

## **IMPACT OF CORPORATE SOCIAL RESPONSIBILITY ON CORPORATE BRAND REPUTATION: MEDIATING ROLE OF ORGANIZATIONAL CULTURE IN COMMERCIAL BANKS IN ZANZIBAR**

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### **ABSTRACT**

This paper summarizes an empirical study examining how Corporate Social Responsibility (CSR) shapes Corporate Brand Reputation (CBR) in commercial banks in Zanzibar, emphasizing the mediating role of Organizational Culture (OC). Primary data from 300 customers of PBZ, CRDB, and NBC were analyzed using PLS-SEM (SmartPLS). Diagnostic checks indicated reliable and valid constructs; model fit and predictive relevance were satisfactory. CSR had a positive direct effect on CBR and a strong positive effect on OC; in turn, OC significantly enhanced CBR. A mediated model outperformed a direct-only model on  $R^2$  and  $Q^2_{\text{predict}}$ , confirming OC as a key mechanism that translates CSR into stronger reputational outcomes. The findings support Stakeholder Theory and the Resource-Based View, and recommend embedding CSR into internal cultural systems to sustain brand credibility in the banking sector.

**KEYWORDS:** - Corporate Social Responsibility; Organizational Culture; Corporate Brand Reputation; PLS-SEM; Mediation; Zanzibar; Banking.

### **1.0 INTRODUCTION**

The banking sector underpins financial stability and inclusive growth, and in emerging markets such as Zanzibar it is central to financing tourism, trade, agriculture, and manufacturing. In this competitive and highly scrutinized service environment, Corporate Social Responsibility (CSR)

has evolved into a strategic lever for building trust, legitimacy, and customer loyalty. Beyond external programming, however, the beliefs, values, and norms that constitute Organizational Culture (OC) influence whether CSR is perceived as authentic and sustained. This study reframes CSR–reputation linkages by foregrounding OC as the internal mechanism that converts responsible intent into credible customer experiences and, ultimately, stronger Corporate Brand Reputation (CBR).

Despite a growing body of international evidence connecting CSR to brand outcomes, the pathways remain under-explored in African banking contexts, where formal institutions, community expectations, and stakeholder salience differ from developed markets. Zanzibar's commercial banks routinely sponsor education, health, environmental conservation, and community development initiatives; yet the reputational gains are uneven. One plausible explanation is the degree to which CSR is embedded into day-to-day routines and employee conduct the essence of OC—shaping service quality, transparency, and responsiveness that customers actually observe.

Guided by Stakeholder Theory and the Resource-Based View (RBV), this paper examines direct and indirect effects among CSR, OC, and CBR using survey data from 300 bank customers and Partial Least Squares Structural Equation Modeling (PLS-SEM). The approach enables simultaneous estimation of measurement quality and structural paths, while assessing predictive relevance via  $Q^2_{\text{predict}}$  and out-of-sample error benchmarks. The empirical model tests whether OC both complements and mediates the CSR–CBR relationship, thereby explaining variance in customer-based brand outcomes beyond a direct-effects model.

The paper contributes in three ways: first, it offers context-specific evidence from Zanzibar's banking industry, extending CSR–brand scholarship to an under-researched setting. Second, it clarifies OC's role as a value-creation capability that amplifies CSR's reputational returns. Third, it distills actionable recommendations for managers and policymakers on integrating CSR into culture to sustain credibility. The remainder proceeds as follows: Section 2 reviews theoretical and empirical literature; Section 3 outlines methods; Section 4 presents results and discussion with tables and figures; Section 5 concludes and offers recommendations.

## **2.0 LITERATURE REVIEW**

Stakeholder Theory posits that an organization's survival depends on value creation for multiple stakeholder's customers, employees, investors, regulators, and communities. CSR acts as a stakeholder engagement device that signals responsibility, builds trust, and legitimizes operations. In banking, where risk opacity is high and switching costs are moderate, credible CSR can reassure stakeholders and differentiate brands.

Social Exchange perspectives suggest that prosocial investments prompt reciprocal behaviors patronage, advocacy, and tolerance when stakeholders perceive fairness and care. Internally, such reciprocity is conditioned by OC: shared norms around ethics, service, and teamwork sharpen the consistency between promises (CSR claims) and delivery (service encounters).

The Resource-Based View frames OC as a hard-to-imitate capability that routinizes CSR into processes, reinforcing authenticity and reliability. Thus, theory predicts CSR → OC, OC → CBR, and CSR → CBR, with OC mediating CSR's effect on CBR by aligning employee conduct with stakeholder expectations.

Empirical studies in banking and services link CSR to brand trust, satisfaction, and reputation, often via perceived ethicality and identification. Evidence from emerging markets indicates that community-facing CSR enhances goodwill but that internal alignment is decisive for durable effects on reputation and loyalty.

Research on OC shows that ethical, participative cultures improve service quality, transparency, and employee engagement proximal drivers of brand credibility. Studies also suggest that CSR initiatives can shape OC by embedding shared values over time, though results vary across contexts and implementation rigor.

Methodologically, mediation tests using PLS-SEM are suited to complex, latent constructs. Recent work shows that mediated models can outperform direct-effect models on explanatory power and prediction, underscoring the need to examine OC as a mechanism in CSR–CBR relationships.

### **3.0 METHODOLOGY**

Design and Sample: A cross-sectional survey captured perceptions of CSR, OC, and CBR from 300 customers of PBZ, CRDB, and NBC in Zanzibar. Instrument: A 5-point Likert questionnaire adapted from prior scales measured latent constructs. Procedures: A pilot refined wording; data integrity was ensured via ethical consent and anonymity. Analysis: Measurement quality was assessed via reliability (Cronbach's  $\alpha$ , Composite Reliability) and validity (loadings, AVE, Fornell–Larcker, HTMT). Structural paths were estimated using PLS-SEM (SmartPLS) with 5,000 bootstrap resamples. Predictive relevance and out-of-sample accuracy were evaluated with  $Q^2_{\text{predict}}$  and RMSE/MAE benchmarks (PLSpredict).

**4.0 RESULTS AND DISCUSSION****Table 1: Respondents' Demographic Characteristics (N = 300)**

Variable	Category	Frequency	Percent
Gender	Male	195	65.0
	Female	105	35.0
Age	Below 25	30	10.0
	26-35	60	20.0
	36-46	135	45.0
Education	Above 46	75	25.0
	Secondary	60	20.0
	Diploma/Degree	165	55.0
Bank	Postgraduate	75	25.0
	PBZ	110	36.7
	CRDB	100	33.3
Usage	NBC	90	30.0
	Daily	75	25.0
	Weekly	135	45.0
Usage	Monthly	60	20.0
	Occasionally	30	10.0

Discussion for Table 1: The sample is predominantly male and concentrated in the 36-46 age group, reflecting the economically active core of retail banking in Zanzibar. Over half hold a diploma or degree, implying high salience of ethical conduct and service quality when judging CSR credibility. Representation across PBZ, CRDB, and NBC supports generalizability within the local market while usage patterns point to frequent bank customer contact, where culture-driven service cues reputation.

**Table 2: Descriptive Statistics of CSR, OC, and CBR**

Variable	Mean	Std. Dev.	Interpretation
CSR	4.12	0.61	Agree
OC	4.05	0.58	Agree
CBR	4.22	0.55	Strongly Agree

Discussion for Table 2: Customers 'agree' that their banks engage in CSR and demonstrate strong cultural norms, while brand reputation is rated even higher. This pattern suggests CSR and OC jointly underpin a favorable reputational baseline; in services, culture likely acts as the reliable conduit translating CSR promises into consistent experiences.

**Table 3: Convergent Validity Summary (Loadings  $\geq 0.50$ ; AVE  $\geq 0.50$ )**

Construct	Example Loadings	AVE
CSR	0.865 – 0.893	0.767
CBR	0.867 – 0.891	0.772
OC	0.817 – 0.857	0.697

Discussion for Table 3: High indicator loadings and AVE values confirm that items coherently tap their intended constructs. This provides assurance that structural estimates rest on well-behaved measurement, reducing risks of attenuation or bias.

**Table 4: Reliability (Cronbach's  $\alpha$ ; Composite Reliability)**

Construct	Cronbach's $\alpha$	CR	Interpretation
CSR	0.87	0.90	Reliable
OC	0.89	0.92	Reliable
CBR	0.91	0.93	Reliable

Discussion for Table 4: Internal consistency exceeds the 0.70 threshold across constructions, indicating dependable scales and supporting the precision of the subsequent path estimates.

**Table 5: Structural Model Direct Effects**

Path	$\beta$	t	p	2.5% CI	97.5% CI
CSR $\rightarrow$ CBR	0.323	7.818	<0.001	0.242	0.404
OC $\rightarrow$ CBR	0.586	15.954	<0.001	0.511	0.655
CSR $\rightarrow$ OC	0.586	15.954	<0.001	—	—

Discussion for Table 5: CSR exerts a positive direct influence on CBR while also strongly shaping OC; OC itself has a large, significant effect on CBR. Together these paths support a mediated value-creation mechanism in which culture operationalizes responsibility into credible brand experiences.

## 5.0 CONCLUSION AND RECOMMENDATIONS

### 5.1 Conclusion

First, CSR contributes directly to corporate brand reputation in Zanzibar's banking sector, confirming its importance as a stakeholder-facing signal of responsibility and care. Customers perceive banks with visible, well-communicated CSR as more trustworthy and reputable.

Second, CSR is a cultural catalyst: it strengthens internal norms around ethics, teamwork, and service elements customers detect in everyday interactions. This alignment reduces gaps between what banks claim and what customer's experience.

Third, OC mediates the CSR–CBR link, improving explanatory and predictive performance over a direct-only model. Embedding CSR into culture is therefore essential to sustain reputational gains, not just to generate short-term goodwill.

## **5.2 Recommendations**

Embed CSR in core values and routines: Translate CSR themes into service standards, KPIs, recognition systems, and on boarding, so employees operationalize responsibility consistently at touch points.

Invest in culture-building: Use training, internal communications, and leader role-modeling to reinforce ethical conduct, customer empathy, and transparency capabilities that magnify CSR's external effects.

Design CSR strategically: Prioritize initiatives aligned with stakeholder salience in Zanzibar (education, health, environment), with clear objectives, metrics, and public reporting to enhance credibility.

Monitor reputation outcomes: Track customer trust, advocacy, and complaint resolution alongside CSR outputs to verify that cultural integration is delivering reputational returns and to guide continuous improvement.

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