers, such as Islamic banking, micro-finance, developmental banks, and agricultural banks, were omitted. In all, 6 of the 29 banks were part of the public sector, 15 were privately owned local banks and eight were foreign owned. Banks with an official webpage dedicated to their CSR or sustainability activities, banks that promoted their CSR activities via print and electronic media, and those that reported their CSR or sustainability investments in their annual reports were included in the study.

Only ten banks met these criteria: eight were privately owned local banks and the remaining two were foreign owned.

The respondents were selected through convenience sampling and they were approached when they were exiting the branch of a bank or ATM service area after completing a transaction. Approaching the respondents like this way is consistent with the previous customer related CSR studies (e.g. Khan *et al.*, 2015).

*Sample profile.* The respondents were customers of the ten banks selected for the study, were over 18 years of age, and lived in the four major metropolitan cities of Pakistan. The sample was 70.3 percent male and 29.7 percent female. This male dominant ratio may reflect the fact that in developing Islamic economies, the male member of a family usually takes responsibility for financial matters and more frequently visits the banks/ATMs for transaction purposes as compared to female family members. The age distribution of respondents was as follows, 39.2 percent: 18-29 years; 28.6 percent: 30-39 years; 17.5 percent: 40-49 years; 11.7 percent 50-59 years; and 3.1 percent:  $\geq 60$  years. The distribution of level of education was as follows, 32.8 percent had Bachelor's degree, 32.2 percent had master's degree, 17.8 percent had an MPhil or above, 10.6 percent had a Higher Secondary School Certificate or A levels, 2.8 percent had Secondary school certificate or O levels, and 3.9 percent had other qualifications. The majority of respondents (64.2 percent) were employees, 11.1 percent declared themselves entrepreneurs, 17.5 percent reported that they were students and 7.3 percent reported that they belonged to other occupational categories.

### 3.2 Measurement scales

We used five-point Likert scales to measure the concepts in the proposed model. CSR perceptions were measured using items taken from studies by Carroll (1979), Maignan (2001) and Garcia de los Salmones *et al.* (2005). We developed a three dimensional scale to measure customers' perceptions of the extent to which their bank fulfilled its ethical, legal and discretionary responsibilities. Perceptions of ethical dimension was measured with four items (Garcia de los Salmones *et al.*, 2005; Mandhachitara and Poolthong, 2011), three items were used to measure legal dimension (Maignan, 2001; Garcia de los Salmones *et al.*, 2005), and five items were used to measure the philanthropic dimension (Maignan, 2001; Garcia de los Salmones *et al.*, 2005). Both affective commitment and continuance commitment were measured with four items, as proposed by Meyer and Allen (1991). Table I provides the details of the constructs and items.

Since banks are the custodians of people's wealth, customers tend to maintain long-term relationships with their banking service firms. Thus, we measured relationship age in years. This approach is consistent with previous studies (e.g. Ranaweera and Menon, 2013).

### 3.3 Assessment of common method variance (CMV)

In accordance with the recommendations of Podsakoff *et al.* (2003) we took various measures to control CMV: all items were adapted based on previous studies, all items were reviewed by experts, and items of IV and DV were separated from each other. In order to get consistent responses, the items measuring a single construct were grouped together. We applied the Harman's one factor test and the first factor explained only 31.9 percent of the variance. Thus, CMV was not a problem as the single factor explained is less than 40 percent criterion as recommended by Fuller *et al.* (2016).

## 4. Findings

We used partial least squares based structural equation modeling (PLS-SEM) as outlined by Hair *et al.* (2011). We applied several data screening techniques to assess skewness, kurtosis, q-q plots, and standard deviation, and used the Kolmogorov-Smirnov test to detect

Latent construct	Items	Item loadings	Variance explained (%)
<i>Corporate social responsibility perceptions</i>			52.140
Ethical-Legal Responsibility (seven items CSR1-7)	My bank always respects the norms defined in the law when carrying out its activities	0.773	33.583
	My bank is concerned to fulfill its obligations <i>vis-à-vis</i> its shareholders, suppliers, distributors and other agents with whom it deals	0.764	
	My bank promotes equal opportunities to all, no discrimination in gender, disability, race, religion, etc.	0.634	
	My bank ensures that the respect of ethical principles has priority over economic performance	0.681	
	My bank avoids compromising ethical standards in order to achieve corporate goals	0.559	
	The employees of my bank behave ethically/honestly with customers	0.626	
	My bank provides full product information to customers	0.597	
Philanthropic responsibility (Five items CSR8-12)	My bank plays a role in our society that goes beyond the mere generation of profits	0.656	18.557
	My bank demonstrates strong respect in protecting the natural environment e.g. anti-climate change, paperless banking, energy efficient lights	0.749	
	My bank directs part of its budget to donations and social works towards local community investment such as schools, health care centers and vocational institutes	0.777	
	My bank actively sponsors, finances or assists social events, e.g. supporting anti-cancer campaigns, promotes arts and music events, etc.	0.732	
	My bank provides charitable donations towards general well-being of society, e.g. supports in floods/earthquake natural disasters, etc.	0.819	
<i>Affective commitment</i> (Four items AC1-4)	I feel like part of a family as a customer of my bank	0.836	72.741
	I feel emotionally attached to my bank	0.853	
	My bank has a great deal of personal meaning for me	0.869	
	I feel a strong sense of identification with my bank	0.853	
<i>Continuance commitment</i> (Four items CC1-4)	It would be hard for me to switch away from my bank right now even if I wanted to	0.722	63.253
	My life would be disrupted if I switched away from my bank	0.849	
	It would be too costly for me to switch from my bank right now	0.850	
	Right now, staying with my bank is as much a matter of necessity as it is of choice	0.752	

**Table I.**  
Summary of principal  
component analysis  
(PCA) results

normality issues. Most of our variables had a slightly skewed distribution and PLS has the advantage that it makes no assumptions regarding the distribution of the variables (Fornell and Cha, 1994; Hair *et al.*, 2011). The small sample size was another reason for using PLS-SEM (Hair *et al.*, 2011).

#### 4.1 Scale structure and validation

We started by carrying out an exploratory analysis to assess the dimensionality of the three latent constructs: CSR perceptions, affective commitment and continuance commitment. We then proceeded to estimation of a measurement model and hypothesis testing.



#### 4.2 Exploratory analysis

First we carried out principal component analysis (PCA) of the structure of the theoretical variables: CSR perceptions, affective commitment and continuance commitment (results given in Table I).

PCA of CSR perceptions with varimax rotation yielded two factors explaining 52 percent of the total variance, and all factor loadings exceeded the minimum value of 0.5 (Hair *et al.*, 2011). We found that the legal and ethical items converged to yield a single factor; this is consistent with previous studies (e.g. Garcia de los Salmones *et al.*, 2005; Khan *et al.*, 2015). This single factor was labeled ethical-legal CSR and accounting for 33.5 percent of the total variance in CSR perceptions. The second component comprised five items capturing philanthropic CSR perceptions and explained 18.5 percent of the total variance in the CSR construct. The PCA analysis of affective commitment and continuance commitment yielded a single factor, which is consistent with the work of Meyer and Allen (1991); all factor loadings of items for both constructs significantly exceeded 0.5, and the single factor accounted for 72.7 percent and 63.2 percent of the total variance in affective and continuance commitment, respectively.

#### 4.3 Measurement model results

Smart PLS 2.0 was used for path modeling and data analysis (Henseler *et al.*, 2009). Validity and reliability are crucial to the adequacy of measurement models (results in Table II). To be considered reliable, a construct must have a composite reliability greater than 0.60 (Bagozzi and Yi, 1988). Convergent validity requires an average variance extracted (AVE) that is greater than 0.50 for each construct (Bagozzi and Yi, 1988). In this study, all the constructs had composite reliability and AVE values that exceeded the minimums (Table II).

The Fornell Larcker (1981) Principle was used to assess discriminant validity and all three latent constructs were found to have discriminant validity (see Table III).

Latent construct	Items	Item loadings	Factor loadings	CR	AVE
<i>Corporate social responsibility perceptions</i>					
Ethical-legal responsibility (seven items CSR)			0.659	0.781 0.853	0.648 0.455
	CSR1	0.685			
	CSR2	0.735			
	CSR3	0.602			
	CSR4	0.760			
	CSR5	0.662			
	CSR6	0.636			
	CSR7	0.635			
Philanthropic responsibility (five items CSR)	CSR8	0.721	0.928	0.872	0.578
	CSR9	0.779			
	CSR10	0.752			
	CSR11	0.728			
	CSR12	0.818			
<i>Affective commitment</i> (four items as AC)					
	AC1	0.838	na <sup>a</sup>	0.914	0.727
	AC2	0.853			
	AC3	0.860			
	AC4	0.860			
<i>Continuance commitment</i> (four items as CC)					
	CC1	0.772	na <sup>a</sup>	0.872	0.631
	CC2	0.848			
	CC3	0.835			
	CC4	0.711			

**Note:** <sup>a</sup>Not applicable: constructs of affective commitment and continuance commitment were adopted as single factor

**Table II.**  
Measurement  
model results

4.4 Hypothesis testing

Evaluation of the structural model is important for testing the hypothesized relationships among latent constructs (Hair *et al.*, 2011). Quality and sufficiency to explain the data were considered for evaluation of the structural model (Lohmöller, 1989). Indices such as the co-efficient of determination ( $R^2$ ), the average variance accounted (AVA) for, and the significance of the path coefficient ( $\beta$ ) capture the predictive relevance of the structural model (Fornell and Cha, 1994). AVA is the average of the  $R^2$  of all the endogenous constructs in the structural model. The AVA of our model was 0.24 and all the individual  $R^2$  values exceeded the threshold value of 0.10; thus the predictive relevance of the model was established (Falk and Miller, 1992). Almost all endogenous variables in our model met this criterion (Table IV), and thus the explanatory power of the model was established.

Bootstrapping is required for hypothesis testing in PLS-SEM, so we used 5,000 samples of 360 cases as per the recommendations of Hair *et al.* (2011). The results of the hypothesis testing are reported in Table IV.

We found a positive relationship between CSR perceptions and affective commitment ( $\beta = 0.638$ ,  $t = 4.538$ ). This finding supports the notion that CSR perceptions enhance customers' affective commitment and therefore *H1* is supported. CSR perceptions were also directly, positively related to continuance commitment ( $\beta = 0.735$ ,  $t = 4.831$ ); in other words, an improvement in CSR perceptions in customers' mind has a positive impact their continuance commitment. Thus *H2* is supported.

4.5 Relationship age as a moderator of CSR perceptions-customer commitment associations

In order to evaluate the moderating effect of relationship age on CSR-affective commitment relationship, an interaction effect was created for CSR and relationship age. In our study, we find that relationship age does not moderate the CSR-affective commitment relationship ( $\beta = 0.023$ ,  $t = 0.959$ ), and thus *H3* is not supported. Similarly, we calculated the interaction between CSR and relationship age to determine whether it moderates the CSR-continuance commitment relationship or not. In this regard, the result ( $\beta = 0.115$ ,  $t = 2.100$ ) indicates that relationship age does not moderate the CSR-continuance commitment relationship, and therefore, *H4* is supported.

**Table III.**  
Construct correlations  
and discriminant  
validity

	Affective commitment	Continuance commitment	CSR perceptions
Affective commitment	0.852		
Continuance commitment	0.662	0.794	
CSR perceptions	0.510	0.438	0.804
<b>Note:</b> Square root of the average variance extracted (AVE) on the diagonal			

**Table IV.**  
Results of  
hypotheses testing

Hypotheses	Independent variable	Dependent variable	Path coefficient	<i>t</i> -values	<i>p</i> -values	$R^2$	Result
<i>H1</i>	CSR perceptions	AC	0.638	4.538	0.000	0.263	Supported
<i>H2</i>	CSR perceptions	CC	0.735	4.831	0.001	0.217	Supported
<i>H3</i>	CSR×R-Age	AC	0.023	0.959	0.337		Not-supported
<i>H4</i>	CSR×R-Age	CC	0.115	2.100	0.035		Supported

## 5. Discussion

Our study provides novel insights into the customer behavior literature within the services context. We focused on positioning strategies with reference to relationship marketing to seek new ways in achieving sustainable competitive advantage. In this regard, our findings reveal that there is a strong relationship between CSR perceptions and customers' commitment (both affective and continuance commitment), and that relationship age moderates the CSR-continuance commitment relationship. Long-term banking customers will more likely be in a binding relationship when their banks will do CSR and disseminate its CSR activities to long-term customers. Our study explicitly indicates that maintaining long-term customers' base through CSR activities helps the marketers in achieving sustainable competitive advantage. Thus, our study makes two important theoretical contributions to this line of research.

With respect to the first objective, the relationship between CSR and continuance commitment has been an understudied topic in the field of customer-related CSR research. Many studies have explored the relationship between CSR and customer commitment but most of them have considered only the affective dimension of commitment, for example Hur *et al.* (2018), Markovic *et al.* (2018) and Perez *et al.* (2013). Our study sheds light on customers' CSR perceptions and continuance commitment in the services context. None of the prior studies investigated the CSR-continuance commitment link and our work demonstrates that CSR perceptions do affect customers' continuance commitment. A plausible explanation for this relationship is that CSR activities make firms appear more attractive and socially responsible that binds the customers to enter into a long-term relationship. This acts as a constraint and discourages customers from terminating the relationship. In this regard, marketing scholars, for instance, Kotler and Lee (2005) and Bhattacharya and Sen, 2003, have also highlighted that strategic use of CSR as a marketing tool helps binding the customers in the long-term relationship, which in turn creates sustainable competitive advantage. Customers might also choose to maintain a long-term relationship with a firm because of the mental calculations and high termination cost to join an alternative service firm (Khan and Ferguson, 2015). Our study also confirms the existence of the CSR-affective commitment link which is consistent with previous studies (Perez *et al.*, 2013; Hur *et al.*, 2018).

With respect to the second objective, we explored the moderating effect of relationship age on the CSR-continuance commitment relationship. It is widely accepted that commitment is of prime importance for long-term customer relationships (Rajaobelina *et al.*, 2018; Ojeme *et al.*, 2016). Firms recognize the role that attractive corporate associations play in building long-term relationships with customers (Brown and Dacin, 1997); attractive corporate associations tend to strengthen the customer relationship by increasing customers' commitment and enhancing their intention to remain loyal. Firms in the service sector now take a more proactive approach to fulfilling their social responsibilities, using CSR activities to position themselves in the marketplace and benefit from a positive social image (Podnar and Golob, 2007). This subsequently helps them in building long-term customer relationships. Service firms are interested in cultivating long-term customer relationships because long-term customers display a range of behaviors that are beneficial to them (Ranaweera and Menon, 2013; Reinartz and Kumar, 2003). We found that relationship age moderates the CSR-continuance commitment relationship. A plausible explanation for this relationship is that customers' confidence in their evaluation of their bank increases with the length of their relationship with their bank (Dwyer *et al.*, 1987). Positive CSR perceptions enhance continuance commitment, which increases further as the relationship age increases. Customers who have been in a relationship with a service firm for a long time find that the relationship has become constraint-based and very hard to terminate (Bendapudi and Berry, 1997). However, in our

study, the relationship age does not moderate the CSR-affective commitment relationship. We suggest that this is because CSR activities generate positive feelings toward the firm and encourage customers to develop a positive affective relationship with a firm (Bendapudi and Berry, 1997). This affective relationship may be easy for customers to terminate and hence is relatively unaffected by relationship age. These explanations remain speculative, however, and further research is required.

### 5.1 Managerial implications, limitations and future research avenues

Our findings have many implications for the services sector in general and the banking industry in particular. Due to increased product homogeneity, service firms are always trying to find positioning strategies that will help them to retain customers. Positive CSR perceptions should help to encourage customers to remain with a service firm and thus enter into a constraint-based relationship, which is hard to terminate because of the high switching cost. CSR perceptions also affect customers' emotional attachment to a firm and so service managers should make serious efforts to enhance customers' CSR perceptions through diverse CSR initiatives such as donations, rehabilitation programs, support for sports events, talent-spotting programs, and educational scholarships, poverty alleviation programs, women's empowerment programs, and energy conservations programs.

Second, our study investigated the moderation of the CSR-customer commitment relationship by relationship age. Long-term relationships allow customers to build personal relationships with a service firm's employees. Customers become familiar with operational and service delivery procedures of the firm which will in turn strengthen the CSR-continuance commitment relationship. Thus, service managers need to make serious efforts in two important realms; first they need to invest in CSR activities and communicate such activities to their long-term customers. Second, they need to train their frontline employees for better customer relationships management that will eventually add to increase customers' commitment.

Like all studies, our study has some limitations. It was conducted in the banking services context and the findings may not generalize to other service contexts such as tourism and hospitality, insurance, telecommunications, etc. A cross-services study and cross-cultural data would provide evidence of the generality of our findings and might also suggest future lines of research. A further limitation is that our study only considered the effect of CSR on affective as well continuance commitment; no other outcome variables were explored. Future research could include studying these linkages and their effect on outcome variables such as customers' word of mouth intentions and purchase intentions. Future studies should also include other important moderating variables, such as customer trust and frequency of transactions, in order to extend this line of research.

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