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The Impact of Environmental, Social and Governance (ESG) Aspects on Consumers' Equity

Barış Armutcu [1]

Abstract

Recently, environmental, social and governance (ESG) factors have become an important focus in corporate governance strategies around the world. This study examines how ESG impacts the customer equity of retail banks. This study examines how ESG initiatives affect customer attitudes and the components of customer equity in attitudes. It also examines the impact of customer equity on purchase intention. Within the scope of the study, data were collected from a total of 287 bank customers in Asian countries using a survey method. A partial least squares structural equation modeling (PLS-SEM) test with 10.000 subsamples was conducted to analyze the developed research model and the collected data. The results showed that all three ESG factors - environmental, social, and governance - positively influenced customer attitudes, with governance having the strongest effect. Customer attitudes, in turn, strongly impact value, brands and relationship equity. Value and relationship equity were found to positively influence purchase intention, whereas brand equity did not show a significant effect. This study contributes to advancing the understanding of ESG and customer equity in banking, providing insights for developing sustainable marketing strategies and responsible banking practices. The findings suggest that banks should focus on governance initiatives as primary drivers of customer equity and purchase intent. This study has implications for banking practitioners in prioritizing ESG efforts and policymakers in promoting sustainable banking frameworks. While limited to the retail banking context, this study offers a foundation for future research exploring these relationships in other settings. Furthermore, the study contributes to the limited empirical evidence on the relationship between ESG and customer behavior.

Keywords: ESG, Environment, Social, Governance, Customer Equity, Customer Attitude

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Çevresel, Sosyal ve Yönetişim (ESG) Unsurlarının Tüketicilerin Öz Kaynakları Üzerindeki Etkisi

Barış Armutcu [1]

Öz

Son zamanlarda çevresel, sosyal ve yönetişim (ESG) faktörleri, dünya çapında kurumsal yönetim stratejilerinde önemli bir odak noktası haline gelmiştir. Bu çalışma, ESG'nin perakende bankaların müşteri özkaynaklarını nasıl etkilediğini incelemektedir. Bu çalışma, ESG girişimlerinin müşteri tutumlarını nasıl etkilediğini ve tutumlarda müşteri özkaynaklarının bileşenlerini incelemektedir. Ayrıca müşteri özkaynaklarının satın alma niyeti üzerindeki etkisini de incelemektedir. Çalışma kapsamında Asya ülkeleri özelinde toplam 287 banka müşterisinden anket yöntemi ile veriler toplanmıştır. Geliştirilen araştırma modelini ve elde edilen verileri analiz etmek için 10.000 alt örneklem ile kısmi en küçük kareler yapısal eşitlik modellemesi (PLS-SEM) testi yapılmıştır. Sonuçlar, çevresel, sosyal ve yönetişim olmak üzere üç ESG faktörünün de müşteri tutumlarını olumlu yönde etkilediğini ve yönetişimin en güçlü etkiye sahip olduğunu göstermiştir. Müşteri tutumları da değeri, markaları ve ilişki sermayesini güçlü bir şekilde etkilemektedir. Değer ve ilişki sermayesinin satın alma niyetini olumlu yönde etkilediği, marka sermayesinin ise anlamlı bir etki göstermediği tespit edilmiştir. Bu çalışma, sürdürülebilir pazarlama stratejileri ve sorumlu bankacılık uygulamaları geliştirmek için içgörüler sağlayarak bankacılıkta ESG ve müşteri özkaynaklarının anlaşılmasına katkıda bulunmaktadır. Bulgular, bankaların müşteri eşitliği ve satın alma niyetinin birincil itici gücü olarak yönetişim girişimlerine odaklanmaları gerektiğini göstermektedir. Çalışma, bankacılık uygulayıcılarının ESG çabalarına öncelik vermeleri ve politika yapıcıların sürdürülebilir bankacılık çerçevelerini teşvik etmeleri açısından önem taşımaktadır. Bununla birlikte çalışma bankacılık bağlamıyla sınırlı olsa da bu ilişkileri diğer ortamlarda inceleyen gelecekteki araştırmalar için bir temel sunmaktadır. Ayrıca çalışma ESG ve müşteri davranışı arasındaki ilişkiyi araştıran sınırlı ampirik kanıtlara katkı sağlamaktadır.

Anahtar Kelimeler: ESG, Çevre, Sosyal, Yönetişim, Müşteri Özkaynakları, Müşteri Tutumu, Satın Alma, PLS-SEM

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Introduction

Environmental, social and governance (ESG) practices have a significant impact on customer attitudes and behaviors in the banking sector (Ho and Chow, 2024, p.1330). ESG practices and business attitudes are known to influence consumer engagement (PwC, 2021). Moreover, research shows that ESG initiatives, especially the integration of environmental practices, have a positive impact on corporate social responsibility (CSR) activities and customer perceptions (Nugroho et al., 2024, p.1). This suggests that retail banks that focus on ESG practices can increase their customer equity by improving brand image and customer trust (Ho and Chow, 2024, p.1342; Jaiwani and Gopalkrishnan, 2023, p.194).

Nugroho et al. (2024) emphasize the importance of prioritizing environmental actions and effectively communicating ESG policies to strengthen their brands and gain customer trust (p.19). By aligning ESG strategies with customer expectations and organizational structure, retail banks can increase customer equity and ensure long-term sustainability. Ho and Chow (2024, p.1330) argue that ESG practices generally have a positive impact on customer attitudes, customer equity and customer purchase intentions.

The banking sector plays an important role in the global economy and has a significant potential to influence sustainable development through its practices and policies (Çöllü, 2021, p.1096). Therefore, it is particularly important to understand how ESG banking initiatives influence customer perceptions and behaviors. This study aims to provide insights into the relationships between ESG factors, customer attitudes, customer equity components and purchase intentions in the retail banking context. To the best of our knowledge, this is the first study to investigate the relationship between ESG and customer attitudes, customer and purchase intentions among consumers from Asian, European and Middle Eastern cultures.

The current study offers significant contributions and innovations from various perspectives by *(i)* exploring the relationship between ESG (environmental, social and governance) and customer attitudes; *(ii)* investigating the impact of the relationship between customer attitudes and customer equity components (value, brand and relationship equity); *(iii)* identifying the impact of customer equity components on bank customer repurchase intention; *(iv)* focusing on consumers with an emerging economy and Asian, European and Middle Eastern consumption cultures, providing comprehensive initial implications for countries with similar economic and cultural conditions and *(v)* using a robust partial least squares structural equation modeling (PLS-SEM) test with 10.000 subsamples). In this context, the findings have strong, valuable and important implications for the banking industry, marketers, policymakers and relevant government agencies and organizations. In this context, the study seeks to answer the following research questions to answer calls for further research, fill existing gaps in the literature, provide guidance for future research and advance the limited existing body of knowledge.

Research questions;

Q1. How do environmental, social, and governance (ESG) initiatives in retail banks affect customer attitudes and CE components of customer equity?

Q2. To what extent do customer attitudes influence the CE components of customer equity (value equity, brand equity and relationship equity) in retail banking?

Q3. What is the impact of customer equity components on purchase intention in the context of ESG-oriented retail banking?

The rest of the paper proceeds as follows: following the first section, in the second section we review the background and literature and propose our hypotheses, in the third section we describe the data and methods used to test the proposed hypotheses. The third section presents the results of the analyses and the final section presents the discussion, practical and theoretical contributions, limitations of the study and new directions for future researchers.

Background Theory and Hypothesis Development

ESG, customer equity and purchase intention

The historical evolution of Environmental, Social and Governance (ESG) criteria is marked by several key milestones that underscore the increasing acknowledgment of social responsibility in business practices and investment decisions. The origins of ESG can be traced back to the socially responsible investment (SRI) movement of the 1960s, which advocated the consideration of nonfinancial factors in investment decisions. Traditionally, corporate responsibilities have been predominantly viewed through a fiscal lens, with an emphasis on maximizing shareholder profit. However, as public consciousness regarding social issues increased, investors began to seek alignment between their investments and personal values, leading to the early adoption of social screening in investment practices. The formalization of the ESG concept is largely attributed to developments in the 2000s, notably the publication of the UN Global Compact in 2004, which encourages investors to integrate ESG factors into their decision-making processes (Wang et al., 2023, p.1). This development represents a pivotal shift towards a structured framework for evaluating the sustainability and ethical implications of corporate actions.

ESG refers to the environmental, social and governance factors. These factors are used to evaluate a company's sustainability performance and ethical business practices (Sideri, 2023, p. 530; Omonijo and Zhang, 2025, p.2). It is important for consumers to prefer the products and services of companies with high ESG performance (Ho and Chow, 2024, p.1341). Moreover, companies' ESG activities and technological innovations are related to corporate sustainability, which may influence consumer preferences (Omonijo and Zhang, 2025, p,1). Transparency and reporting on ESG issues allows managers and customers to learn more about companies, which can encourage informed engagement decisions (Wang et al., 2023, p.21-22). Well-defined corporate governance frameworks and internal ESG strategies support business operations against growth opportunities and reputation enhancements (Elamer & Boulhaga, 2024, p.3312). ESG refers to three broad categories of factors used to assess the ethical impact of investment in a company or business, and its sustainability practices. As the global interest in sustainable and responsible investing has grown, the definition and understanding of ESG has become increasingly important (Svanberg et al., 2022, p1-3). The social aspect focuses on how a company handles its interactions with its workforce, suppliers, clients and the communities it serves, encompassing labor policies and the safety of its products (Aich et al., 2021, p1-2; Park and Oh, 2022, p.1). Governance relates to the company's leadership, executive salaries, audits, internal controls and shareholder rights and reflects how a company is managed and how it makes decisions (Trahan and Jantz, 2023, p.4384-4385). All these factors can positively influence consumer perceptions and behaviors. Moreover, ESG factors can indirectly shape consumer behavior while affecting companies' sustainability performance. ESG is an important indicator for understanding consumers' tendency to prefer well-managed companies that care about environmental and social responsibilities. Investigating the specific factors that influence consumers' purchase intentions is critical to developing a deeper understanding of this issue. Consumers tend to prefer well-governed companies committed to environmental and social responsibilities. However, more specific research is needed in this regard (Ho and Chow 2024, p.1342).

Hypothesis Development

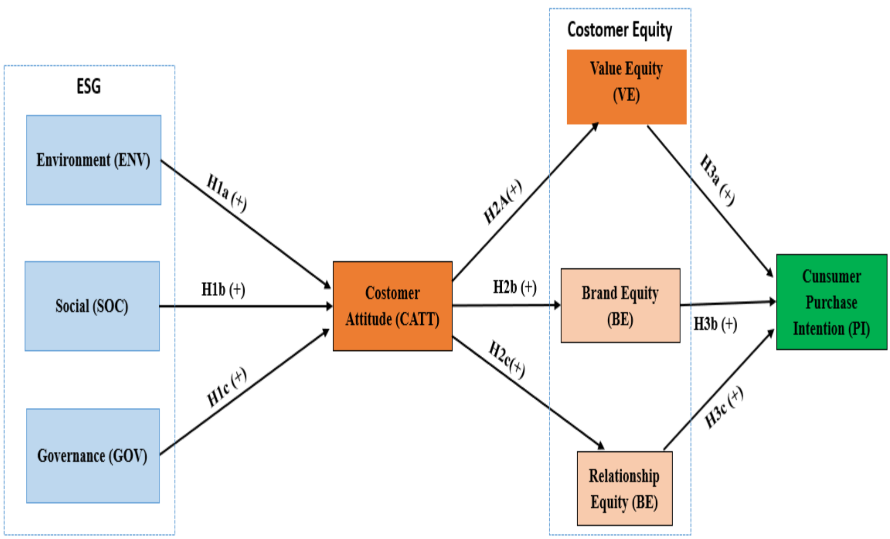
The interaction between ESG factors and consumer relationships is becoming increasingly important in modern business. Various studies have shown that when companies carefully implement ESG principles, consumers are more prone to develop brand loyalty and trust (Ho and Chow, 2024, p.1330). Firms that effectively communicate ESG initiatives experience increased brand reputation and consumer engagement, which significantly impact customer loyalty and repeat purchase intentions. In particular, Puriwat and Tripopsakul argue that brand perception is an important factor in the relationship between ESG and consumer loyalty (Puriwat and Tripopsakul, 2023, p.1). This is confirmed by other studies, such as Koh et al., who argue that perceived ESG significantly increases brand trust and consumers' attitudes towards brands, and ultimately promotes brand loyalty (Koh et al., 2022). This relationship is further mediated by constructs such as brand trustworthiness and perceived quality. Yu et al. (2023) emphasized that a company's reputation can play an important mediating role in the relationship between ESG initiatives and consumer loyalty, finding that enhanced corporate reputation positively affects consumer trust and satisfaction, thereby increasing repeat purchase behavior. This finding is in line with the work of Lee and Rhee (2023), who state that ESG activities indirectly support brand loyalty through improved brand image and consumer engagement. Kim et al. (2020) extend this discussion by examining corporate social responsibility (CSR) as an ESG component that influences brand resonance and deepens consumer connections through brand affection and community involvement. Hu et al. (2024) argue that businesses that skillfully use social media not only increase brand loyalty by showcasing their sustainable practices, but also effectively engage with consumers who prioritize sustainability.

Companies have shown that aligning ESG with core business functions increases brand equity and provides competitive advantage (Lu, 2024, p.93). This finding is further confirmed by Agu et al. (2024), who argue that transparency and ethical engagement underpin enduring consumer relationships. In particular, brand trust is a critical mediator that links ESG practices to consumer loyalty. Cao (2023) demonstrates how all dimensions of ESG positively influence brand trust, suggesting that trust acts as a channel between brand loyalty and ESG performance. Combined with the insights of Hu et al. (2024), who suggest that the strategic use of social media can further increase consumer engagement with green products, it is clear that businesses need to adopt sustainable practices and communicate them effectively to foster consumer trust and loyalty.

Koh et al. (2022) found that consumers' perceptions of ESG influence businesses' customer attitudes through brand credibility, brand image and perceived quality. Ahn (2020) finds that corporate social responsibility activities can help develop positive customer attitudes in the service sector. Ho and Chow (2024) reveal that the governance dimension of ESG elements positively affects customer attitude. From the standpoint of consumer behavior, customer equity evaluates the perceived worth of a product or service, the brand, and the ongoing relationships between the company and its customers over time (Yuan et al. 2016). It consists of three components: value equity, brand equity and relationship equity. According to Ho and Chow (2024), customer attitudes have a positive influence on all aspects of customer equity. Kim et al. (2012) found a positive correlation between customer attitudes toward a brand and customer equity. Yuan et al. (2016) noted that attitudes impact customer equity on social media platforms. Likewise, Ho and Chung (2020) indicated that high customer equity can result in purchase intentions. Ho and Chow (2024) found that value equity and relationship equity positively affect customer purchase intentions.

In conclusion, a synthesis of numerous studies shows a robust link between ESG practices and consumer engagement. Consumers respond positively to brands that prioritize sustainability, as highlighted by the themes of trust, engagement and reputation. This relationship suggests that a strategic focus on ESG not only fulfills corporate responsibility but also serves as a powerful driver for brand success in an increasingly conscious marketplace.

In response to the empirical evidence in the literature and calls for further research, we propose the following model and hypotheses (see Figure 1).



H1a: Environmental initiatives are positively related to customer attitudes.

H1b: Social initiatives are positively related to customer attitudes.

H1c: Governance initiatives are positively related to customer attitude.

H2a: Consumer attitudes are positively related to value equity.

H2b: Consumer attitudes are positively related to brand equity.

H2c: Consumer attitudes are positively related to relationship equity.

H3a: Value equity is positively related to purchase intention.

H3b: Brand equity is positively related to purchase intention.

H3c: Relationship equity is positively related to purchase intention.

Fig. 1. Proposed theoretical framework model

Source: Author's own work

Research Methodological Background

Method, participants, data analysis and measurements

This study investigates the impact of ESG on customer equity of retail banks. Drawing from equity theory and customer equity literature, this study examines how ESG initiatives affect customer attitudes and the components of customer equity. It also examines the impact of customer equity on purchase intention. Since the study focuses on the banking sector, the participants consist of people who have experienced banking services. Before finalizing the questionnaire, a pilot test (n = 30) was conducted to reduce common method bias and minor errors in the questions were corrected (Armutcu et al., 2023, p.194). To ensure broader reach, the questionnaires were distributed through social media platforms, which enabled voluntary participation from diverse respondents. Data were collected from Asian countries as part of the study. Within the scope of the study, 287 valid questionnaires were obtained through voluntary participation. The collected questionnaires and proposed research model were evaluated using partial least squares structural equation modeling with 10,000 subsamples (PLS-SEM with SmartPLS 4) and the SPSS 26 statistical analysis program. The survey data obtained were sufficient for SEM analysis (Westland, 2010; Cohen, 1988; Faul et al., 2007; see Figure 3). The representativeness of the population was evaluated using G*Power analysis (linear multiple regression, two tails, effect size: 0.06, power 0.95), and it was determined that there were more than 219 participants (n = 287; see Figure 2). This result shows that the population was represented with a 95% confidence interval. The questionnaire was designed using a 5-point Likert scale with response options ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), and participants were asked to respond according to this scale. The questionnaire includes five demographic and descriptive questions, seven independent variables and one dependent variable. To ensure validity and cultural appropriateness, the measurement items were adapted using the back-translation method (three-step reverse translation). In addition, an expert focus group reviewed the translated items and provided feedback, after which the final version of the questionnaire was established. The structures of the dependent and independent variables used in the study were adapted from Chow and Ho (2024), Koh et al. (2022), Bianchi et al. (2019) and Lee and Park (2019). Finally, ethical approval for the study was obtained from the Publication Ethics Committee of Iğdır University, No. 2025/31, with the decision of the Ethics Committee.

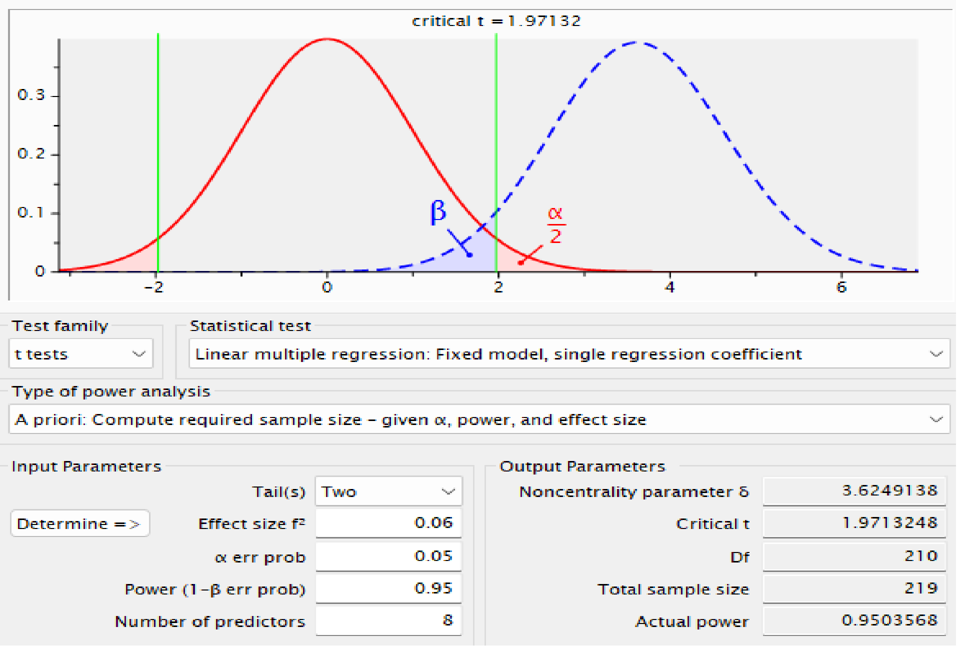


Fig. 2. G*Power Test Results

Source: Author's own work

Descriptive statistical analysis results

As seen in Table 1, 55.4% of the participants are male and 44.6% of the participants are female. In terms of educational level, the highest proportion was bachelor's degree graduates (56.8%), while the lowest proportion was secondary school graduates (2.4%). In terms of age distribution, the largest group was between the ages of 18 and (42.5%), while the smallest group was 55 years and over (2.8%). When the income level was analyzed, the highest rate was observed in the group with 22,000 TL and below (43.2%), and the lowest rate was observed in the group with 80,001 TL and above (9.8%). In terms of occupational distribution, the highest rate belonged to the temporarily unemployed (32.4%), while the lowest rate was found to be retired (2.1%). These demographic data show that the survey was conducted with a large sample covering various socioeconomic and age groups.

Table 1. Demographic profile

Participant Characteristics		Frequency	Percent
Gender	Male	159	55.4
	Female	128	44.6
Education	Middle school	7	2,4
	High school	43	15,0
	Associate's degree	26	9,1
	Bachelor's degree	163	56,8

	Master's and above	48	16,7
Age	18 to 24	122	42,5
	25 to 34	80	27,9
	35 to 44	57	19,9
	45 to 55	20	7,0
	55 and above	8	2,8
Income	22.000 and less	124	43,2
	22.001-40.000TL	47	16,4
	40.001-60.000TL	53	18,5
	60.001-80.000TL	35	12,2
	80.001TL and more	28	9,8
Job	Worker	56	19,5
	Civil Servant/Government	72	25,1
	Self-employed	41	14,3
	Retired	6	2,1
	Housewife	19	6,6
	Temporary Unemployed	93	32,4
Total		287	100,0

Source: Author's own work

Model Analysis and Results

Validity and reliability analysis results

We used SmartPLS v.4 and SPSS 26 statistical software programs to examine the causal relationships between variables. Table 2 shows the results for the construct reliability, validity and discriminant validity (CA, CR, AVE, and rho_A). Analysis was performed using the PLS-SEM estimation method. Table 3 shows the discriminant validity results. The values in the table are used to assess the reliability and validity of the measurement model. In terms of reliability, the Cronbach's alpha (α) values are above 0.80 for all the constructs, indicating high internal consistency. In addition, the composite reliability (CR) values were above 0.90, indicating high reliability of the constructs. In terms of validity, the average variance explained (AVE) values are above 0.70 for all the constructs, indicating that convergent validity was achieved. The Fornell-Larcker criterion was used for discriminant validity. The diagonal values (in bold) are higher than the other values in the relevant column, indicating that discriminant validity was achieved (Hair et al., 2017; Fornell and Larcker, 1981; Armutcu et al., 2023, p.195-197). As a result, this table shows that the measurement model is reliable and valid.

Table 2. Construct reliability, validity and discriminant validity

Constructs	PLS-SEM estimation			
	α	CR	rho_A	AVE
ATT	0.904	0.904	0.940	0.839
BE	0.914	0.914	0.946	0.853
ENV	0.890	0.892	0.924	0.752
GOV	0.903	0.905	0.932	0.775
PI	0.916	0.918	0.947	0.856
RE	0.861	0.883	0.915	0.783
SOC	0.891	0.892	0.925	0.754
VE	0.919	0.920	0.949	0.861

Discriminant Validity (Fornell-Larcker Test Results)

	CATT	BE	ENV	GOV	PI	RE	SOC	VE
CATT	0.916							
BE	0.809	0.923						
ENV	0.695	0.656	0.867					
GOV	0.777	0.778	0.689	0.880				
PI	0.829	0.788	0.653	0.779	0.925			
RE	0.824	0.866	0.653	0.792	0.823	0.885		
SOC	0.750	0.758	0.783	0.822	0.755	0.736	0.868	
VE	0.852	0.807	0.698	0.750	0.803	0.805	0.789	0.928

Note: ENV: Environment, SOC: Social, GOV: Governance, CATT: Costomer Attitude, VE: Value Equity, BE: Brand Equity, RE: Relationship Equity, and PI: Purchase Intention

Source: Author's own work

Factor loadings, VIF and model fit results

The results in Table 3 show the factor loadings, Variance Inflation Factor (VIF), and model goodness-of-fit values (SRMR, NFI, CFI, d_ULS, and d_G). The results of the analysis were analyzed using the partial least squares structural equation modeling (PLS-SEM) approaches for factor loadings for the eight constructs. Table 3 and Fig. 3 show the results of the structural equation modeling (PLS-SEM) analysis. All the factor loadings were above 0.80, indicating a strong relationship. T Statistics show the t-statistics of the factor loadings, and high values indicate that the factor loadings are statistically significant. These results indicate good construct reliability and validity for both the estimation methods (Hair et al., 2017). The Variance Inflation Factor (VIF) measures and all the values are below five, indicating that there is no multicollinearity problem. The Standardized Root Mean Square Residual (SRMR) and Normed Fit Index (NFI) were used to evaluate model fit. An SRMR value of 0.046 indicated a good fit, and an NFI value of 0.846 indicated an acceptable fit. In general, these results show that the model has a good fit, and the constructs are measured reliably (Ramayah et al., 2018; Kock, 2015; Hair et al., 2017; Armutcu et al., 2023, p.195-197; Schumacker and Lomax, 1996; Schermelleh-Engel et al., 2003).

Table 3. Factor loadings and Model fit

Construct	**Item**	**PLS-SEM Estimation**				
		FL	**T Statistics**	**VIF**	**SRMR/ NFI**	**d_ULS/d_G**
Costomer Attitude	CATT1	0.896	57.459	2.474	0.046/ 0.846	0.803/ 0.786
	CATT2	0.922	70.710	3.194		
	CATT3	0.929	84.948	3.383		
Brand Equity	BE1	0.929	86.210	3.377		
	BE2	0.929	79.424	3.406		
	BE3	0.912	57.069	2.829		
Environment	ENV1	0.852	35.177	2.680		
	ENV2	0.902	66.992	3.340		
	ENV3	0.843	37.852	2.465		
	ENV4	0.871	46.080	2.588		
Governance	GOV1	0.878	49.289	2.623		
	GOV2	0.907	74.150	3.117		
	GOV3	0.880	42.669	2.669		
	GOV4	0.857	34.516	2.319		
Purchase Intention	PI1	0.915	63.899	2.888		
	PI2	0.922	59.062	3.302		
	PI3	0.938	88.336	3.664		
	RE1	0.921	79.396	2.857		

Relationship Equity	RE2	0.814	23.313	1.755
	RE3	0.916	61.668	2.773
Social	SOC1	0.851	36.395	2.202
	SOC2	0.898	64.822	2.971
	SOC3	0.874	44.505	2.586
	SOC4	0.850	44.572	2.097
Value Equity	VE1	0.926	68.842	3.145
	VE2	0.935	95.220	3.695
	VE3	0.923	73.086	3.245

Source: Author's own work

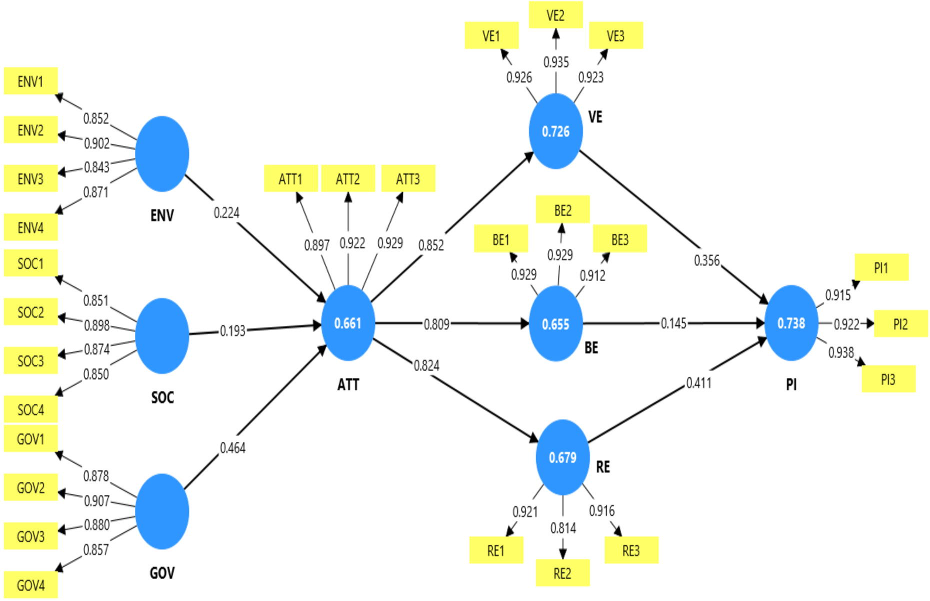


Fig. 3: PLS-SEM result of the proposed model

Source: Author's own work

Results of Regression and Hypothesis Testing

In order to evaluate the proposed model in this study, firstly, the partial least squares structural equation modeling (PLS-SEM) test with 10,000 subsamples was used. The PLS-SEM test is widely used and accepted in the social sciences to reveal individuals' perspectives and conduct complex analyses (Armutcu et al., 2023, p.194; Armutcu et al., 2025, p.2075). Table 4 and Fig. 4 show the results of the structural regression model and analyze the relationships between various variables. The results of this structural regression model show that ESG (Environmental, Social and Governance) factors have significant positive effects on customer attitudes. Environmental (β = 0.224, p < 0.05), social (β = 0.193, p < 0.05) and governance (β = 0.463, p < 0.05) factors positively influence customer attitude, which supports H1a, H1b and H1c. Customer attitude has a strong positive effect on value (β = 0.852, p < 0.05), brand equity (β = 0.809, p < 0.05) and relationship equity (β = 0.824, p < 0.05), confirming H2a, H2b and H2c. Value equity (β = 0.356, p < 0.05) and relationship equity (β = 0.411, p < 0.05) significantly influence purchase intention, which supports H3a and H3c. However, brand equity (β = 0.144, p > 0.05) does not have a significant impact on purchase intention; therefore, H3b is rejected. Among the ESG factors, governance has the strongest impact on customer attitude, followed by environmental and social factors. Customer attitudes have a strong impact on all the equity dimensions. Relationship equity has the strongest impact on purchase intention, followed by value equity. These findings suggest that ESG factors play an important role in shaping customer attitudes, which, in turn, influence various equity dimensions. However, the path from brand equity to purchase intention is not significant, suggesting that this relationship requires further investigation.

Table 4. Structural Regression Model Results (PLS-SEM)

Relationship	**PC**	**STDEV**	**T Statistics**	**Significant? ($p < 0.05$) ***	**Hypotheses**	**Name of Hypotheses**
			Model Direct Effects			
ENV-> CATT	0.224	0.079	2.827	YES*	Accepted	H1a
SOC-> CATT	0.193	0.094	2.045	YES*	Accepted	H1b
GOV-> CATT	0.463	0.083	5.567	YES*	Accepted	H1c
CATT-> VE	0.852	0.022	38.479	YES*	Accepted	H2a
CATT-> BE	0.809	0.027	29.787	YES*	Accepted	H2b
CATT-> RE	0.824	0.027	29.964	YES*	Accepted	H2c
VE-> PI	0.356	0.078	4.552	YES*	Accepted	H3a
BE-> PI	0.144	0.098	1.470	NO*	Rejected	H3b
RE-> PI	0.411	0.095	4.347	YES*	Accepted	H3c

Note: *denotes significance at the 5% level. PC: Path Coefficients, ENV: Environment, SOC: Social, GOV: Governance, CATT: Costomer Attitude, VE: Value Equity, BE: Brand Equity, RE: Relationship Equity, and PI: Purchase Intention

Source: Author's own work

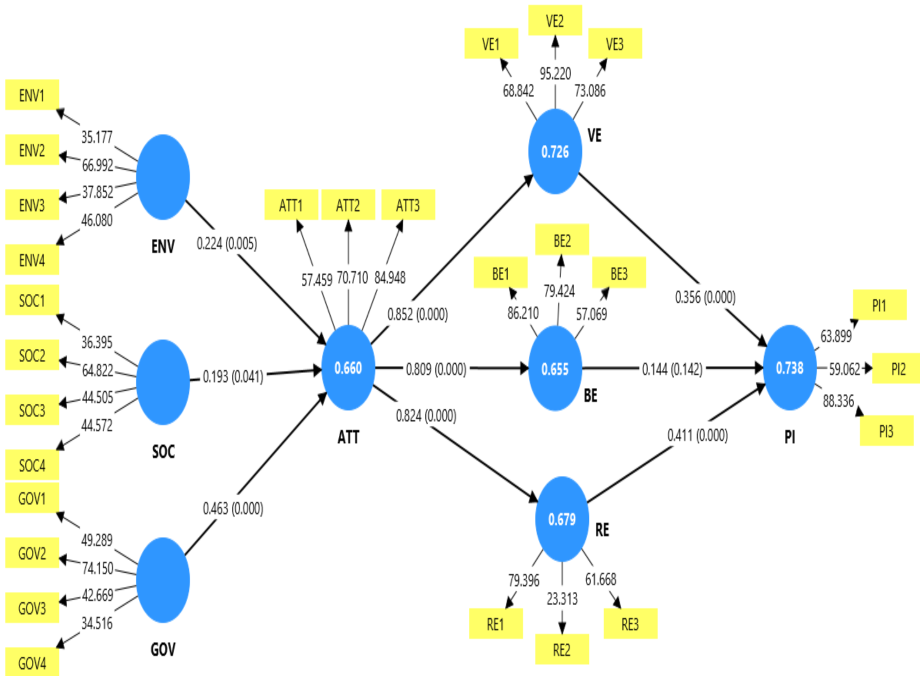


Fig. 3: PLS-SEM regression analysis result of the proposed model

Source: Author's own work

Conclusion and Discussion

This study investigates the impact of Environmental, Social and Governance (ESG) initiatives on customer equity in the retail banking sector. The findings reveal several important insights into the relationship between ESG practices, customer attitudes and customer equity components.

The results show that all three ESG factors - environmental, social and governance - have significant positive effects on customer attitudes, with governance initiatives having the strongest impact. This suggests that customers in the retail banking sector value all aspects of ESG, but pay special attention to governance-related practices. This can be attributed to the financial nature of banking services, in which issues of transparency, accountability and ethical governance may be particularly important to customers (Ho and Chow, 2024; Elamer & Boulhaga, 2024).

The strong influence of customer attitudes on the three components of customer equity - value equity, brand equity and relationship equity - emphasizes the importance of shaping positive customer perceptions. This is in line with previous research that highlights the role of customer attitudes in driving various aspects of customer behavior and loyalty (Kim et al., 2012; Yuan et al., 2016).

However, while value equity and relationship equity positively influence purchase intention, brand equity does not have a significant effect. This unexpected finding suggests that in the context of retail banking sector, customers may prioritize the perceived value of services and the quality of their relationship with the bank over brand-related factors when making purchasing decisions.

This result may be attributable to cultural and sector-specific dynamics. In emerging markets and multicultural contexts, financial decisions may rely more heavily on perceived value and relational trust rather than brand symbolism (Ho and Chow, 2024; Yuan et al., 2016). Moreover, in service industries such as retail banking, where offerings are often perceived as homogenous, brand-related factors may exert less influence compared to governance-driven trust and relationship quality (Koh et al., 2022; Yu et al., 2023). Prior studies suggest that brand image and credibility can strengthen loyalty (Lee and Rhee, 2023; Kim et al., 2020), yet the current findings imply that in the banking context, brand equity alone may not suffice to shape purchase intentions without being supported by strong governance and relationship mechanisms.

The important role of customer attitude in the relationship between ESG initiatives and customer equity components emphasizes the importance of effective communication and the implementation of ESG practices. Banks that successfully communicate their commitment to ESG can positively influence customer attitudes, which in turn can enhance various aspects of customer equity (Nugroho et al., 2024).

These findings have important implications for both banking practitioners and policymakers. For banks, the results suggest that prioritizing and effectively communicating all ESG initiatives, with a particular focus on governance, can be an important strategy for enhancing customer equity and driving purchase intentions. For policymakers, the strong impact of ESG initiatives provides a clear direction for promoting sustainable and responsible banking practices.

From a practical perspective, banks can operationalize these findings by developing transparent governance frameworks and communicating them effectively to customers through sustainability reports and digital channels (Elamer & Boulhaga, 2024). For example, incorporating environmental initiatives such as green loan products and carbon-neutral operations can reinforce customer trust (Nugroho et al., 2024,). Social initiatives, such as financial literacy programs for underserved communities, can strengthen relational bonds and enhance relationship equity. For policymakers, the strong role of governance suggests that mandatory ESG disclosure frameworks, standardized sustainability reporting, and incentives for sustainable lending practices could create sector-wide improvements (Ho and Chow, 2024; PwC, 2021). Such measures would not only ensure accountability but also enhance the credibility of the banking sector, ultimately fostering long-term customer trust and purchase intention.

Overall, this study contributes to the growing literature on ESG and customer equity in the banking sector. This study provides valuable insights for both academics and practitioners on the importance of ESG initiatives in shaping customer attitudes and increasing customer equity in retail banking.

This study makes both practical and theoretical contributions to the fields of sustainable marketing, responsible banking and customer equity. Theoretically, this study advances the understanding of the relationship between ESG initiatives and customer equity in the retail banking sector. This shows that all three ESG factors - environmental, social and governance - positively influence customer attitudes, with governance having the strongest impact. This study also confirms the important role of customer attitudes in translating ESG efforts into improved customer equity components. These findings extend the existing literature on equity theory and customer equity by explicitly linking them to ESG banking practices. Practically, these results provide valuable insights for banking practitioners. The strong impact of governance initiatives on customer attitudes and subsequent customer equity components suggests that banks must prioritize and effectively communicate governance practices. While environmental and social initiatives are also important, the findings suggest that governance can be a primary driver of customer equity and purchase intention in retail banking. This knowledge can help banks develop targeted and effective sustainable marketing strategies. Moreover, the results can guide policymakers in promoting responsible banking practices by emphasizing the importance of strong governance frameworks in the banking sector. For example, banks could develop targeted sustainable marketing strategies by highlighting ethical governance in advertising campaigns, showcasing transparency in executive decision-making, or offering digital platforms that allow customers to track ESG-related banking activities. Policymakers, on the other hand, could encourage these practices by introducing tax incentives for green loans or mandating third-party audits of governance frameworks, thereby strengthening both consumer trust and systemic sustainability (Nugroho et al., 2024; Ho and Chow, 2024).

There are certain limitations in this study that future research should consider addressing. Firstly, the emphasis on retail banking sector might restrict the applicability of the results to different cultural settings or other industries. Future studies should explore these relationships in various geographical and cultural settings to confirm and extend the results. Second, the cross-sectional nature of the data collection limits causal inferences. Longitudinal studies can provide a more comprehensive understanding of how ESG initiatives affect customer value over time. In addition, the unexpected finding regarding the insignificant effect of brand equity on purchase intention warrants further research. Researchers can investigate possible moderating factors or alternative conceptualizations of brand equity in the banking context. Finally, future studies could examine the relative importance of specific ESG practices within each category (environmental, social and governance) to provide practitioners with more detailed insights. Investigating the potential interaction effects between different ESG initiatives can also provide valuable insights into developing comprehensive ESG strategies in the banking sector.

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Benzerlik Taraması	Yapıldı – Ithenticate
Etik Bildirim	itobiad@itobiad.com
Çıkar Çatışması	Çıkar çatışması beyan edilmemiştir.
Finansman	Bu araştırmayı desteklemek için dış fon kullanılmamıştır.
Peer-Review	Double anonymized - Two External
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