

FROM VALUE CO-CREATION TO REPUTATION: EXPLORING THE MEDIATING ROLE OF BANK IMAGE IN THE BANKING SECTOR

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ABSTRACT

This study investigates the mediating role of bank image in the relationship between value co-creation and reputation within the banking sector. Value co-creation, involving collaborative efforts between banks and customers to generate mutual value, has emerged as a critical driver of competitive advantage in service-oriented industries. However, its indirect impact on reputation through perceptual mechanisms like bank image remains underexplored. Data from 512 banking customers were analysed using structural equation modeling (SEM). The total effect of VCC (value co-creation) on bank reputation was significant ($\beta = 0.674$ with p value = 0.015). The direct effect of VCC on bank reputation was significant ($\beta = 0.424$, p value = 0.021). The indirect effect through bank image was also significant (path coefficient = 0.25, p value = 0.009), confirming a moderately strong partial mediation. Findings reveal that bank image serves as a vital link, translating VCC initiatives into reputational gains. Banks should prioritize customer co-creation strategies alongside image management to amplify marketplace recognition. Theoretically, this extends mediation models in banking; practically, it urges integrated VCC-image-reputation frameworks. Limitations include cross-sectional design, warranting longitudinal studies.

Keywords: Value co-creation, bank image, reputation, partial mediation

INTRODUCTION

Over the course of 20th and 21st century, the banking sector has seen major transformations in avenues like asset quality, banking operations, regulations and marketing of services. In present times, emergence of digital technology for engaging consumers on various social media platforms, mobile apps, websites and other innovative apps has also led to drastic revolution in resources being utilized by banks as well as the customers. It has been observed that in contrast to the routine transactions, the banking entities are engaged in formulating innovative strategies that not only ensure high profits and productivity but also promise unprecedented customer experience. Banks are constantly making efforts to re-engineer their products and services to provide smooth physical as well as virtual experience to customers. Recent researches indicate, increased customer demand for superior quality products/services have forced banks to shift their focus from product centric to customer centric (Mukherjee et al., 2013; Zhao et al., 2015). Additionally, the banks are formulating newer strategies and technologies to motivate their customers for active engagement. Consequently, with an aim to cater to unique and diverse expectations of both existing and potential customers, the banks are inclined towards the development of value co-creation.

Banking industry being based on S-D logic and collaborative perspective thus focuses on active engagement of customers to create value. The value co-creation process is centered on

the interactions and relationships between firms and their customers (Vargo and Lusch, 2004). So, on one hand, involving customers in the value co-creation provides an opportunity to the banks to explore the perceptions of their customers regarding service quality. Additionally, they can develop solutions that deliver desirable service experiences and are in the position to adapt them better according to the changing business landscape. On the other hand, participation in co-creation activities allows customers to increase their expected benefits as they can develop new skills and engage in learning loops that enrich their engagement (Prebensen et al., 2016). When users receive a high degree of value in their services, they show favourable behavioural intentions towards service provider and the service (Ghanbary et al., 2022). They spread positive word of mouth and express their satisfaction towards the products and services being offered by the firms. It further triggers customer loyalty (Cuong, 2020). In this context, value co-creation process not only involves identification of customer needs but also fosters positive bank image, customer loyalty and satisfaction (Moise et al., 2021).

Value co-creation

Value co-creation can be defined as a joint innovation of distinctive value and/ or experiences through participation of customers and other stakeholders, where the process focuses on continuous innovation and learning” (Payne et al., 2009; Hatch and Schultz, 2010; Ind and Coates, 2013; Thatcher et al., 2016). CPB (customer participation behaviour) and CVB (customer voluntary behaviour) were determined as the two dimensions of co-creation behaviour.

Company (bank) image

It means the overall impression that a banking organization makes on the public (Barich and Kotler, 1991), as well as the feelings and beliefs about the banking organization that prevails in the public’s minds (Foroudi et al., 2014; Phong and Anh, 2023).

Company (bank) reputation

It can be understood as a reflection of a firm’s past actions and performance, conveying to stakeholders how the quality of its products or services compares with that of its competitors (Yoon et al., 1993; Leaniz and Rodriguez, 2016).

REVIEW OF LITERATURE

Ozkan et al., (2019) conducted a study in Turkish banking sector with the objective of finding the role of service quality along with satisfaction of bank’s customers’ for maintaining their loyalty for banks. Six structural models were built to identify relationship between various constructs in study on a sample of 284 customers of bank in Izmir city of Turkey. It was found quality of service as perceived by bank’s customers, their level of satisfaction, bank’s image and bank’s reputation made a positive influence on customer loyalty towards bank. The results also depicted significant mediating role of company image and company reputation between loyalty of bank customers and perceived service value.

Foroudi et al., (2019) in their study evaluated the impact of VCC attitude of students in building the positive image and reputation of the university. University website’s role was also analyzed to see its effect on student’s engagement. Further, the importance of various types of value co-creation behaviour was also studied. The sample of total 285 participants was collected from a London based university. The data was collected through a questionnaire. The findings of this study indicated that the website’s features play an important role in the engagement of students in both aspects i.e. customer participation and

customer citizenship behaviour. Also, students' VCC process makes a positive influence on the reputation of the institution. Further, it was analyzed that the application of the website shows a positive impact on the participation but it hardly shows any effect on the citizenship behaviour of the students.

Narteh and Braimah (2020) in their study explored the moderating role of brand image between corporate reputation and retail bank selection. The data was collected from 540 retail bank customers in Ghana through questionnaire. Two branches were selected based on convenience, each having 20 participating banks. SEM was analysis tool. It was found where banks are proactive to customer needs, provide good quality service, have good performance attract more customers towards bank. It was also revealed through study that brand image could play a positive role in bank selection by enhancing ethical and social engagement aspect of corporate reputation.

Yen et al., (2020) examined how innovativeness impacts the CVCC behaviour to judge the mediating role of customer engagement. For this purpose, two research questions were framed; do innovativeness and value co-creation behaviour directly influence the food and beverage industry? Does customer engagement act as a mediator in innovativeness and customer value co-creation behaviour? CVCC behaviour was further divided into customer participation behaviour and customer citizenship behaviour. The data was gathered with the help of a questionnaire given to the 501 customers in Taiwanese coffee shops, during January to March, 2019. SEM was used as a statistical tool. The results indicated that innovativeness is directly associated with customer citizenship behaviour and customer participation behaviour. Innovativeness acts as an antecedent variable to VCC in the food and beverage industry, was found in this research study. Customer engagement behaviour was also found to be directly associated with CPB and CCB. Customer engagement also acted as a mediator between innovativeness and CVCC behaviour.

Ahmad et al., (2021) investigated the mediating role of co-creation to validate the impact of corporate social responsibility on consumer loyalty. In this particular study, banking sector of Pakistan was under observance. The data was collected from the three major cities of Pakistan. 1000 questionnaires were distributed to the customers of four popular banks. Out of which, 529 completed questionnaires were received which were further used for data analysis. Factor analysis was used to check the validity of the data. For the purpose of hypothesis testing, SEM technique was used. The results supported all the four hypotheses. Thus, banks must include CSR in their activities as it results in the customer value co-creation and customer loyalty.

Tariq et al., (2022) examined the impact of traditional marketing activities, taking customer value co-creation behaviour as the mediator, on university's image and reputation. A sample of 300 students from various universities in Lahore (Pakistan) was taken for study. The data was analyzed using PLS-SEM, reliability and validity was checked. Data was collected using 5 point Likert scale. The results revealed positive outcome of traditional marketing activities like word of mouth, television and print media ads on value co-creation behaviour of students which includes CPB and CVB. There was a positive influence of VCC on university's image and reputation, as reported in results.

Phong and Anh (2023) in their study determined the influence of image and reputation of banks on loyalty of their customers, considering trust has mediating factor between bank's image and its reputation and customer loyalty. Survey was done on 520 respondents, being regular clients of banks for past 1 year in Ho Chi Minh City. PLS-SEM was applied to depict relationship between lower order and higher order constructs. Findings revealed positive

impact of bank image and reputation on loyalty with trust as a mediator between above two constructs. There is a need for banks to pay attention to post graduate respondents and those working in schools and hospitals because they showed significant moderating effect between bank image and trust of respondents towards banks.

Objective of the Paper

- To study the mediating role of Company (Bank) Image for the relationship between Value Co-Creation and Company (Bank) Reputation.

RESEARCH METHODOLOGY

This study uses a conclusive design and relies on quantitative tools to gather data. Specifically, it follows a descriptive research approach, which helps in testing the hypotheses and understanding patterns among key variables. The study is also cross-sectional.

The questionnaire was administered to 600 different respondents personally, in 5 public and 5 private banks in 3 cities of Punjab, namely, Amritsar, Ludhiana and Jalandhar, representing the three distinct regions of the state: Majha, Malwa, and Doaba, respectively. These cities were selected due to their high population densities, as indicated by the Census of India, 2011, and their economic significance in the region. The valid responses, received from 512 bank customers, were taken as the final sample for the study. A seven point Likert (1932) scale ranging from 'very strongly agree to very strongly disagree' has been used to measure responses on each of the statements under various constructs. 7 point means 'very strongly agree' and 1 means 'very strongly disagree'. Software such as SPSS 26.0 and AMOS 22.0 were used in analysis of the study. Confirmatory factor analysis and structural equation modelling were used to test the hypothesis in the current study.

Hypothesis (H1): "Company (Bank) Image plays a significant mediating role for the relationship between Value Co-Creation and Company (Bank) Reputation"

Data Analysis

This objective has been fulfilled through hypothesis testing using Bootstrap mediation SEM analysis. The mediating role of company image has been examined between the value co-created in banks and the bank's reputation. The mediation effect of company (bank) image between the value co-creation and company (bank) reputation has been examined by Baron and Kenny method (1986) with Bootstrap (200 subsamples) SEM in AMOS software. The image of banks is assumed to play a significant mediating role between the VCC in banks and their reputation. VCC in banks influences bank's reputation directly and also indirectly, through company (bank) image. In the mediation effect, the direct and indirect effect of VCC has been estimated on company (bank) reputation. The mediating effect of company image is said to be significant if indirect effect of VCC in banks on bank reputation via company image is found significant. Further, the mediation effect of company (bank) image is divided into 2 categories namely full mediation and partial mediation. The full mediation effect of image of the banks between VCC and company (bank) reputation is said to exist if the direct effect of VCC in banks on their reputation is found insignificant in the presence of mediating construct i.e., company image. In case the direct effect of VCC in banks on their company (bank) reputation is found to significant in the presence of mediating construct i.e., company (bank) image, the mediation is known as partial mediation. Hypothesis 1 has been tested for mediating role of company image between VCC in the banks and the bank reputation.

The structural model developed for mediation effect has been depicted below in Figure 1

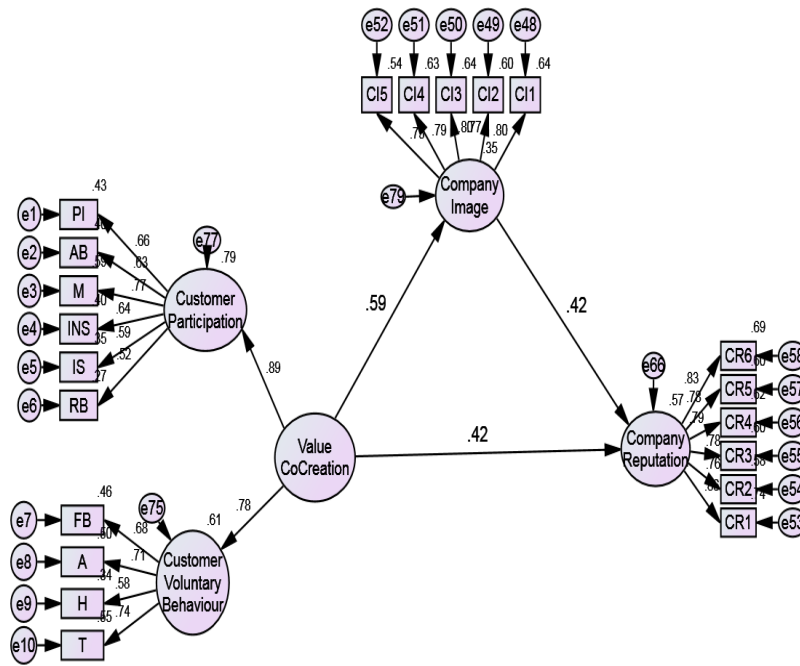


Figure 1: Structural Model for Mediation Effects

Table 1: Mediation Effects

Type of Effect	Relationship	Standardized Path Coefficients	P values	Remarks
Total Effect	Value Co-Creation → Company Reputation	0.674	0.015	Significant total effect
Indirect Effect	Value Co-Creation → Company Image → Company Reputation	0.25	0.009	Significant indirect effect found
Direct Effect	Value Co-Creation → Company Reputation	0.424	0.021	Significant direct effect found
Strength of Mediation effect (Variance Accounted For)		= 0.25/0.674 = 37.09%		
Moderately strong partial mediation effect of company (bank) image between value co-creation and company (bank) reputation.				

Source: Author's calculation using AMOS

Findings and Discussion

The results in Table no.1 supported the hypothesis that “Company (Bank) Image plays a significant mediating role for the relationship between Value Co-Creation and Company (Bank) Reputation”. The result of the Bootstrap SEM mediation test indicated that total effect of value co-creation in banks on their company reputation has been measured as 0.674 with p value = 0.015. Direct effect of VCC in the banks on the bank’s reputation with $\beta = 0.424$, p value = 0.021, was significant. Thus, the total effect of value co-creation in banks on their reputation was found positive and significant. The indirect effect of the value co-creation in

banks on their reputation through the mediating construct “Company Image” was also found to be significant (path coefficient = 0.25, p value = 0.009) indicating that the image of the banks plays a significant and positive mediating role between the value co-creation and company (bank) reputation. Since, the direct and indirect effect of VCC in banks on the bank reputation was found to be significant, hence the company (bank) image was said to have moderately strong partial mediation effect. VAF (variance accounted for) by the mediation effect of the company (bank) image between the VCC in the banks and the bank reputation has been reported as 37.09%. Hence, to conclude, it can be said that the company (bank) image plays a strong positive and partial mediating effect between value co-creation in the banks and the company (bank) reputation.

Conclusion and Implications

The findings highlight that a bank’s image functions as a vital mediating link through which value co-creation initiatives enhance the overall bank reputation. While value co-creation fosters active customer involvement and enriches the service experience, it is the ultimately the favourable perception of the bank’s image that strengthens and communicates these efforts to stakeholders. This implies that banks should not only design strategies that promote customer participation in co-creating value but also invest in systematically managing and projecting a positive image. A well-crafted image ensures that the benefits of co-creation are effectively recognized and translated into reputational gains within the marketplace.

Limitations and Future Research Directions

While this study provides robust evidence for the partial mediating role of bank image using cross-sectional survey data from 512 customers, it faces limitations inherent to its design. Self-reported measures may introduce common method bias, and the focus on a single region limits generalizability to diverse banking contexts. Additionally, the model does not account for potential moderators such as customer demographics or technological disruptions. Future research could employ longitudinal designs to establish causality, incorporate multi-source data (e.g., bank records alongside customer perceptions), and test the model across different cultures and sectors. Exploring additional mediators like trust or customer satisfaction would further enrich the framework.

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