

# Perceived firm ethicality and brand loyalty: the mediating role of corporate social responsibility and perceived green marketing

George Kofi Amoako

*Department of Marketing, Central University Accra Ghana, Accra, Ghana*

Joshua Kofi Doe

*Central University, Ghana, Accra, Ghana, and*

Robert Kwame Dzogbenuku

*Department of Marketing, Central University, Ghana,  
Accra, Ghana*

## Abstract

**Purpose** – This study aims to establish the link between business ethics and brand loyalty and to investigate the mediating role of corporate social responsibility (CSR) and United Nations Sustainable Development Goals (SDGs) such as green marketing.

**Design/methodology/approach** – Using the purposive sampling technique, data were obtained from 622 middle-income city dwellers who shop at leading retail malls. Data were analyzed with partial least square–structural equation model.

**Findings** – The study found a positive and significant relationship between business ethics, CSR, green marketing and business loyalty. Both CSR and green marketing mediate between perceived firm ethicality and brand loyalty.

**Research limitations/implications** – This research was done based on general knowledge of business ethics, CSR and green marketing from the consumers' perspective. Future studies can avoid this limitation.

**Practical implications** – By ensuring ethical codes, CSR and green marketing, firms can contribute to promoting the SDGs, and at the same time, achieving customer loyalty. Brand loyalty is further enhanced if customers see a firm to be practicing CSR.

**Social implications** – The SDGs of sustainable production patterns, climate change and its impacts, and sustainably using water resources must become the focus of companies as they ultimately yield loyalty. Policymakers and society can design a policy to facilitate adoption of better ethical behavior and green marketing by firms as a way of promoting SDGs.

**Originality/value** – To the best of the authors' knowledge, this study is the first to test the mediation effect of green marketing and CSR on how ethical behavior leads to brand loyalty. It is also one of the few papers to examine how SDGs can be promoted by businesses as stakeholders.

**Keywords** Ethics, Sustainable development, Green marketing, Corporate social responsibility, UN sustainable development goals, CSR, Ethical behavior

**Paper type** Research paper



## Introduction

Issues regarding business ethics (Blome *et al.*, 2017; Tsalikis *et al.*, 2018), perceived green marketing (D'Souza *et al.*, 2006; Papadas *et al.*, 2017; Amoako *et al.*, 2020), corporate social

responsibility (CSR) (Saridakis *et al.*, 2020) and brand loyalty (Sarkar and Sarkar, 2017; Lin *et al.*, 2019) continue to occupy center stage in various academic authorship. Specifically, the connection between business ethics, consumer ethics, CSR and brand loyalty has been examined. However, such studies have excluded green marketing as a variable. This might be largely because green marketing has often been seen as an immeasurable field of study rather than a construct until it became conceptualized as a construct that can be measured with a validated scale by Papadas *et al.* (2017). Therefore, while brands attempt to achieve loyalty through CSR and ethical behavior, the influence of consumer green marketing perception on CSR activities, as well as the perceived firm ethicality of a brand in achieving consumer loyalty, is usually not examined.

While firms continue to exploit advanced technologies (Boadi and Mertens, 2018) for the production of goods and services (Easterby-Smith *et al.*, 2015), best practices in business process learning (Easterby-Smith and Lyles, 2011) can best be enhanced through corporate ethical behavior, CSR and green marketing (Sadiku-Dushi *et al.*, 2019). This can provide further avenues for business process sustainability (Ismail *et al.*, 2019; Ziolo and Ghoul, 2019; Dau *et al.*, 2018), and therefore, enhanced profitability.

Business process sustainability and the future it holds (Gauthier, 2017) has also become a very relevant issue in many societies around the world, gaining attention in many United Nations Sustainability Development Goals (SDGs) (United Nations, 2015). The major SDGs that firms need to address because of their significant connection to firm production systems and corporate ethical behavior include Goal 8 “inclusive and sustainable economic growth, employment and decent work for all”; Goal 9 “resilient infrastructure, sustainable industrialization and foster innovation”; Goal 12 “sustainable consumption and production patterns”; Goal 13 “urgent action to combat climate change and its impacts” and Goal 14 “sustainably use the oceans, seas and marine resources.” Other SDGs that firms can address through their CSR include Goal 3 “promoting good health and wellbeing”; Goal 6 “ensure access to water and sanitation for all”; Goal 11 “make cities inclusive, safe, resilient and sustainable” and Goal 15 “Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.”

These SDGs listed have several implications for societies and business operations. For businesses, who are mainly desirous of achieving loyal customers, this calls for investigating the significance of ethical behavior, green production and marketing and CSR in achieving business objectives.

Nevertheless, existing literature suggests that ethical corporate conduct affects brand performance (Story and Hess, 2010; Maxfield, 2008). Consumers are key brand stakeholders who are well informed about a firm’s offering; hence, they continuously reflect on the firm’s corporate ethical conduct and stance (Rossouw, 2005). It is expected that the attitude of corporate executives and management reflects a firm’s core business ethos (Ofori, 2010). However, not much has been done to research or assess if any relationship exists between corporate ethos and brand loyalty in Ghana, as well as whether CSR and green marketing play mediating roles.

While few studies globally have examined the relationship between these three constructs, corporate ethos, brand loyalty and green marketing (Ceri *et al.*, 2018), even fewer have focused on green marketing and corporate ethical behavior in Ghana. On the other hand, CSR-related studies have mainly focused on CSR and profitability (Marfo *et al.*, 2015; Gatsi *et al.*, 2016), and CSR practices (Amoako, 2016; Essah and Andrews, 2016), among others. Few CSR studies in Ghana have examined the relationship between CSR and loyalty (Kodua and Mensah, 2017; Sokro and Agbola, 2016). No study, however, has examined these four constructs together in Ghana or elsewhere.

[Evans et al. \(2017\)](#) attempted to create a single theoretical viewpoint for comprehending business model innovations that initiate better organizational economic, environmental and social performance. Their study, particularly, examined how environmental concerns, otherwise referred to in other studies as green practices, can enhance the sustainability of firm profitability. Nevertheless, there is no study that links corporate ethical behavior and CSR, corporate ethical behavior and brand loyalty or corporate ethical conduct and green marketing in Ghana. However, there is one study that examines the relationship between green marketing orientation and customer-based brand equity (CBBE) in Ghana, which looks at brand loyalty under CBBE variables ([Amegbe and Hanu, 2016](#)). Hence, the purpose of this study is to determine how the perceived firm ethicality of a business influences brand loyalty. The study further seeks to assess the mediating role of CSR and green marketing. To achieve this, the study critically examines how customers' perceived firm ethicality in Ghana promotes brand loyalty and how this aligns with CSR and green marketing.

## Literature review

### *Theoretical underpinning*

The stakeholder theory ([Freeman, 1984](#)) identifies various individuals, groups and institutions that affect the sustainable existence of a phenomenon and are affected by the same. This has been applied to explain many business processes and societal processes ([Gauthier, 2017](#); [Atif, 2019](#)). [Zsolnai \(2006\)](#) called for an expanded approach of stakeholder engagements and called for stakeholders to be sustainable by backing the "conservation and restoration of the natural world," being pro-social, backing the development of the capabilities of members of society and finally, respecting the future by contributing to the growth of "the freedom of future generations." The roles of firms as stakeholders in CSR ([Fouda and Abessolo, 2019](#)), green marketing ([D'Souza et al., 2006](#)), corporate ethics ([Tsalikis et al., 2018](#)) and its impact on brand loyalty ([Sarkar and Sarkar, 2017](#)) are worth examining. Firms develop solutions for societal problems, which may be green-oriented or not. Firms also assist in solving societal problems through CSR activities. The ethical behavior of firms has an influence on the same society they seek to serve with their products. Thus, while firms seek to achieve loyalty, society also seeks to have these firms conduct their business activities ethically, produce goods and services that do not have adverse effects on the environment (green products) and also act as responsible entities in the environment. Firms, therefore, are seen as partners or stakeholders in achieving these societal aspirations.

### *Brand loyalty*

A brand is a name, title, mark, symbol, design or any other feature that has been projected to represent the products or services of a vendor and distinguish them from those of other vendors ([American Marketing Association, 1960](#); [Aaker, 1991](#); [Kotler et al., 1996](#)). A consumer-oriented definition of brand loyalty ([Ambler, 1992](#)) defines loyalty as a bundle of promise or attribute a consumer holds in relation to brand satisfaction. This gratification may be perceived as real, tangible or intangible, and rational or emotional; hence, consumer satisfaction would lead to customer brand loyalty, and with it, a commitment to repurchase preferred brands ([Oliver, 1999](#)). Customer brand appreciation can be credited for the remarkable product value that drives customer loyalty through positive behavior ([Chi and Gursoy, 2009](#)). Customer loyalty promotes religiosity ([Sarkar and Sarkar, 2017](#)) in relation to brand purchase, sales increase and profit, which leverages the brand relationship ([Sarigiannidis and Thalassinou, 2011](#); [Yi, 1990](#)) and drives competition ([Wang and Tzeng, 2012](#)). Several studies over the years have affirmed how brand loyalty contributes positively

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to brand effect through positive word of mouth, premium price predisposition and increased repurchase intention (Chaudhuri and Holbrook, 2001; Wang and Tzeng, 2012; Lin *et al.*, 2017). Therefore, brand loyalty ultimately promotes high-profit margins (Aaker, 1991; Lin *et al.*, 2017).

#### *Corporate social responsibility and brand loyalty*

From a theoretical standpoint, the profit-seeking behavior of organizations (Carroll, 1991) often promotes the exploitation of resources (Skarmeas and Leonidou, 2013) and value creation (Peloza and Shang, 2011) for all stakeholders. Today, CSR activities promote value creation and profit (Mulyadi and Anwar, 2012), manifesting through sustaining ethical corporate behavior (Schwartz, 2013) and green marketing orientation (Ko *et al.*, 2013). Despite the years (since the 1950s) of academic interest in CSR (Carroll, 2016), there is still no universal definition of CSR (Font *et al.*, 2012). An early definition of CSR depicts CSR as “an obligation of decision makers to protect and improve the social welfare of society along with its interests” (Davis, 1975). Carroll (1979, 1991), however, offers a widely accepted four-element description for CSR, which is “the economic, legal, ethical, and discretionary (philanthropic) expectations of society of organizations at a given point in time.” This explanation lays the foundation for summarizing CSR as a business’ responsibilities toward society. The actual effect of CSR on customers and organizations, therefore, supports economic, legal, ethical and philanthropic activities as well as a firm’s brand image (Aaker, 1991; Wu and Wang, 2014) to ultimately improve brand loyalty (Martinez and del Bosque, 2013; Cha *et al.*, 2016; Srishti *et al.*, 2017).

CSR, whether legal or ethical or philanthropic, as perceived by customers, enhances positive functional and symbolic images in the minds and hearts of customers (He and Lai, 2014). In the discussion of the relationship between CSR effect on brand loyalty, several authors have reported that CSR improves brand loyalty and performance (Jeon *et al.*, 2020; He and Lai, 2014; Lu *et al.*, 2020; Prieto *et al.*, 2020), even though others studies such as Wang *et al.* (2015) have reported that CSR does not influence brand loyalty. Nevertheless, the majority of evidence supports the existence of that causal relationship. We, therefore, hypothesize that:

*H1.* CSR positively influences brand loyalty.

#### *Corporate ethical behavior and perceived firm ethicality*

Ethics is the conception and utilization of right and fair conduct or attitudes (Carroll, 1991; Freeman and Gilbert, 1988). The values and practices of a people determine what society considers as right and wrong (Raiborn and Payne, 1990), which is the firm’s choice on moral decisions. Ethics clearly indicates what is good or bad (right or wrong) (Velasquez, 1999). Therefore, a business’ judgment of right or wrong corporate behavior is regarded as ethical (De George, 2000). Evidence of ethical behavior is measured by corporate trustworthiness, respect, responsibility, fairness, caring attitude and citizenship (Schwartz, 2013), and these behaviors are typically either objective or subjective in nature (Joyner and Payne, 2002). In the discussion of business ethics, for instance, the business ethics index (BEI) (Tsalikis and Seaton, 2007) was developed to standardize the ethical behavior of firms. A revisit to the BEI has been raised by Remnick (2017) in the wake of newer realities in business environments. Business ethics (Ferrell *et al.*, 2018; Ferrell *et al.*, 2013) and social responsibility could be assessed from the normative and descriptive perspectives (Ferrell *et al.*, 2018). The

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normative perspective focuses on the assessment and improvement of ethical values at work (Laczniak and Kennedy, 2011).

Trevino and Nelson (2011) suggest that ethical corporate culture denotes larger organizational culture, which serves as protection against unethical behavior, hence, helping to mitigate illegal or unethical corporate behavior (Brass *et al.*, 1998). Markovic *et al.* (2018) conceptualized customer perceived firm ethicality as the “consumers’ aggregate perception of a subject’s (company, brand, product or service) morality.” Researchers (Pinto *et al.*, 2019; Osburg *et al.*, 2017; Singh *et al.*, 2012) indicate that consumers’ attitude toward a brand’s ethicality has an affective influence, where the brand’s perceived firm ethicality resonates with customers’ values. This is because customers do not just identify with the brand, but they also have to develop an affective commitment toward it (Pérez, 2009). Consequently, corporate ethical behavior positively affects brand loyalty through trust and brand effect (Singh *et al.*, 2012; Ou *et al.*, 2012). The Ethisphere Institute (Ethics pay for GE, eBay, 2011) have discovered that ethical firms do better financially, even in different economic situations, implying that investing in ethical policies and practices will benefit a firm in the long term. We, therefore, hypothesize that:

*H2.* Perceived firm ethicality influences customer brand loyalty.

### *Green marketing*

Green marketing is defined broadly as the promotion of products using eco-centered messages (Sakar, 2012). Presently, ecological and welfare concerns seek to promote sustainable attitudes globally; hence, the advocacy for the adoption of green and social marketing strategies that benefit humanity and communities as a whole (Chow and Chen, 2012). The philosophy of social responsibility, therefore, seeks to satisfy stakeholder groups (Banyte *et al.*, 2010).

In addition, the green CSR as “an obligation of decision makers to protect and improve the social welfare of society along with its interests” (Davis, 1975) seeks to satisfy green consumer groups under green marketing policies. The concept of reasoned action (Fishbein and Ajzen, 1975) indicates how utilitarian environmental customer behavior contributes to green purchase intentions. In this regard, environmental psychologists believe that nature or natural experience engenders positive emotional responses toward green products championed by green policies (Hartig *et al.*, 1991; Kaplan and Calkin, 1995).

Green marketing activities manifest through advertising campaigns that woo green customers using green marketing messages (Huang and Li, 2017; D’Souza *et al.*, 2006), ecological marketing (Rex and Baumann, 2007), ecofriendly marketing (Polonsky and Mintu-Wimsatt, 1995) and sustainable marketing (Fuller, 1999). Environmental or ecological-marketing concepts serve as a new marketing paradigm that influences customer consciousness about the environment using sustainable behavioral policies (Chaudhuri, 2014). D’Souza *et al.* (2007) argue that consumers’ environmental knowledge demonstrates their knowledge and consumer impact of product use on the environment (Uddin and Khan, 2018; Nagar, 2015).

Green or environmental marketing entails well-designed policies to produce products/services to satisfy the needs of people while ensuring that very little harm is done to the natural environment (Polonsky, 1994). This approach is considered by many as holistic, profitable and sustainable (Peattie, 1995). Green brands in the minds of consumers (Paço *et al.*, 2019) are linked to environmental commitment and concerns (Chen, 2010). Similarly, Papadas *et al.* (2017) define green marketing as a concept of green marketing orientation, which is made up of three dimensions (strategic green marketing, tactical green marketing

and internal green marketing). The tactical green marketing orientation is also known as the green marketing mix (Papadas *et al.*, 2017; Leonidou *et al.*, 2013). Customer engagement with a firm's green marketing orientation is perceived in Cronin *et al.* (2011) as an external stakeholder whose action and attitude toward a product is influenced by the firm's green marketing mix. In this regard, customer-based brand equity with respect to green branding (Chen, 2008; Ng *et al.*, 2014) positively affects green brand equity, green satisfaction and green trust in the long term (Chen, 2010). It is, therefore, an instrument for sustainable development and enhancement of brand image (Banyte and Gadeikienė, 2008). Hence, the effect of green marketing can be measured by customers' attitudes toward a firm and its products. Consequently, we hypothesize that:

*H3.* Green marketing positively influences brand loyalty.

#### *Business ethics, corporate social responsibility and green marketing*

Ferrell *et al.* (2018) posit that CSR and ethical behavior seem to impact consumers' brand attitudes. This means that a customer's expectations of a firm's ethical behavior moderate customer CSR response and loyalty. Customer response to CSR activities has a great impact on the ethical perceptions of brands. Ferrell *et al.* (2018) assert that CSR favorably affects the perceived firm ethicality. However, Lin *et al.* (2017) have not found a definite correlation between perceived firm ethicality and CSR. They rather suggest strongly that perceived firm ethicality influences CSR. In the light of the foregoing, it is observed that if green marketing entails all actions designed to facilitate a green exchange to cater for the needs of humans by causing little damage to the natural environment (Polonsky, 1994), then green orientation can be profitable and sustainable (Peattie, 1995). This is because ethical behavior permeates all aspects of good corporate plans and activities (Trevino and Nelson, 2011). We, therefore, hypothesize as follows:

*H4.* Perceived firm ethicality has a positive influence on CSR practices in firms.

*H5.* Perceived firm ethicality has a positive influence on green marketing perception.

Likewise, based on the discussions summarized above, if CSR affects brand loyalty, while ethics has an effect on CSR, we posit further the following hypothesis:

*H6.* CSR mediates perceived firm ethicality and brand loyalty.

From the findings of Banyte and Gadeikienė (2008) and Chen (2010), we infer that green marketing has a relationship with brand loyalty. Therefore, green marketing is expected to influence various firm actions and tactics such as ethical behavior, whereas CSR impacts brand loyalty. Furthermore, if green marketing influences brand loyalty, while perceived firm ethicality similarly influences green marketing, then it is expected that green marketing will mediate the relationship between ethics and loyalty. Hence, we hypothesize that:

*H7.* Green marketing mediates perceived firm ethicality and brand loyalty.

## **Methodology of the study**

### *Study design, setting and sampling*

The quantitative study design was considered appropriate to assess the connection between perceived firm ethicality and brand loyalty in Ghana. With the aid of the purposive sampling technique, data was obtained from middle-income city dwellers of Accra who

shopped at leading retail malls. These included shoppers at Accra Mall and West Hills Mall, both in Accra. The respondents were considered to have a penchant for green brands (Khare, 2015) and were literate enough to read about green products and appreciate their effect on the environment and their own health. Hence, these respondents were ideal for the study and could respond to the survey. The focus on these shoppers helped to reduce interactive time in looking for green-conscious consumers.

#### *Instrument development*

The research instrument was segmented into two main parts. The first part of the data focused on key research constructs. Respondents were asked to state the extent to which they agreed or disagreed with assertions framed on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The second part of the instrument focused on the demographic data of respondents. Data was pretested using 20 randomly selected respondents before data collection to validate and improve the instrument's quality. Key green marketing constructs were crafted using Cronin *et al.* (2011) and Leonidou *et al.*'s (2013) studies as a guide. Perceived firm ethicality construct, on the other hand, was adapted from the concept of ethicality (Markovic *et al.*, 2018; Pérez, 2009). Consequently, perceived firm ethicality is measured in this study from the customers' perspective as the effect of perceived ethical behavior (ethics). The CSR construct was adapted from Kang and Hustvedt (2014) and Qu (2014). Also, the brand loyalty construct was adapted from Jacoby and Chestnut (1978). Convergent validity and discriminant validity of the measurement model was performed to ensure data quality.

#### *Data collection*

Because of the absence of a sample frame for target respondents, respondents were physically approached at the Accra Mall and West Hills Mall, and they voluntarily participated in the study. Data was collected, from October to November of 2019, on firms with products that respondents usually use on a regular basis. These include firms that retailed groceries, beverages, electronic gadgets, among others. Overall, 780 field inquiry forms were given out to respondents, out of which 650 were returned. However, 622 out of the 650 forms returned had been fully completed and were valid to be used for analysis. The respondents comprised of 306 (around 49.23%) males and 316 females (approximately 50.8%).

#### *Data analysis method*

Information gathered was analyzed using structural equation modeling (SEM). SEM is a second-generation statistical method that enables researchers to test for causal connections between latent variables. There are two methods of SEM (Hair *et al.*, 2014): the covariance-based SEM, which demands that data demonstrates multivariate normality, and the variance-based method partial least square (PLS)-SEM, which does not need multivariate normality. The present study uses the PLS variance-based method because the data violates multivariate normality assumptions. Similarly, the methodology is highly appropriate for linear structural connections (Diamantopoulos and Siguaw, 2000). Hair *et al.* (2006) describe it as an adaptable model, which has been used by several studies, such as cross-sectional, experimental, quasi-experimental and longitudinal studies. The major advantage of using PLS-SEM is the ability to estimate very complex models with many constructs and indicator variables, especially when prediction is the goal of the analysis. It accommodates small samples, non-normal data, formative and reflective constructs, good for exploratory research objectives and ensure convergence (Hair *et al.*, 2011). For reliability purposes also, PLS-SEM can take measurement error into account by explicitly including measurement error variables that correspond to the measurement error portions of observed variables.

The main disadvantage of using PLS-SEM however, is that the composites are derived automatically by the PLS algorithm. This produces good predictive values but can over capitalize on coincidences in the sample and thus may not be a good basis to generalize, especially for small samples.

*Common method bias*

The recommendations of MacKenzie and Podsakoff (2012) were followed to deal with the likelihood of common method bias, which may arise in the cross-sectional methodology used for this study; the information gathered from respondents was for both dependent and independent variables. Hence, possible bias could threaten the validity of the results attained for the hypothesized connections (Podsakoff et al., 2003). Factors linked to a construct were spread in the questionnaire to ensure that respondents do not think that any of the factors were insignificant. Harman’s one-factor test was used to test for the possible presence of common method bias. Exploratory factor analysis with the extraction of only one factor resulted in a variance of 36.3%, which is less than the 50% recommended by Podsakoff et al. (2003). Common method bias (CMB) was again tested using recommendation by Kock (2015) for testing CMB in PLS-SEM. The variance inflation factors of the inner structural model were all less than 2 for the four constructs, showing the absence of CMB as multicollinearity does not exist in the model. Therefore, common method variance is nonexistent in this data (Table 1 and 2).

**Results**

*Measurement model analysis*

All the four constructs of this study (CSR, perceived firm ethicality, green marketing and brand loyalty) were measured reflectively. The model was assessed for convergence

Concept	Items
Corporate Social Responsibility (CSR)	1.1 I will prefer patronizing products and services from companies that practice sustainable corporate social responsibility (CSR) 1.2 CSR activities from companies affect my purchasing decision 1.3 CSR policies must include sustainability frameworks
Perceived ethicality effect	2.1 I will make purchase decisions from companies that are truthful and sincere in their advertisement 2.2 I prefer to patronize products from companies that add sustainability-based information to their labeling 2.3 I do not like advertisement that are exaggerated 2.4 I do not purchase products from companies whose channels of advertisement destroy the environment
Green Marketing	3.1 Green marketing affects my purchase of food 3.2 Green marketing affects my purchase of electrical products 3.3 Companies must make known their green marketing policies to consumers 3.4 I will not purchase products that are not green-marketing oriented
Brand loyalty	4.1 CSR/cause-related/green marketing brand considerations are foremost concerns influencing my purchasing decision 4.2 If I decide to buy a new product today, I will stick to the same brand influenced by CSR/cause-related/green marketing concern because of its fulfillment and benefit 4.3 I am forever loyal to CSR/cause-related/green marketing products/services 4.4 I am connected emotionally to products and services linked to the SDGs

**Table 1.**  
Scales of variables in  
the model

**Table 2.**  
Background  
information

Variables	Frequency	(%)
Gender		
Male	306	49.2
Female	316	50.8
Age		
18–25 years	149	24
26–33 years	233	37.5
34–40 years	115	18.5
41–48 years	67	10.8
49–56 years	28	4.5
57 plus	30	4.8
Marital status		
Single	336	54
Co-habitation	65	10.5
Married	165	26.5
Divorce	56	9
Educational level		
Below SHS and below	121	19.5
Diploma	182	29.3
Graduate/professional	247	39.7
Postgraduate	72	11.6
Employment		
Self-employed	219	35.2
Government employee	179	28.8
Private employee	224	36
Employment status		
Below 12,000.00	419	67.4
13,000.00–24,000.00	97	15.6
25,000.00–36,000.00	78	12.5
37,000.00–48,000.00	20	3.2
Above 49,000.00	8	1.3
Total	622	100

**Table 3.**  
Reliability and  
convergent validity

Construct	Codes	Mean	SD	Loading	Bootstrap <i>t</i> -values	$\alpha$	CR	AVE
CSR	CSR1	5.212	1.743	0.867	67.691	0.732	0.847	0.650
	CSR2	4.691	1.931	0.762	32.303			
	CSR3	5.288	1.730	0.786	26.123			
Perceived ethicality Effect	ETH1	5.484	1.550	0.796	55.085	0.800	0.867	0.620
	ETH2	5.330	1.634	0.838	59.164			
	ETH3	5.135	1.621	0.768	32.103			
	ETH4	5.203	1.759	0.745	29.487			
Green marketing	GM1	4.560	1.912	0.848	56.802	0.799	0.870	0.629
	GM2	4.735	1.727	0.847	49.236			
	GM3	5.503	1.483	0.658	22.034			
	GM4	4.709	1.713	0.804	41.237			
Brand loyalty	BL1	4.952	1.765	0.854	75.520	0.825	0.885	0.659
	BL2	5.050	1.697	0.884	93.510			
	BL3	5.150	1.610	0.786	34.792			
	BL4	5.336	1.649	0.713	24.923			

**Note:** All bootstrap *t*-values are significant at 0.01 level of significance

validity. Cronbach’s alpha, composite reliability (CR) and average variance extracted (AVE) values all met the minimum scores of 0.7, 0.7 and 0.5, respectively, as proposed by Hair *et al.* (2016). The scores are presented in Table 3. Furthermore, all the other factor loadings were statistically significant, using bootstrap *t*-values (5000 subsamples) (Tortosa *et al.*, 2009). The outcomes indicate that convergent validity has been sufficiently met.

Also, the model was assessed for discriminant variables, and the results shown in Table 4. Firstly, the square root of the AVE values for all four constructs was higher than the interconstruct connections between them (Fornell and Larcker, 1981; Barclay *et al.*, 1995). Next, the heterotrait-monotrait (HTMT) ratio of connections using a specificity criterion of 0.85 (HTMT0.85) indicated that all the connections were less than 0.85, therefore, affirming that the four-construct model shows discriminant validity (Henseler *et al.*, 2015).

*Structural model*

An assessment of the predictive accuracy ( $R^2$ ) of the structural model indicated that CSR, perceived firm ethicality, and green marketing mutually explained around 53% of the variance in brand loyalty. Moreover, perceived firm ethicality explained around 35% of the variance in CSR and 38% of the variance in green marketing; the results surpass the minimum level of 33% proposed by Chin (1998) for high descriptive power.  $Q^2$ -values of 0.212, 0.217 and 0.330 were attained for CSR, green marketing and brand loyalty, respectively; all values are more than 0, thus, indicating the predictive significance of the model (Chin, 2010). Lastly, the effect sizes ( $f^2$ ) calculated for the exogenous variables demonstrated that perceived firm ethicality had high effect sizes on both CSR and green marketing, but a small effect size on brand loyalty. Both CSR and green marketing similarly had minimal effect sizes on brand loyalty. The outcomes of predictive accuracy ( $R^2$ ), predictive relevance ( $Q^2$ ) test and effect sizes ( $f^2$ ) are given in Table 5.

*Hypothesis testing*

The findings of the structural model are depicted in Table 6 and Figure 1. All paths are statistically relevant; consequently, the first five hypotheses of the study have been affirmed. Precisely, a positive and significant connection is present between perceived firm

Construct	Fornell–Larcker criterion				HTMT ratio			
	1	2	3	4	1	2	3	4
1. CSR	0.806							
2. Ethicality	0.592	0.788			0.747			
3. Green marketing	0.551	0.610	0.793		0.710	0.753		
4. Brand loyalty	0.632	0.613	0.618	0.812	0.803	0.734	0.757	

**Table 4.** Discriminant validity (square root of AVEs in bold-diagonal)

Constructs	$R^2$	$Q^2$	$f^2$ (CSR)	$f^2$ (green marketing)	$f^2$ (brand loyalty)
1. CSR	0.346	0.212			0.14 (small)
2. Ethics	–	–	0.53 (large)	0.60 (large)	0.06 (small)
3. Green marketing	0.375	0.217			0.10 (small)
4. Brand loyalty	0.533	0.330	–	–	–

**Table 5.** Predictive accuracy ( $R^2$ ), predictive relevance ( $Q^2$ ) and effect sizes ( $f^2$ )

ethicality, CSR, green marketing and business loyalty. Table 6 gives a summary of the hypotheses and conclusions made.

*Mediation effect of corporate social responsibility and green marketing*

To check for mediation in PLS-SEM, Nitzl et al. (2016) suggest testing the relevance of the indirect impact of the exogenous variable (perceived firm ethicality) on the endogenous variable (brand loyalty) via the mediator (CSR/green marketing). If the indirect impact is significant, then mediation is present; if not, then there is no mediation. From Table 7, it is apparent that both CSR and green marketing partially mediate the association between perceived firm ethicality and brand loyalty; as a result, lending support to H6 and H7 of the study.

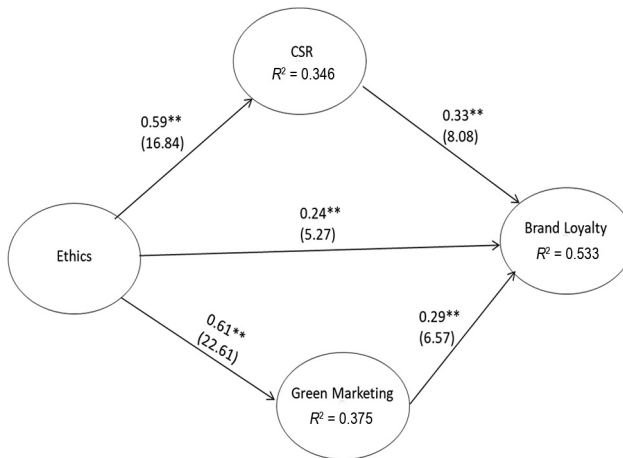
**Discussions**

The goal of this research was to establish the link between the perceived firm ethicality and loyalty behavior of consumers and to investigate if sustainability issues such as CSR and green marketing mediate this relationship. As all the hypotheses were affirmed, the study proves that a positive and significant relationship is present between perceived firm

**Table 6.**  
Structural path  
results

Hypotheses	Structural path	Path coefficient	t-value (bootstrap)	Hypotheses results
H1	CSR → brand loyalty	0.331**	8.075	Supported
H2	Ethics → CSR	0.588**	16.840	Supported
H3	Ethics → green marketing	0.612**	22.605	Supported
H4	Ethics → brand loyalty	0.236**	5.269	Supported
H5	Green marketing → brand loyalty	0.292**	6.574	Supported

**Note:** \*\*t-values are significant at  $p < 0.01$



**Figure 1.**  
Structural model  
showing relationship  
between CSR, ethics,  
green marketing and  
brand loyalty

**Notes:** \*\*Statistically significant at 0.01 level of significance; (t-values in parenthesis)

Mediation paths	Path coefficient <i>a</i>	Path coefficient <i>b</i>	Path coefficient <i>c</i>	Indirect effect ( <i>a</i> × <i>b</i> )	SD ( <i>a</i> × <i>b</i> )	<i>t</i>	Mediation type	Proportion of mediation
E > CSR > BL	0.588**	0.331**	0.236**	0.195**	0.028	7.018	Partial	0.452
E > GM > BL	0.612**	0.292**	0.236**	0.179**	0.029	6.183	Partial	0.431

**Notes:** \*\**t*-values are significant at  $p < 0.01$ ; E (ethics), GM (green marketing), BL (brand loyalty). *a* = path between exogenous variable and mediator; *b* = path between mediator and endogenous variable; *c* = direct path between exogenous variable and endogenous variable

**Table 7.**  
Mediation of  
corporate social  
responsibility and  
green marketing on  
business ethics and  
brand loyalty

ethicality, CSR, green marketing and business loyalty. Good business ethical practices should be able to enhance the brand loyalty of consumers in the long term. The solid positive connection between perceived firm ethicality and brand loyalty is backed by both empirical studies and hypothetical assumptions that demonstrate that business ethics promotes brand loyalty as well as CSR and green marketing.

The findings of this study are supported by earlier studies that indicate that, from a consumer viewpoint, CSR and sustainability enhance customer loyalty and brand equity (Du *et al.*, 2007; Guzmán and Davis, 2017; Naidoo and Abratt, 2018). A firm's dubious behavior usually leads to negative customer perceptions, which, as a result, harms the brand and weakens the firm's reputation (Brunk, 2010). Earlier studies demonstrate that unethical conducts harm the transgressing brand (Creyer and Ross, 1996; Folkes and Kamins, 1999; Trump, 2014). Results from this study are also supported by earlier studies (Aguinis and Glavas, 2012; Bhattacharya and Sen, 2003) on CSR and ethical business behavior, which demonstrate that they affect a brand (Fan, 2005; Pelozo *et al.*, 2013; Trump, 2014). Per these studies, business ethical orientation drives CSR and green marketing practices; this is perceived by customers, leading to customer loyalty.

Finally, it is worth noting that CSR, perceived firm ethicality and green marketing together explain about 53% of brand loyalty in customers. All the variables have a large effect on brand loyalty. The more ethical behavior a firm shows, the more customers will perceive its CSR and green marketing practices positively. The partial mediation of CSR between perceived firm ethicality and brand loyalty means that customers who see a firm to be ethical will remain loyal to its brand, but brand loyalty will be further enhanced if customers see the firm practicing CSR as well. Possible business ethics violations could reduce expectations linked to brand performance (Ferrell *et al.*, 2019).

### Theoretical implications

This exploratory study simultaneously analyzed the expectations and perceived reactions to firms' business ethical behavior and CSR practices on brand loyalty. This study uses Papadas *et al.*'s (2017) conceptualization and validation of green marketing as a concept from the customer's perspective. This research is expected to encourage further studies and empirical analysis of how business ethics, green marketing and CSR are connected to brand loyalty. Although a majority of customers do not perceive firm ethicality and CSR as separate constructs (Brunk, 2010), this study differentiates CSR from firm ethicality and indicates that firm ethicality enhances green marketing and CSR practices, and ultimately brand loyalty. This affirms Weller's (2017) observation that senior managers consider the two concepts to be different in practice. The use of two mediators (CSR and green marketing) to assess the connection between business ethics and brand loyalty is unique and exploratory. From the perspective of the stakeholder theory, this study confirms how business sustainability is more efficiently achieved through stakeholder contribution to the societal cause, and at the same time achieve its revered desire for brand loyalty. Hitherto, businesses focused on the bottom line of profit making. While brand loyalty enabled firms to grow profit, issues of CSR and ethical behavior were only relevant as public relations tools. Green marketing was only relevant if it can generate more profits, as it was not required. As stakeholders of the larger good of society, this paper confirms how firms can yield loyalty through green marketing and ethical behavior also. Thus, the paper introduces green marketing and firm ethicality as antecedents of brand loyalty. This of course is subject to further testing in different contexts, particularly, post COVID-19 circumstances. Furthermore, the subsidy theory (Adreasen and Kotler, 2008) in the literature of not-for-profit marketing, advances that where governments provide subsidies in an economy,

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private organizations are attracted there to provide essential products and services for the larger good of the society. The findings of this study demonstrate that as an antecedent of loyalty, green marketing, ethical behavior and CSR engagement could be used through government-targeted subsidies, to redirect the process of achieving brand loyalty. Therefore, the paper also highlights a practical demonstration of the subsidy theory in the profit-seeking environment.

### Managerial implications

It is evident from this study that customer perception of a firm's ethical behavior, the greenness of the products it produces and CSR engagements, all influence customer attitudinal loyalty and behavioral loyalty. Therefore, while society and governments seek to promote sustainable development goals through policy directives and programs, businesses can serve as mutual partners in achieving these noble goals, through their green production, ethical behavior and CSR programs from which they also achieve their cherished aim of brand loyalty.

From firms' position as partners, Goal 8 "inclusive and sustainable economic growth, employment and decent work for all," Goal 9 "resilient infrastructure, sustainable industrialization and foster innovation," Goal 12 "sustainable consumption and production patterns," Goal 13 "urgent action to combat climate change and its impacts" and Goal 14 "sustainably use the oceans, seas and marine resources," these SDGs can all be achieved by ensuring good ethical behavior, in return for brand loyalty. Goal 3 "promoting good health and wellbeing," Goal 6 "ensure access to water and sanitation for all," Goal 11 "make cities inclusive, safe, resilient and sustainable" and Goal 15 "sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss" can likewise be achieved through CSR engagements, in anticipation for brand loyalty pay-offs. Green production orientation can also help to achieve Goal 3, Goal 11, Goal 12, Goal 13, Goal 14 and Goal 15.

Thus, from a managerial point of view, organizations have to understand the importance of knowing the behaviors that consumers consider as ethical behavior, suitable CSR and good green marketing practices. Positive business ethical behaviors have to be recognized and developed to enhance brand loyalty. These positive ethical behaviors have to be communicated to clients to elicit positive brand attitudes from them. Managers and directors of firms should make business ethics and compliance programs a top priority while linking the advantages of ethical behavior to brand conduct and profits. By ensuring ethical codes, CSR and green marketing, firms will be contributing to the promotion of SDGs, and at the same time, achieve their business objectives easily. The mediating role of CSR and green marketing also suggests that the SDG goals of sustainable production patterns, combat climate change and its impacts, sustainably using the oceans, seas and marine resources must become the focus of companies, as they ultimately yield loyalty.

For society at large and policymakers, we recommend the use of subsidies such as tax reduction to attract businesses into incorporating green marketing, CSR and strict ethical codes into their business processes. The subsidy theory (Adreassen and Kotler, 2008), where government can redirect the business direction of the private sector through subsidies and tax weavers, is enough grounds for the justification of this proposition. We also recommend further public-private partnerships between government and businesses in promoting employment and decent work for all, resilient infrastructure and innovation, sustainable use of water resources, promoting good health and well-being, making cities sustainable and sustainably managing societal biodiversity.

### Conclusions, limitations and suggestions for future research

Business ethics (operationalized as perceived firm ethicality), green marketing and CSR are all part of the sustainability concept in business. This research has examined the relationship between these variables as perceived by customers and brand loyalty. The outcomes provide evidence that brand loyalty is significantly influenced by all three variables. This finding should encourage firms to formulate strategies for sustainability based on green marketing, CSR and business ethics. First of all, this research was limited to consumers in Accra, the capital of Ghana, and did not involve all 16 regions. Data was collected before the outbreak of the COVID-19 pandemic; thus, the current environment surrounding the firms can vary. Future studies could focus on all 16 regions in Ghana. Second, this study was done based on general knowledge of business ethics, CSR and green marketing from the consumers' perspective. Hence, future studies might want to focus on specific aspects of CSR and types of green marketing for specific brands (e.g. Nestle and Unilever). Furthermore, the selection of a specific brand could give respondents the chance to compare brands, therefore, leading to a more reliable outcome. Future studies can likewise concentrate on mediators that can explain the relevance of the connection between expectations of business ethics and brand loyalty as well as how CSR and green marketing can moderate the connection between business ethics and brand loyalty.

The findings demonstrate that ethical behavior, CSR practices and green marketing are connected to brand loyalty. Consequently, providing an opportunity for future studies to measure why consumers are more anxious about business ethics, CSR and green marketing as they are related to brand loyalty. Future studies could explore this relationship based on industry, gender and age characteristics. Customers' normative values and the moral philosophies of individual consumers are important in influencing their attitude toward business ethics, green marketing and CSR. This can affect their loyalty to brands. It will be interesting to conduct more studies taking these factors into consideration.

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### Corresponding author

Joshua Kofi Doe can be contacted at: [dlas1274@yahoo.com](mailto:dlas1274@yahoo.com)

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