Enhancing Bank Loyalty through Sustainable Banking Practices: The Mediating Effect of Corporate Image

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Abstract: As the demand for a more sustainable society increases, adopting a sustainable banking approach serves as a competitive advantage for banks that are focused on attaining bank loyalty. This study revolves around understanding the role of sustainable banking practices on bank loyalty, while exploring the mediating effect of corporate image in the relationship between sustainable banking practices and bank loyalty. 511 data derived from customers of the banking sector was adopted for this study. Result from the structural equation modeling shows that sustainable banking practices positively and directly affects bank loyalty and corporate image, corporate image directly and positively affect bank loyalty, and also mediates in the relationship between sustainable banking practices and bank loyalty.

Keywords: sustainable banking; corporate image; bank loyalty.

1. Introduction

The deterioration of the climate which could be traced to unsustainable practices calls for a more sustainable approach to be developed and adopted for the daily activities of man. A sustainability approach is considered as practices that enhance the attainment of both the present needs of man as well as that of the future [1], which requires developing a blueprint that ensures the attainment of these needs [2]. At organizational level, sustainability entails being cognizant of the needs of the organization stakeholders [3], which encompass the consciousness of organization profitability, planet and people [4].

The need for sustainability has led to the development of various innovative sustainable business approaches in recent times [5-8]. From a more precise perspective, the issue of sustainability has been viewed from the social perspective [9-11], technological perspective [12], and organizational perspective [1, 13-14]. Comprehensively, [15] developed eight archetypes which were categorized into three sustainable dimensions: technological, social and organizational dimension.
Technological sustainability refers to the process of adopting innovative measures that efficiently utilizes energy in the maximization of materials [15-16]. Social sustainability focuses on striking a balance between the attainments of basic needs without dilapidating the environment [10]. Organizational sustainability emphasizes the need for firms to be more concerned and committed to the future well-being of the organization's environment while pursuing present goals [1].

The role of banks in the economy calls for a greater sustainable approach to be adopted by firms of the industry. Sustainable banking could be seen as a process of utilizing financial products and services in creating a prosperous environment [17]. Despite the importance of sustainability in the banking industry, this approach has been operational in very few banks [18-19]. Reasons militating against the adoption of sustainable models by banks could be related to factors such as: the myth that the operation of banks is less harmful to the environment, the issue of interference with client activities, less pressure for sustainable practices from the civil society on banks [20].

In spite of the increase in the relationship between customers and their banks, which has made customer loyalty a top priority by management of most banks [21], they seem to be no visible study that explores customers' perspective on sustainable banking and its impact on bank loyalty. Studies in this field have been focused on either delineating an ideal sustainable approach for the industry [16], or proposing sustainability as an ideal approach for enhancing performance in the banking industry [22-24].

The primary aim of this study is centered on the role of sustainable banking on bank loyalty, as well as the mediating effect of corporate image in the relationship between sustainable banking practice and bank loyalty. The focus of this research is on customers of the banking sector in North Cyprus. The need for an improvement in the practices of banks in the small Mediterranean Island (North Cyprus in particular) is the impetus of this research, as previous studies on customers' perception in the industry indicated the failure of firms of the industry meeting the expectations of customers through the services they offer [25], which has been traced to the unethical practices of banks [26], which is against the principles of sustainability. Therefore, an understanding of the customer's perspective of sustainable banking which has been considered to emanate from the broader concept of ethical banking [27], on bank loyalty, could serve as a blueprint in the eradication of unsustainable practices in the banking sector.
2. Theoretical Framework

2.1. Social Responsible Investment

A shift of customers’ interest from the return of investment to the ethical standards, social and environmental commitments of firm [28], stresses the importance for the adoption of the socially responsible investment (SRI) approach by firms. SRI which can be otherwise known as sustainable investment could be seen as an investment policy that is centered on the positive attainment of financial, social and environmental fortunes.

They have been several propositions through which firms can adopt the SRI ideology. For instance, [29] proposes that banks offer incentives such as lower interest rate for borrowed capital to partners that pursue a sustainability cause while partners with unsustainable cultures are made to pay higher interest rates. Furthermore, [30] posit that, as a means of meeting desired ethical, environmental and social goals, firms are expected to adopt the SRI approach by developing corporate strategies that closely engages the local community and should be related to the activities of shareholders. Given the above assertion, they seems to be similarities between the SRI approach and the corporate social responsibility (CSR) approach, with findings from prior study indicating that, adopting CSR approach enhances the values of shareholder in a long run, while firms that ignores such approach tend to raze shareholders values, which is capable of destroying firm’s reputation [30].

3. Literature Review

3.1. Bank Loyalty

Several studies has been undertaken in understanding bank loyalty [31-33], and proposition from these studies on bank loyalty are indistinguishable to that of brand loyalty. Bank loyalty is considered as an incidence whereby a customer repeatedly chooses a particular bank out of other, which is done through an evaluative process [32]. As a means of understanding factors that influences bank loyalty, previous studies have indicated factors such as corporate image as essential [32,34], which makes corporate image an important factor for management when formulating strategies [34].

On the relationship between sustainability and bank loyalty, they seems to be limited studies that clearly link both construct, though it has been stated that a customer’s intention to purchase a
brand is greatly influenced by the credibility of such brand [35]. From this assertion, a credible bank in the eyes of customers could be one which develops and adopts sustainable approaches in the delivery of financial services which could be considered as a foundation toward bank loyalty.

3.2. Sustainable Banking

The intermediary role of banks has been mutually consented to be significant to the economy [16,36-37]. On the other hand, adopting a sustainable banking approach has been said to be synonymous to the adoption of sustainable innovative approach in other industry [38], which focuses on taking into consideration the desires of the organization’s stakeholders, as well as ensuring a serine environment and society, when proposing values [39-40]. Therefore, the core of any innovative model should revolve in the creation of values with economic, environmental and societal benefits [41].

In relation to the principles of innovative sustainability, sustainable banking has been said to be an ideology that is motivated by the need for new and sustainable approaches that could be use in transforming the industry [20,29,42], by applying innovative technologies which aid in the efficient and effective delivery of banking services [43]. The concept of sustainability in the banking industry has also been considered as a philanthropic act whereby, banks through their services and products create values that protect the wellbeing of the society through positive or ideal investment [44], which in return has been said to be of huge economic benefit to the banks [23]. In another study, sustainable banking is considered as the process of creating ethical values for stakeholders, which is also instrumental for consolidating and transforming the banking industry [45]. It could also be describe as an act of developing a culture that is centered on the financial, social and environmental performance, fostering long term relationship with customers, inclusive and transparent governance, meeting the needs of both the economy and community [46]. This approach has not only been said to be stakeholders oriented, it has also been recommended to be adopted for the performance evaluation of banks [22]. A more comprehensive and inclusive study by [16] conceptualized a sustainable banking approach by developing eight archetypes which are categorized into three dimensions: technological, social and organizational dimension. This approach if effectively implemented by banks was discovered to affect the purchase intention of customers of the banking industry positively [16].
As sustainability continues to be an issue of great concern, customers tend to build a positive perception about a brand with sustainable features, which is considered as a mechanism for enhancing the corporate image of brands [47]. As a result of this intense yearning from customers, banks are now modifying their products and services by offering packages with moderate interest rates, significant environmental benefits to the society [48]. This could be considered as toeing the path of sustainability, of which the customer's perception on sustainable banking has been indicated to be positive [16]. This implies that customers subscribe to sustainable banking practices, and if properly adopted by banks could serve as a yardstick for bank loyalty. It is in relation with the above assertions, this research posit the following hypothesis:

H1. Sustainable banking positively affects corporate image.

H2. Sustainable banking positively affects bank loyalty.

### 3.3. Corporate Image

The need for a broad research on the image of banks has been said to be as important as researching on the financial effectiveness of the banking industry [49]. A significant amount of studies view corporate image as stakeholders perceptions of the features of a company [50-52]. This has been said to yield a significant influence on the behaviors of customer and the performance of firms [53]. Related study view corporate image as the emotional (affections), as well as functional (tangible features that are measurable), perception of people toward the organization [54]. Therefore, as a means of enhancing reputation, firms now resort to investing heavily on CSR activities which aid in building long term values for stakeholders [30]. Furthermore, similar study views corporate image as an appropriate measure use in eradicating consumers doubt about a company [55].

From the banking perspective, corporate image is seen as the visual identity, which has been considered to be important for the retail banking sector because of the similarities in the product and services rendered, which makes differentiation difficult [56]. [32] posit “corporate behavior and corporate visual identity”, as factors that build corporate image which is determined by “dynamism, stability/credibility, client/customers service and visual identity”. According to [57] “Corporate image of commercial banks includes dimensions related to the services offered, accessibility, corporate social responsibility, global impression, location and personnel”.
Managing corporate image in the banking industry requires firms understanding both the target market environment and the views of stakeholders, prompt response to negative perceptions about the bank, enhancing customers satisfaction as well as that of other stakeholders, having a precise position in the market, base decisions on objective rationality, ensure the right means of communication is adopted [49].

On the relationship between corporate image and loyalty, they have been a considerable amount of studies regarding both construct. From a multi-dimensional approach, research exploring the perception of customers of the banking sector in the Netherlands indicated a positive relationship between corporate image and bank loyalty [32]. A similar study carried out on the service industry in Canada shows that the level of loyalty is hugely determined by customers’ perception of the corporate image of a service provider [58]. Furthermore, a study conducted in Zimbabwe by [34] indicated corporate image to having a direct influence on bank loyalty, as well as mediating in the relationship between service quality and bank loyalty. Therefore, it is based on the finding of related literatures, this research posit the following hypothesis:

H3. Corporate image affects bank loyalty.
H4. Corporate image mediates in the relationship between sustainable banking and bank loyalty.

4. Methods

Items use in developing the research model for this study as seen in Figure 1, was adopted from valid studies related to our interest. The questionnaire is made up of four sections: demography, sustainable banking, corporate image and bank loyalty respectively. The demography section comprises of age, gender, marital status and educational qualification. Ten items were adopted in measuring sustainable banking practices [16,59], five items were adopted in measuring corporate [34], and six items in measuring bank loyalty [34].

Figure 1: Research model.

511 data was gotten from customers of banks in North Cyprus. With English and Turkish being the most spoken language in the northern part of the Mediterranean Island, the questionnaire items was developed in English and translated to Turkish using the back to back method [60]. The Turkish
A version of the questionnaire was reviewed by three professors in the Department of Business Administration, Cyprus International University, for its acceptability and adequacy. Furthermore, the questionnaire was distributed electronically via various social media platforms by appealing and explaining to respondents about the essence of the research.

Result from Table 1 indicates that the male (55.6%) respondents were more than the females (44.4%). 28.6% were within 18–25 years of age, 25.6% were within 26–35, 24.3% were within 36–45, and 21.5% were 46 and above. 51.9% of respondents indicated that they were married and 48.1% were single. 64.2% of the respondents had at least a bachelor’s degree.

<table>
<thead>
<tr>
<th>Table 1. Questionnaire Items Adopted for the Research.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construct</strong></td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>18-25</td>
</tr>
<tr>
<td>26-35</td>
</tr>
<tr>
<td>36-45</td>
</tr>
<tr>
<td>45 above</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>B.sc</td>
</tr>
<tr>
<td>M.sc</td>
</tr>
<tr>
<td>PhD</td>
</tr>
<tr>
<td>Others</td>
</tr>
<tr>
<td>Marital status</td>
</tr>
<tr>
<td>Married</td>
</tr>
<tr>
<td>Single</td>
</tr>
</tbody>
</table>

The analytical techniques adopted for this research include: confirmatory factor analysis (CFA), structural equation modeling (SEM). Initially, an exploratory factor analysis (EFA), conducted indicated some items with standardized loading < 0.50, cross loading of variables. Such items were eliminated (sb1, sb2, sb3, sb4, sb5, sb6, sb7, bl1, bl6).

4.1. Measurement Validity

Values of standardized factor loading, Cronbach’s alpha, composite reliability, average variance extracted (AVE), model fit indices were used to assess convergent validity. The overall model fit was assessed for both CFA and SEM using; comparative fit index (CFI), Goodness of fit index (GFI), Adjust goodness of fit index (AGFI), Normal fit index (NFI), Chi – square with degree of freedom (X²/d.f), Root mean square error of approximation (RMSEA), Standard root mean square residual (SRMR).

Result from Table 2 shows that the convergent validity for this study was acceptable. The measurement model fit indices: CFI = 0.989, GFI = 0.964, AGFI = 0.944, NFI = 0.981, X²/d.f = 2.345, RMSEA = 0.051, SRMR = 0.0444, were all in accordance with the recommended level [61-62]. The standardized factor loading for all items were above the minimum recommended level of 0.6 [63]. With 0.7 considered as the minimum acceptable value [64], the Cronbach’s alpha values for all...
constructs in this study is acceptable. Furthermore, a CR value of 0.9 for all constructs indicates adequacy which according to [65], shouldn’t be less than 0.7.

### Table 2. Convergent Validity.

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
<th>Standardized factor loading</th>
<th>Cronbach’s alpha</th>
<th>Composite reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable banking</td>
<td>SB8</td>
<td>0.911***</td>
<td>0.943</td>
<td>0.953</td>
</tr>
<tr>
<td></td>
<td>SB9</td>
<td>0.941***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>SB10</td>
<td>0.949***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate image</td>
<td>CI1</td>
<td>0.884***</td>
<td>0.880</td>
<td>0.873</td>
</tr>
<tr>
<td></td>
<td>CI2</td>
<td>0.855***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CI3</td>
<td>0.860***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CI4</td>
<td>0.565***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>CI5</td>
<td>0.600***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank trust</td>
<td>BL2</td>
<td>0.953***</td>
<td>0.879</td>
<td>0.967</td>
</tr>
<tr>
<td></td>
<td>BL3</td>
<td>0.954***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BL4</td>
<td>0.970***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>BL5</td>
<td>0.873***</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: $X^2$/d.f = 2.345, CFI = 0.989, GFI = 0.964, AGFI = 0.944, NFI = 0.981, RMSEA = 0.051, SRMR = 0.044

### 4.2. Discriminant Validity

Comparing AVE with the squared inter-construct correlation (SCI), and with the AVE > SCI [66-67], as seen in Table 3, Indicate the presence of discriminant validity.

### Table 3. Discriminant Validity.

<table>
<thead>
<tr>
<th>Construct</th>
<th>M</th>
<th>SD</th>
<th>SB</th>
<th>CI</th>
<th>BL</th>
</tr>
</thead>
<tbody>
<tr>
<td>SB</td>
<td>2.921</td>
<td>1.103</td>
<td>0.934</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CI</td>
<td>2.906</td>
<td>1.099</td>
<td>0.474</td>
<td>0.766</td>
<td></td>
</tr>
<tr>
<td>BL</td>
<td>2.889</td>
<td>1.100</td>
<td>0.598</td>
<td>0.433</td>
<td>0.938</td>
</tr>
</tbody>
</table>

### 4.3. Test of Hypothesis

According to the result indicated in Table 4, sustaining banking practices positively affects corporate image ($\beta = 0.498$, $p < 0.01$), and bank loyalty ($\beta = 0.744$, $p < 0.01$), which support hypothesis H1 and H2. Further result indicated a positive direct effect of corporate image on bank loyalty ($\beta = 0.112$, $p < 0.01$), this support hypothesis H3. Furthermore, result from the mediation analysis conducted indicated that corporate image significant mediates in the relationship between sustainable banking practices and bank loyalty positively ($\beta = 0.055$, $p < 0.01$), which uphold hypothesis H4. Further findings indicated a no significance of our control variables on the study variable.

### Table 4. Test of Hypothesis.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Standardized estimate</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>SB $\rightarrow$ CI</td>
<td>0.498***</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>SB $\rightarrow$ BL</td>
<td>0.744***</td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>CI $\rightarrow$ BL</td>
<td>0.112***</td>
<td>Supported</td>
</tr>
<tr>
<td>H4</td>
<td>SB $\rightarrow$ CI $\rightarrow$ BL</td>
<td>0.055***</td>
<td>Supported</td>
</tr>
</tbody>
</table>
5. Discussion

There are several theoretical implications that can be derived from this study. Primarily, this study investigated customers’ perspective of sustainable banking practices on bank loyalty, also exploring the mediating effect of corporate image in the relationship between sustainable banking practices and bank loyalty. This is necessary because, as an emerging field of study, as earlier stated, few empirical studies available viewed sustainable banking with regard to the most appropriate sustainable model that should be adopted [16,29], as well as individuals perception of the importance and performance of sustainable practices on the society [68]. Therefore, viewing sustainable banking from the relationship marketing perspective adds substance to this emerging field of research.

This study indicates that sustainable banking practices has a positive impact on bank loyalty and on the corporate image of banks, implying that adopting sustainable banking practices, sends a positive signal to the bank stakeholders regarding their position as well as what they represent in the corporate environment, This buttresses prior findings that stress the relationship between the former and the later variables respectively [69].

Further findings from this study shows a positive effect of corporate image on bank loyalty. In other words, a positive perception of a customer on a bank enhances the customers’ loyalty to such a brand, which upholds prior position that corporate image serves as antecedent to bank loyalty [34].

Corporate image was seen to have a mediating role in the relationship between sustainable banking practices and bank loyalty. This serves as an important finding of this research because, to the best of our knowledge, they seems to be no study that has been able to investigate the mediating effect of corporate image in the relationship between both variables despite previous finding indicating an indirect impact of corporate image on customer’s loyalty [70].

With customer loyalty increasingly becoming a competitive factor for the acquisition of market share on one hand, and customers preference for more ethical or sustainable approaches to be adopted by their banks on the other hand, an understanding of the various factors that are in tune with the customer’s view on sustainable practices likely serves as a competitive advantage for any bank that is focus on acquiring and consolidating loyalty through the values they offer to the market.
Applying the right sustainable approach requires banks moving from developing strategies for just economic returns to adopting a strategic corporate sustainability management approach by redefining the strategic processes, content and context, which creates room for the integration of sustainable values for the banks and stakeholders at large [71].

As a means of developing a more sustainable approach capable of winning bank loyalty, banks are advised to adopt approaches such as the cognitive mapping approach which is centered on gathering information from senior management or experts, instrumental in the development of an ideal framework or model [72]. These if properly adopted, will enable banks gather sustainable information that could be used in making sustainability visible in the corporate strategy such as developing of financial products and services, adopting digital processes and stewardship role, which are in congruent with the desires of the modern day customers.

From a more precise perspective, as a result of the indictment of banks in North Cyprus for unethical and unsustainable practices as stated earlier, adopting a sustainable approach tends to serve as redemption from the negative perspective of banks in the small Island. This definitely builds a positive image of any bank committed to such approach, which in a long run could be seen as a competitive advantage in the attainment of loyal customers in the industry.

As stated earlier, the essence of this study is aimed at viewing sustainable banking from the relationship marketing perspective by understanding the role of sustainable banking practices on bank loyalty. Just like every other research, there are some limitations that could be identified for this study. First the study was conducted on bank customer in the Northern part of Cyprus, which to an extent doesn’t represent the general view of bank customers of the world. Therefore, exploring customers’ perspective of sustainable banking practices on bank loyalty in a larger society, or a comparative study between two or more countries tends to add substance to this study.

This study combined the technological, social and organizational dimensions of sustainability as factors for sustainable banking practices. Future research could explore other factors such as the economic dimension which could also enrich this field of study. Furthermore, treating the three dimensions adopted for this study as separate variables may also give an in-depth view of which of these variables customer value the most, which could be useful to policy makers.
Author Contributions: All three authors collectively contributed to the writing, reviewing and editing of this article.

Conflicts of Interest: They are no conflict of interest

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