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Relationship Marketing Strategies and the Influence in ESG Practices: An Empirical Analysis of the Iraq Banking Sector

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استراتيجيات التسويق العلائقي وتأثيرها في ممارسات الحوكمة البيئية والاجتماعية والمؤسسية: دراسة تحليلية للقطاع المصرفي العراقي

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This research, therefore, investigates how the dimensions of relationship marketing strategies influence the environmental, social, and governance practices of selected banks in Iraq. This is in the face of such fierce competition and changing banking requirements, especially regarding environmental, social, and governance standards, which make it difficult for banks to retain their customers. Some banks listed in the Iraq Stock Exchange were randomly selected for this study because of their relational structure, where employees and their customer networks assigned to them, who are usually attached to specific relationship managers, can communicate. A total of 70 responses were received from an online questionnaire which had statements categorized on a five-point Likert scale. SPSS (23), AMOS (23), and Smart_PLS (4) helped evaluate the structural validity of the survey tools, analyze responses from participants, and test the statistical hypothesis. The study has shown that the dimensions of relationship marketing do have an impact on ESG practices and that the commitment dimension, the highest influence rate, is stressed by the need for bank management's commitment to providing an appropriate work environment that reflects the bank's commitment to customers.

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المستخلص

يروم هذا البحث تسليط الضوء على كيفية تأثير أبعاد استراتيجيات التسويق بالعلاقات على الممارسات البيئية والاجتماعية والحوكمة لقطاع البنوك المختارة في العراق، ذلك يأتي في ظل المنافسة الشديدة وتغيرات المتطلبات المصرفية المتعلقة بالمعايير البيئية والاجتماعية والحوكمة، ما يجعل وجود صعوبات الاحتفاظ بعملاء البنوك. وجرى اختيار بعض البنوك المدرجة في السوق العراقي للأوراق المالية عشوائيًا لهذه البحث نظرًا لهيكلها العلائقي، إذ يمكن للموظفين وشبكات عملائهم المخصصة لهم، والذين عادتاً ما يرتبطون بمديري علاقات محددين في التواصل. وجرى تلقي ما مجموعه 70 ردًا من استبيان عبر الإنترنت يحتوي على عبارات مصنفة على مقياس ليكرت الخماسي، فضلاً عن استخدام SPSS (23) وAMOS (23) وSmart_PLS (4) في تقييم الصلاحية الهيكلية لأدوات المسح، وايضاً في تحليل ردود المشاركين، واختبار الفرضية الإحصائية. وأظهرت الدراسة أن أبعاد التسويق بالعلاقات لها تأثير في ممارسات ESG، وأن بُعد الالتزام كان أعلى معدل تأثير، وان أبرز التوصيات كانت بالحاجة إلى التزام إدارة البنك بتوفير بيئة عمل مناسبة تعكس التزام البنك تجاه عملائه.

1. Introduction

There has been an increasing debate in the literature with regard to the nature of the relationship existing between relational marketing strategies and ESG practices. Views keep on fluctuating between the complementarity and competitiveness perspectives of these two concepts. Researchers, however, have borrowed a possible cause from social media, relational marketing to corporate performance in the ESG domain. Banking institutions face multi-dimensional challenges for successful operations of the relational marketing strategies. These are inclusive of technical challenges, regulatory challenges, and financial challenges.

Regarding ESG, the banking industry is going through a frenetic pace of adaptation of sustainability and environmental, social, and governance - ESG - standards, reinforced by ever-growing demands from regulators, investors, and stakeholders with the view to attaining the Sustainable Development Goals. ECG Standards - or briefly, ESG initiatives- have presently become an integral part of the strategies of modern financial institutions, especially in countries where structural changes are more pronounced, such as most emerging economies.

This study will explore the research objective by first examining the key theoretical aspects of both variables, and then conducting a thorough statistical analysis to uncover the most significant findings.

2. Methodology

2.1. The importance of research:

This research therefore contributes uniquely by showing how confidence-building practices as a tool in sustainability development could fill the gap in Iraq's banking sector and address the obstacles facing it, given the total lack of confidence-building approaches between clients and banks. The research reinforces the importance of connecting relational marketing to ESG practices, thereby strengthening their role in supporting the sustainable development of Iraqi banks and compliance with regulations imposed by the Central Bank of Iraq.

2.2. Research Problem statment:

Applying environmental, social, and corporate governance (ESG) principles in a competitive environment has become critical for bank management to ensure business continuity. As a result of the challenges facing Iraqi banks in light of the proliferation of traditional banking services, the weakness of relational marketing, and the changing needs of local and international customers, the implementation of innovative strategies focused on improving customer experience and enhancing customer loyalty has become increasingly important. Therefore, this research seeks to explore how relational marketing strategies impact ESG practices and, consequently, contribute to improving the performance of Iraqi banks.

2.3. Research objective:

This study seeks to emphasize how relational marketing strategies and its impact on enhancing Environmental, Social, and Governance practices adopted by the Central Bank of Iraq, followed by some suggestions for enhancing the effectiveness of Iraqi banks.

2.4. Research Hypotheses

Relational marketing has a meaningful effect on ESG practices.

Literature Review

3.1 Relationship Marketing Strategies:

In fact, relationship marketing represents a fundamental change in modern-day marketing thinking away from short-term transactional approaches toward long-term customer relationships (Gronroos, 2016). This idea has been synthesized because of changing dynamics in the business environment and rising competition that requires the design of effective and sustainable marketing approaches (Kumar, P. 2023).

Relationship marketing is understood as a corporate approach that emphasizes creating, developing, and maintaining customer and business partner value to create a profitable and mutually beneficial relationship" (Berry, 2002). This is defined broadly to capture all activities that are part of marketing in the greater role of developing and managing successful relational exchanges with stakeholder groups (Badrinarayanan & Ramachandran, 2024). However, the currently emerging discussion on how to analyse the relationship between relational marketing strategies and ESG practices is gaining in the literature (Weber and Scholz 2022). There are many opinions on whether these two concepts are mostly complementary or competitive. Despite this, the recent literature suggests that while there may be a positive causal effect of social media, relational marketing, and corporate ESG performance (Bouattour et al., 2024), hindrances in communication of the firm's ESG initiatives via social media limit the building of customer relationships for the long run (Whelan et al., 2021). Recent studies reaffirm the need to direct marketing towards relational marketing based on the principle of sustainability as an integrated approach, which connects the attainment of business objectives with the environmental and social responsibilities of an entire value chain (Bettani, G., 2023). Similarly, in this regard, empirical evidence demonstrates a divergence in the results as to whether ESG practices seem to play to stabilize the customer from the dimension of external and internal oversight control mechanisms and institutional reputation (Qinghua, Li, Lin, & Wang, 2024).

Along with the set of scientific theories for explaining interaction efforts between the organization and its customers, the relationship marketing strategies depend on the most important of them are:

Social exchange theory: This is the building block of its explanation of business relationship formation. It presumes that the above-mentioned relationships are born and evolved through exchange processes that attain reciprocal for both parties. According to the theory, relationships will continue if the parties can maximize reciprocal benefits (Ahmad, R., Khan, M. M., & Ishaq, M. I., 2020).

Commitment and trust theory: This theory states that these two factors are at the core of stable marketing relationships (Morgan and Hunt 1994). Trust and commitment are two factors of relationship quality, where trust is the parties' perception about the goodwill of the other party and commitment is the parties' intention to keep the relationship sustainable (Badrinarayanan & Ramachandran, 2024).

perceived value theory: This theory highlights how competing in marketing relationships is dependent on the organization's ability to provide the consumer with a level of perceived value that is greater than the costs incurred (Blut, Chaney, Lunardo, Mencarelli, & Grewal, 2024).

3.1.1. Structural Dimensions of Relationship Marketing Strategies

When you are doing the interactive relationship with customers, the relationship marketing strategies have four integrated dimensions that capture their complexity:

1. **Interactive Communication:** This is a vital element, comprised of interactive and on-going communication channels (Peck et al, 2013). In this aspect, the companies establish mechanisms to track what customers want/expect, provide them with timely information, and make the customers a part of the process of developing the products and services (Ballantyne, 2018).
2. **Conflict Management:** Conflict Management: Conflict management refers to the ability to provide systematic processes that simulate behaviors and problems that may arise with customers. It includes training employees to handle complaints and developing a clear policy for resolving conflicts based on a rapid response system. (Lacity & Willcocks, 2017).
3. **Tailoring of services:** This is based on building databases that allow for the study of individual customer behavior patterns and providing solutions that suit their needs by compiling customized proposals that suit the targeted market sectors. (Coelho & Henseler, 2012).
4. **Investment in relationships:** This is achieved through spending on technological infrastructure, upgrading employee skills, and encouraging them to build relationships with customers with the aim of creating a better experience. (Xue, 2024).

There are three aspects of relationship marketing that the research will consider in its practical aspect: trust, commitment, and communication. Trust refers to the ability to rely on employees who can be entrusted with collaborative tasks, while commitment refers to maintaining the continuity of the relationship between the bank and the customer. Communication, on the other hand, refers to the continuous provision of information in a timely and accessible manner. (Naderian & Baharun, 2013).

3.1.2. Mechanisms for Implementing Relationship Marketing Strategies

Relational strategies that work need a set of practical mechanisms that allow the theoretical aspirations of these strategies to become practical ones. These mechanisms include the following:

1. **Customer Relationship Management:** Relational strategies need sophisticated customer relationship management systems for customer data collection, knowledge, and interactions with the organization (Magatef et al., 2023).

2. **Interactive Marketing:** This type of marketing depends on active involvement of customers in the marketing processes by creating interactive marketing campaigns, utilizing social media, and developing electronic platforms that provide direct interaction with the customer (Hoffman & Novak, 2019).

3. **Loyalty and Rewards Programs:** Loyalty programs play a key role in stimulating activities for a relational marketing strategy by encouraging customers to stay with the organization by granting them special rewards or privileges (Gaikwad & Patil, 2024).

3.1.3. Challenges of using relational marketing strategies

Banking institutions' efforts to adopt relationship marketing strategies may face numerous challenges, which must be studied and understood in a way that ensures the institution's success. The most important of these challenges can be summarized as follows:

1. **Technical Issues:** Technical issues: These relate to the technical infrastructure, as organizations face technical issues that must be addressed, particularly regarding database management systems. This requires extensive investment in specialized software and modern technologies. (Purnama, K. D., & Susilowati, H., 2024).
2. **Organizational challenges:** The relational approach requires a complete reorganization of the structure and corporate culture, and such radical reforms can be obstructed by the traditional powers of the administration and human resources (Bolton & Tarasi, 2017).
3. **Defying financial constraints:** Whereas these strategies demand short-term investments that are high, their economic payoffs appear in the long term, which contradicts the priorities of those institutions that stress the importance of immediate results (Reinartz & Kumar, 2018).

3.2. ESG Practices in the Banking Sector:

ESG practices are a well-researched analytical framework to illuminate how banks manage challenges and opportunities pertaining related to environmental, social, and governance dimensions. These practices are broader than the classical focus of environmental sciences (Daugaard, 2020). These are the key investment types they evaluate: multi-criteria evaluating of investments and clients based on environmental and social, and governance aspects along with financial returns (Purcarea & Radulescu, 2024) According to Almomani & Al-Momani (2025), ESG framework within banks can be characterized as "a group consisting of standards created intentionally and consistently to represent the sustainable and ethical financial interests of institutions." This framework is expressed in the following dimensions:

1. **Environmental dimension:** This dimension concerns banks' mechanisms for addressing environmental and climate challenges, assessing the environmental impact

of financed projects, and developing sustainable credit policies, including climate risk management, financing environmentally friendly projects, and reducing carbon emissions in operational processes (Saif-Alyousfi, A. Y., & Alshammari, T. R., 2025). Figure 1 shows the annual change in carbon dioxide emissions in Iraq for the period 1928–2023, ranging from lows to highs of up to ±40 million tons per year. Exceptional peaks were also seen during the first decade of the third millennium, reaching over 30 million tons, although in other periods-a steep decline was seen in 2003 and after 2014. Major political and economic events shook the industrial and oil sectors in the country tremendously (Carbon Budget, 2024).

2. **Social Dimension:** This dimension refers to the responsibility of banks towards society, employees, and customers with regard to promoting financial inclusion, protecting labor rights, designing banking products for the needs of vulnerable groups, and supporting local development (Calıs, G., & Kelleci, A., 2023).
3. **Governance Dimension:** It is concerned with transparency in decision-making, internal control structures, risk management, and regulatory compliance, with understanding the rights of stakeholders. In addition, governance has a relation to environmental and social dimensions in the way of bringing related decision-making processes to transparency (Wang, N., Pan, H., Feng, Y., & Du, S., 2024).

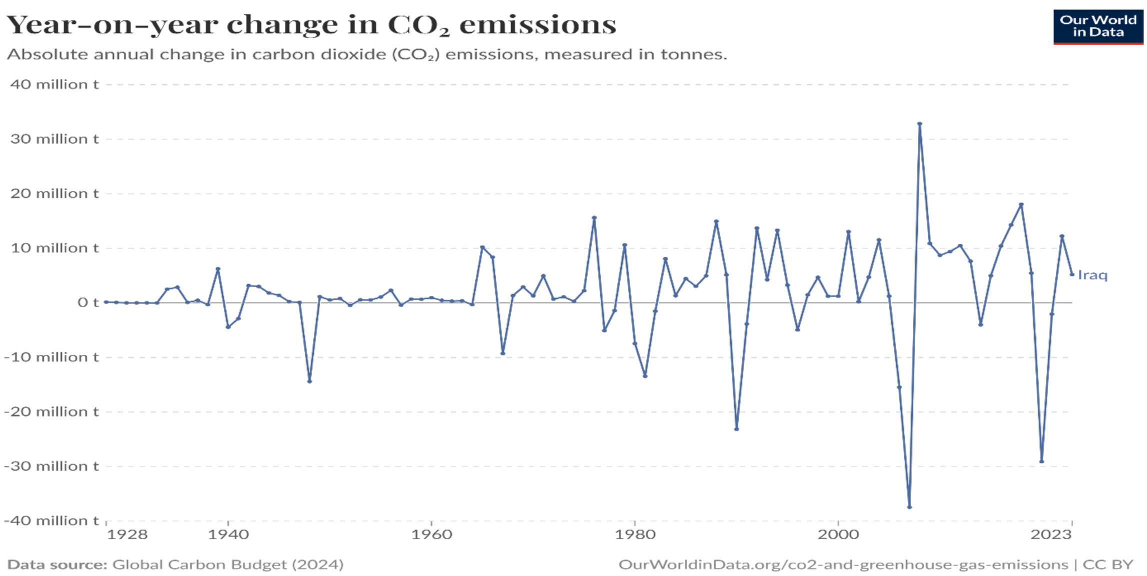


Figure (1) illustrates the annual growth of carbon dioxide emissions in Iraq from 1928 to 2023

SOURCES: Carbon Budget (2024), https://ourworldindata.org/grapher/absolute-change-co2?tab=line&time=earliest..2023&country=~IRQ

The ESG practices in the banking sector are built on a multidimensional theoretical framework that explains the institutional motivation to adopt the practice. Its most noticeable pillars are:

1. **Stakeholder Theory**: This theory forms one of the foundational pillars of banking ESG practices, wherein banks are held to be responsible comprehensively to every stakeholder,

including shareholders, customers, employees, society, and the environment, instead of only shareholders. Research discloses that banks can play a very potent role in influencing institutional investment decisions to further 'sustainability agendas' at both the government and corporate levels (Gonzalez-Ruiz, Ospina Patiño, & Marín-Rodríguez, 2024).

2. Legitimacy Theory: The basis of sustainable practices is the legitimacy idea, which presupposes that financial institutions seek to get acceptance from society and maintain their social legitimacy by adhering to various environmental and social standards. The intrinsic driver explains the given of (Firmansyah, A., & Kartiko, N. D., 2024) increasing focus in the banking sector towards the aspect of sustainability performance transparency and disclosure.

3. Signaling Theory: The ESG practices are going to act as a source that signals the market participants about management efficiency and the potential of the banking institution towards long-term sustainability. Empirical evidence suggests that investing in an entity with high ESG performance shows relative lower volatility and greater steadiness during the economic fluctuation periods. Alghafes, Karim, Aliani, Qureishi, & Alkayed, 2024.

3.2.1. ESG practices in the banking industry

There are a number of mechanisms for implementing environmental, social, and institutional governance practices in the banking environment, including:

1. **International Regulatory Frameworks:** Regarding Environmental, Social, and Corporate Governance (ESG) Risk Management, the European Banking Authority (EBA) has issued final guidance outlining requirements for measuring, managing, and monitoring risks within banking institutions, as well as proactive measures to address risks in the short, medium, and long term. (European Banking Authority, 2024). These regulatory controls are designed to embed the principles of transparency and accountability throughout all levels of banking operations.

2. **Applications in the Iraqi context:** The Central Bank of Iraq, in cooperation with the International Finance Corporation, launched an initiative package for sustainable finance. There was the development of an ESG code in accordance with the local regulation and which would "help banks to improve their performance in terms of accountability, responsibility, governance, and resilience, factors that are important for customers, shareholders, investors, and sustainable development in Iraq" (IFC, 2024). There is also a seven-year road map that has been developed for sustainable finance, accompanied by a comprehensive ESG performance measurement system, which also standardizes reporting (IFC Beyond the Balance Sheet, 2024).

Environmental, social, and governance standards have multi-variant influences on banking performance along financial, operational, and strategic dimensions based on the following analytical frameworks:

1. **ESG principles and their effect on financial performance:** the implementation of ESG principles has been proven to positively be associated with the banks' financial metrics through an empirical literature. A very steady positive association has been proved, especially among the banking sector in Iraq as shown by the Research conducted by (IFC, 2024). The analytical results have proved that the adoption of standards for ESG has significantly enhanced the profitability of banks on the whole when the System-GMM approach is applied in 179 banks in 29 countries within the period between 2016 and 2022.(Fakhrunnas, Kenc, & Hengchao, 2025).

2. **Banking Stability:** ESG practices, by virtue of enhancing the efficiency of risk management and decreased volatility in performance, thereby strengthen resilience in the banking sector. Also, these criteria have increased the predictiveness of quantitative models to identify the situations of banks in distress, along with reducing the possibility of misclassifying unstable institutions as sound ones significantly (Choi, Ryu, & You, 2024).

3. **Impact on operational efficiency:** ESG practices have a positive effect on operational efficiency because they enable the internal work process to improve and rationalize operating expenses. It is reported by the majority of the studies that those banks that have high ESG performance have a better ability to manage resources and hence a better level of operational performance (Fakhrunnas, Kenc, & Hengchao, 2025).

3.2.2. Barriers and risks to implement ESG practices

The integration of ESG criteria with operations is methodologically tricky, risking operations of banking institutions when advanced management mechanisms are required to maintain operational effectiveness. It does this through a two-pronged approach:

1. **Regulatory challenges**: With changing regulations and increasing demand for transparency and disclosure, banks find it difficult to implement ESG criteria. The processes require immense investments in technologies and system development to ensure that you are relying upon correct data and reporting. (McKinsey, 2023).

2. **Financial difficulties:** ESG activities may create agency costs that could affect the sustainability-performance nexus, despite their value, and especially within the banking sector, with narrow margins and high regulatory scrutiny. Such a tendency may widen the gap between the financial performance of the Islamic banks competing with each other (Azmi et al., 2021; Hassan et al., 2021).

4. Analyzing the data:

This paragraph includes the confirmatory validity of the questionnaire form, and then diagnosing the sample’s answers and conducting a research hypothesis test through the following procedures:

4.1. Assessment of internal reliability

Cronbach's alpha test was conducted to measure the internal consistency of the questionnaire. Table 1 below shows the internal validity values for measuring the questionnaire's reliability, with values above 70% considered statistically acceptable.

Table (1) internal reliability Test

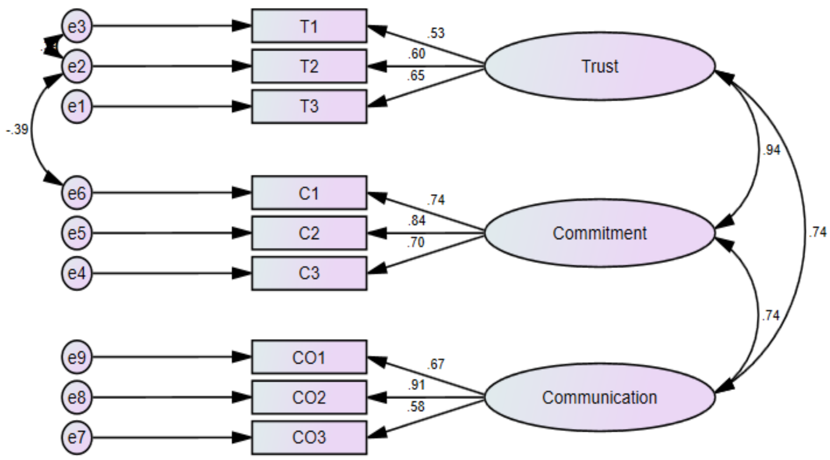
Variables	Cronbach's Alpha
Relationship Marketing strategies	0.841
ESG	0.931

Source: SPSS Version 23.

4.2. Confirmatory Factor Analysis

4.2.1. Confirmatory Factor Analysis of the Relationship Marketing strategies Variable

The variable of relational marketing strategies was measured by (9) statements as in Figure (2), and their percentage is higher than the marginal percentage of (40%) according to the standard saturation estimates.



Source: Amos 23 by Human mockup.

Figure (2) Structural Modeling of Relationship Marketing Strategies

It is noted that the values of the structural modeling conformity indices became higher than required after determining the modification indices as in Table (2). It falls within the required conformity level, and the estimated limits for all measurement statements are statistically significant at the 5% level. This highlights the importance of the opinions of the bank employees' sample in the research study, and this proves the validity of the statements related to field measurement.

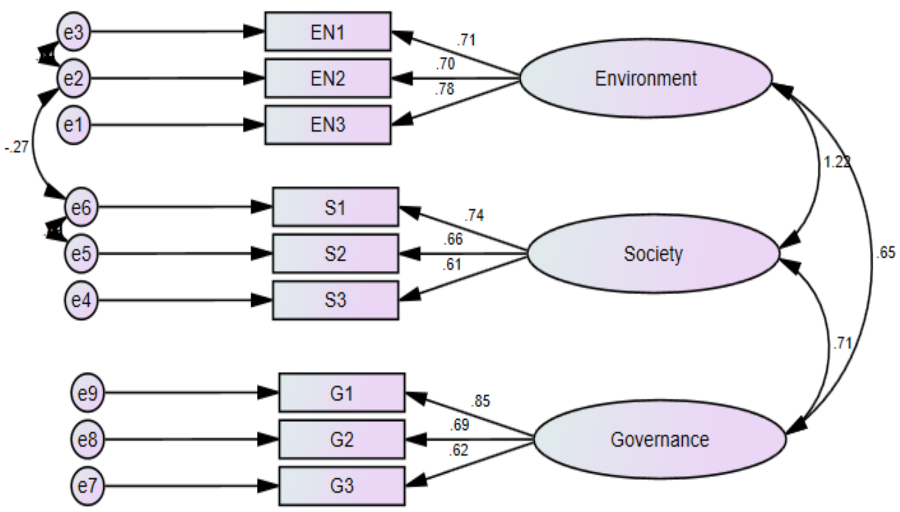
Table (2) Conformity criteria in structural modeling of the relational marketing strategies variable

Parameter	Value
(TLI)	0.948
(RMSEA)	0.070
(IFI)	0.960
(CFI)	0.948
(CMIN/DF)	1.342
CMIN/DF < 5, CFI > 0.90, IFI > 0.90, TLI > 0.90 RMSEA < 0.08 Source: (Singh V. , 2016)	

Source: Compiled by Amos 23.

4.2.2. Structural Modeling of of ESG

The ESG variable was measured using 9 statements as shown in Figure (3), and the standard saturation estimates were greater than the marginal percentage of 40%. This means that all statements are valid for field measurement. According to the table, the structural model reached the required level of agreement for all items, with statistical significance at the 5% level.



Source: Compiled by Amos 23.

Figure (3) Structural Modeling of the ESG

Table (3) Conformity criteria in structural modeling of ESG variable

Parameter	Value
(TLI)	0.942
(RMSEA)	0.067
(IFI)	0.969
(CFI)	0.928
(CMIN/DF)	1.313

Source: Compiled by Amos 23.

4.3. Description of research sample responses

Table 4 shows that the relationship marketing strategies variable had an arithmetic mean of 4.2, a response rate of 84%, and a standard deviation of 0.72. This indicates that the bank's management seeks to build and develop good relationships with customers, thereby achieving long-term customer satisfaction.
The ESG variable had an arithmetic mean of 4.04, a response rate of 81.9%, and a standard deviation of 0.70. This indicates that the bank's management is working to enhance environmental, social, and corporate governance practices. These results support the need to update relationship marketing strategies to improve ESG practices.

Table (4) Description of research sample responses

Research variables	arithmetic mean	Intensity of the answer	standard deviation	coefficient of variation	Variation
relational marketing strategies	4.2	84 %	0.72	0.15	0.48
ESG	4.04	81.9%	0.70	0.17	0.51

Source: Compiled by SPSS Version 23.

5. Analysis of results:

The results in Table 5 show that relational marketing strategies are statistically related to environmental, social, and governance (ESG) practices, according to Pearson's correlation coefficient, which reached (0.666), which is statistically significant at a 5% significance level. The impact of relational marketing strategies dimensions on the ESG variable was significant at a 5% significance level, indicating that the ESG variable (Y) is affected by the relational marketing strategies variable (X). Therefore, the regression equation can be formulated as follows: $\mathbf{Y = 0.828 + 0.029\, X_1 + 0.226\, X_2 + 0.185\, X_3}$.

The estimated equation shows that ESG practices would be 0.828 in the absence of relationship marketing strategies. Furthermore, for every one-unit increase in relationship marketing strategies variable X, ESG Y would increase by 0.029, meaning that the dimensions underlying relationship marketing strategies have a direct impact on ESG Y. The R-squared value indicates that it explains 44.3% of the relationship between relationship marketing strategies and ESG.

Table (5) Testing the statistical relationship between relational marketing strategies and ESG practices

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.666[a]	.443	.418	.31631

a. Predictors: (Constant), X3, X1, X2

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.251	3	1.750	17.494	.000[b]
	Residual	6.603	66	.100		
	Total	11.854	69			

a. Dependent Variable: Y

b. Predictors: (Constant), X3, X1, X2

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.828	.323		2.562	.013
	X1	-.029-	.093	-.037-	-.307-	.760
	X2	.226	.068	.427	3.318	.001
	X3	.185	.059	.352	3.135	.003

a. Dependent Variable: Y

Source: Compiled by SPSS Version 23.

6. Conclusions

These findings stress the need for the continued development and development of relationship marketing strategies and their role in increasing ESG practices. The research results indicated that the dimensions of relationship marketing have been found influential towards environmental, social, and corporate governance practices, with the commitment dimension the most influential in that regard, as it enhances the importance of the commitment of bank management to create an appropriate work environment reflecting the bank's commitment to its customers. This is followed by the communication dimension in impact, which means enhanced communication techniques with the clients strengthen relationships and heighten loyalty and trust in the bank.

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Author's contribution:

1.The author, Ahmed Khudair Abbas, completed the practical aspect of the study.

2.The author, Ghaidaa Muhammad Ali Ezzat, completed the theoretical aspect and coordinated the research and its sources in general.
3.The author, Asmaa Hadi Nima, collaborated with Amir Ali Khalil in completing part of the research methodology and the practical aspects, as well as the recommendations.
4.The author, Amir Ali Khalil, completed the research methodology and part of the practical aspect and recommendations.

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Variables	Dimensions	Questions
Relationship marketing (Naderian,BAHARUN:2013)	**Trust**	They are very concerned about proper service
		Their words and promises are reliable
		Employees show respect to customer
	Commitment	Offer personalised services to meet customer needs
		Flexible when its services are changed
		Flexible in serving my needs
	Communication	Provide timely and trustworthy information
		Provide information if there are new services
		Information provided is accurate
ESG (Wang, N., Pan, H., Feng, Y., & Du, S., 2024).	**environmental**	The bank seeks to reduce energy consumption in branches and offices.
		The bank supports recycling initiatives by financing environmentally friendly projects.

		The bank uses digital technologies to reduce paper transactions.
	social	The bank contributes to financing projects that support the local community, such as women's empowerment initiatives.
		The bank provides a safe and supportive work environment for employees, while paying attention to their well-being.
		The bank is committed to the principle of equality and equal opportunities for all employees.
	governance	The bank discloses its financial and non-financial information transparently.
		The bank's management works to promote integrity in all transactions.
		The bank's management seeks to implement sound governance practices that preserve the rights of all stakeholders.