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Exploring the Nexus of Corporate Social Responsibility, Innovation Capability, and Organizational Performance: Evidence from Rural Commercial Banks in China

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Abstract

This study investigates the impact of corporate social responsibility (CSR) on innovation capability and organizational performance in China's rural commercial banks. Utilizing a robust evaluation index system, the research quantitatively assesses CSR and its dimensions: economic, legal, moral, and charitable responsibilities. Findings indicate that CSR positively influences organizational performance and innovation capability. Moreover, innovation capability significantly enhances organizational performance and partially mediates the relationship between CSR and organizational performance. The research also highlights the moderating role of an organizational innovation atmosphere, where colleague support, supervisor support, and organizational support strengthen the relationship between innovation capability and organizational performance. These insights underscore the critical role of CSR in driving innovation and organizational success in the rural banking sector. Further research is recommended to explore additional mediating mechanisms and broaden the sample scope for more comprehensive results.

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1. Introduction

1.1 Background of Study

The reform of China's rural financial system has led to the rapid development of rural commercial banks, which play a crucial role in supporting agriculture and small and medium-sized enterprises (Law, Bhaumik, Sun, & Rahman, 2019). As of December 31, 2023, there were 72,941 rural commercial banks in China. These banks, as independent legal entities, primarily serve county economies and are responsible for their profits and losses. However, they face significant challenges, including a high incidence of non-performing loans and a serious lack of innovation capability (Sun, Zuo, Huang, & Wen, 2024). The issues include insufficient product innovation, reliance on traditional interest rate differentials, lagging development in intermediary businesses, and backward technological systems compared to peers. Additionally, personnel innovation is hindered by historical employment practices and generally low staff quality (Sun & Zuo, 2023). The stringent regulatory environment further exacerbates these challenges, creating bottlenecks in their development. In the broader context of corporate operations, the focus has shifted from solely economic benefits to incorporating social responsibilities. Enterprises now must consider environmental impacts, stakeholder rights, and legal compliance (Sun, 2022). This shift is partially driven by the corporate social responsibility (CSR) movement, which began in Europe in the 1980s and gained traction in China in the 1990s. Today, CSR is integral to corporate strategy, with legal implications ensuring compliance and ethical standards (Sun & Zuo, 2023). Chinese commercial banks, significant players in the financial system, exhibit monopolistic tendencies and substantial market influence. While their primary goal remains profit maximization, there is increasing pressure to demonstrate social responsibility (Sun, 2023). Historically, banks' involvement in CSR initiatives, such as financing environmentally friendly enterprises, has evolved, reflecting a broader recognition of their societal role (Sun & Zuo, 2024). Despite the increased focus on CSR, the impact on bank performance remains unclear. The motivation behind CSR reports—whether genuine responsibility or profit-driven—remains debated (Sun, Zuo, Liu, Huang, & Wen, 2024). Current research highlights the need to understand the correlation between CSR initiatives and financial performance more deeply.

1.2 Problem Statement

China's rapid social and economic transformation has intensified the need for enterprises to extend their societal impacts beyond mere profit generation (Law, Bhaumik, Sun, & Rahman, 2019). This transformation has led to various social issues, including pollution and labor disputes. Enterprises must now align with global trends by actively fulfilling their social responsibilities to mitigate these problems. The Chinese government recognizes the significant societal harm that can arise from neglecting corporate social responsibility (CSR) and urges enterprises to embrace their obligations fully (Sun, 2022). In the competitive banking sector, innovation is critical for differentiation and market competitiveness. Chinese commercial banks traditionally rely on interest rate spreads for profits. However, the advent of mobile payments and the rise of Internet finance have disrupted traditional banking models, presenting significant challenges to their profitability and performance (Sun, Zuo, Huang, & Wen, 2024). Thus, banks must innovate continuously to optimize product structures and business models, enhancing competitiveness and market share (Sun, Zuo, Liu, Huang, & Wen, 2024). Technological innovation complements CSR by potentially reducing costs, increasing profits, and creating a differentiated competitive advantage. This synergy suggests that fulfilling CSR can positively impact organizational performance through enhanced innovation capabilities (Williams & Siegel, 2000). Moreover, a conducive organizational atmosphere can further stimulate employee innovation, which in turn improves organizational performance, fostering a cycle of continuous improvement (Sun, & Zuo, 2023). Rural commercial banks,

evolved from rural credit cooperatives, face unique challenges. They carry historical burdens, started late in technological adoption, and are currently struggling against fierce competition from other banks. Despite their lower overall strength compared to major banks, rural commercial banks play a crucial role in local economies by providing essential financial services (Sun, 2023). Their commitment to CSR is vital for local socio-economic development. This study focuses on China Rural Commercial Bank, examining the relationship between innovation capability, organizational performance, and CSR. It also explores how the organizational innovation atmosphere moderates this relationship, providing insights into enhancing the comprehensive competitiveness and performance of rural commercial banks (Law, K. A., Bhaumik, Sun, Raju, & Rahman, 2019).

1.3 Research Questions

This study aims to explore the following research questions:

(1) What is the relationship between corporate social responsibility (CSR) and organizational performance?
(2) What is the relationship between CSR and innovation capability?
(3) What is the relationship between innovation capability and organizational performance?
(4) Does innovation capability mediate the relationship between CSR and organizational performance?
(5) Does the organizational innovation atmosphere moderate the relationship between CSR and organizational performance?

1.4 Research Objectives

The study identifies a gap in the existing literature regarding the interplay between CSR, organizational performance, and innovation capability in the context of Chinese rural commercial banks. This research aims to fill that gap by summarizing and organizing relevant literature and analyzing the dynamics between these factors. The specific objectives are:

(1) To examine the positive impact of CSR on organizational performance.
(2) To assess how CSR positively influences innovation capability.
(3) To evaluate the positive effect of innovation capability on organizational performance.
(4) To investigate the mediating role of innovation capability between CSR and organizational performance.
(5) To analyze the moderating role of the organizational innovation atmosphere in the relationship between CSR and organizational performance.

1.5 Research Significance

This study explores the impact of social responsibility and innovation on the efficiency of rural commercial banks in China, significantly enriching the theoretical framework for enhancing their organizational performance. Current literature on the social responsibility and innovation capabilities of these banks is scarce, making this study particularly valuable (Sun & Zuo, 2023). By examining the relationship between fulfilling social responsibility and improving organizational performance, this research revises and extends existing concepts. In recent years, the Chinese government has implemented numerous measures to encourage enterprises to fulfill their social responsibilities, such as "100 Lines to Assist 100 Enterprises" and "Assisting Rural Revitalization" (Sun, 2022). Following the 19th National Congress of the Communist Party of China, there has been a strong emphasis on innovation, sustainable development, and enhancing public welfare. Rural commercial banks are also expected to adhere to these principles, but concerns persist that social responsibility efforts might hinder business development. This research addresses these concerns by linking social responsibility, innovation capability, and organizational performance, providing practical insights into how

these banks can improve their performance while fulfilling social responsibilities (Law et al., 2019). The findings offer actionable strategies for the growth and development of rural commercial banks in China, emphasizing the importance of balancing social responsibilities with business objectives.

2. Literature Review

2.1 Corporate Social Responsibility

Corporate social responsibility (CSR) is an evolving concept integrating micro and macro perspectives. Originating from Oliver's (1924) notion that entrepreneurs should meet societal needs, CSR encompasses the impacts on various stakeholders, the environment, and society (Law et al., 2019). Bowen et al. (1953) extended this by linking CSR with societal expectations, emphasizing that regulations should reflect these expectations. Carroll (1979) further elaborated CSR dimensions—economic, legal, moral, and philanthropic responsibilities—asserting that legal compliance and ethical operations precede voluntary social contributions (Sun & Zuo, 2023). Since the 1980s, CSR has increasingly been associated with stakeholder theory, which prioritizes the interests of shareholders and creditors while incorporating societal concerns (Glavas & Aguinis, 2013). In China, CSR gained attention post-2003, following the introduction of the SA8000 standard, emphasizing sustainable development and voluntary corporate responsibility (Song & Sheng, 2009; Lu & Zheng, 2018). Carroll's "Pyramid Hierarchy Theory" categorizes CSR into four dimensions: economic, legal, ethical, and philanthropic responsibilities (Carroll, 1979). Economic responsibility involves profit-making and tax payment; legal responsibility requires compliance with laws; ethical responsibility pertains to fairness and non-malfeasance; and philanthropic responsibility involves voluntary social contributions (Sun & Zuo, 2023). This model, refined over time, remains foundational in CSR research. Dahlsrud (2008) and Peloza (2011) further refined CSR into five dimensions: social, stakeholder, environmental, humanitarian, and economic responsibilities. Chinese scholars, influenced by these frameworks, adapted CSR to local contexts, emphasizing inclusiveness and stakeholder engagement (Chen, 2005; Jin, 2006; Chen, 2015). Carroll's pyramid model remains a reference point for CSR studies in China. Research indicates a positive correlation between CSR and corporate performance, mediated by internal and external factors (Khojastehpour, 2014; Huang, 2018). Chinese studies corroborate these findings, showing that enhanced CSR leads to better market reputation and performance (Xu, 2020). However, there are divergent views on the CSR-performance relationship, with some studies indicating negative or non-linear correlations (Maqbool, 2018; Luo, 2019). Margolis and Walsh (2015) conducted a meta-analysis of 129 studies, finding mixed correlations between CSR and organizational performance. Some studies reported positive correlations (Ruf et al., 2016; Johnson, 2017), while others indicated negative or non-significant relationships (Freedman, 2017; Brammer et al., 2016). The findings suggest that CSR's impact varies with context and implementation. CSR is linked to innovation, particularly in developing low-pollution products and adopting socially responsible designs (McWilliams & Siegel, 2015; MacGregor & Fontrodona, 2018). Firms integrating CSR into their innovation strategies often achieve better product and process innovations (Bocqet et al., 2016; Jiang, 2016). Research suggests that CSR and innovation investments synergistically enhance organizational performance (Hull & Rothenberg, 2018; Fu & Liu, 2019). CSR fosters creativity and accelerates R&D, leading to improved market performance (Peng & Wang, 2020). Furthermore, CSR and innovation as intangible assets significantly influence investment decisions and long-term organizational performance (Zhu et al., 2019; Cegarra Nav et al., 2020).

2.2 Innovation Capability

For companies, the ability to utilize internal skills, knowledge, and resources in business development constitutes their main competitive advantage. Technological innovation capabilities are essential for gaining an advantageous market position (Law et al., 2019). The theory of innovation capability, which dates back to Hammer and Prahalad's discussions on core competitiveness in 1980, remains a cutting-edge issue in management research (Sun & Zuo, 2024). Innovation capability can be viewed narrowly as the professional foundations and technical aspects of an enterprise or broadly as encompassing employee management, internal structure adjustment, and institutional improvement (Sun, 2023). Scholars like Stalker and Bums (1961) emphasized evaluating a company's innovative thinking from both technological and product perspectives. Trester and Santoero (1998) highlighted the innovation in management methods and concepts. Barton (1993) and Saunila (2014) examined innovation from organizational structure and talent perspectives, respectively. Song (2009) proposed that innovation capability is a dynamic process of resource absorption and utilization, while Migdadi (2017) emphasized the design and implementation of innovative ideas as indicators of high innovation capability. Chinese scholars such as Song Hefa (2006) and Zeng and Zhao (2011) defined innovation capability as the enterprise's ability to use all available resources to create or improve resources. Research on innovation capability evaluation indicators in China began relatively late, with a focus on small businesses and macro perspectives (Law et al., 2019). Studies by Zhang Liang and Shen (2009) and Cao (2009) constructed hierarchical analysis and evaluation systems for commercial banks. Ma (2013) and Shao (2011) provided more accurate evaluations of innovation indicators. Yu and Li (2007) established a comprehensive financial innovation capability evaluation system, which has been instrumental for macro and micro institutions (Sun & Zuo, 2023). External knowledge acquisition, as highlighted by Cohen and Levinthal (1990), significantly enhances innovation capabilities. Collaboration with external parties is crucial for successful innovation (Swink, 2007; Cavusgil, 2013). Qu (2012) showed that corporate goodwill positively impacts innovation performance by enhancing knowledge production and transfer capabilities. Wang (2019) and Lv (2023) noted that short-term and long-term innovation strategies and the advent of Internet finance have further stimulated the need for innovation in traditional finance sectors. Yin (2020) confirmed that higher innovation capability facilitates resource acquisition and significantly boosts performance.

2.3 Organizational Performance

Performance, in management theory, encompasses both individual and organizational aspects, reflecting efficiency and goal achievement (Law et al., 2019). Scholars like Richard Wi11ams (2004) define organizational performance as operational efficiency, including profitability, solvency, and asset management. Luo (2015) emphasizes that organizational performance aligns with organizational goals and societal expectations. In China, Li (2016) distinguishes between results and behavioral types of organizational performance, while Chang (2018) views it as a measure of goal attainment. Initially, performance was solely measured through financial data, but Borman and Motowidlo (1993) introduced a two-dimensional model: task and peripheral performance. Huselid and Delaney (1996) emphasized internal and market performance, while Reeves and Dyer (1995) focused on employee, financial, and marketing management. Scholars like Gong Wenwei (2013) expanded dimensions to include economic, environmental, and innovation performance. Li (2016) and Liu (2016) highlight the positive correlation between human resource strategies and organizational performance. Shi (2016) found a mediating role of organizational learning between transformational leadership, organizational innovation, and performance. Zhang (2019) emphasized the negligible impact of corporate capital on performance. Li (2019) explored the impact of enterprises, customers,

and universities on innovation and performance, noting the positive influence of universities and customers.

2.4 Organizational Innovation Atmosphere

The concept of organizational innovation atmosphere has been widely discussed in literature, albeit with varying definitions. Campion et al. (1993) describe it as a factor including managerial support, education, communication, and cooperation that influences team innovation. Amabile (1996) views it as members' perception of the organizational environment supporting creativity. Tesluk (1997) sees it as understanding organizational policies and processes that drive innovation. Bharadwaj (2000) defines it as methods and resources encouraging innovation. Wang Yanfei (2005) summarizes it as a persistent characteristic perceived by members, influencing their innovative behavior. Organizational atmosphere, characterized by shared perceptions of the work environment (Schneider, 1975; 1990), encompasses factors like organizational structure and support systems (Kanter, 1984). It influences individual attitudes and behaviors, impacting innovation capability (Klein & Sorra, 1996). Amabile Conti and Coon et al. (1996) highlight specific dimensions such as organizational encouragement, supervisor support, and teamwork, crucial for fostering innovation. Leadership styles also play a pivotal role. A supportive environment enhances intrinsic motivation and creativity (Deci & Ryan, 1989), while directive leadership styles may stifle innovation (Frese & Wijnen, 1999). Moreover, leadership support, including direct assistance and skill development, significantly influences creativity (Amabile, 1988). Team-level factors, like leadership and peer support, further influence creativity. Team leaders' guidance and support positively correlate with creativity (Tierney, Farmer & Graen, 1999). Peer support enhances internal motivation, fostering creativity (Amabile Conti and Coon et al., 1996). However, competitive atmospheres may also stimulate creativity (Shalley & Oldham, 1997). Reviewing literature reveals gaps in China's analysis of corporate social responsibility (CSR) and innovation capability. While foreign studies empirically analyze CSR, domestic research remains theoretical (Deci & Ryan, 1989). There's a lack of systematic analysis on CSR, innovation, organizational atmosphere, and performance, necessitating further research (Klein & Sorra, 1996). This study aims to analyze the impact of CSR, innovation capability, and organizational performance in Chinese rural commercial banks, with organizational innovation atmosphere as a moderating variable. Understanding these dynamics can provide insights for effective CSR decision-making.

2.6 Theoretical Basis

2.6.1 Social Exchange Theory

Hermann's adaptation of behaviorism posits that individuals engage in behaviors previously rewarded to fulfill their needs. Human interaction involves reciprocated exchanges to satisfy mutual needs, not solely for economic gain but also for intangible rewards like esteem and affection (Homans, 1958). Social exchange, defined as mutual behavior exchange, relies on reinforcement to shape stable relationships (Homans, 1958). Blau describes social exchange as reciprocal action, forming the foundation of various social relationships and dynamics (Blau, 1964). It elucidates how individuals expect rewards, intrinsic or extrinsic, through interactions, leading to attraction, competition, and differentiation (Blau, 1964). Structural differentiation within exchanges highlights power dynamics, where success perpetuates dominance and legitimizes power (Blau, 1964). Emerson expands exchange theory from binary to networked relationships, emphasizing power and structure (Emerson, 1972). Exchange networks depict interdependence, structural cohesion, and power balance among interconnected parties (Emerson, 1972). Structural cohesion reduces uncertainty, fosters relational cohesion, and enhances network stability (Emerson, 1972). Tiber and Kelly's cost-reward theory posits that

individuals maintain relationships based on the ratio of rewards to costs (Thibaut & Kelley, 1959). High-reward, low-cost interactions promote relationship continuity, while imbalanced exchanges lead to termination (Thibaut & Kelley, 1959). To support these theoretical frameworks, research by Sun and Zuo (2024) provides insights into organizational factors affecting employee motivation and the rise of Chinese entrepreneurs in Canada, demonstrating practical applications of social exchange theory in diverse contexts.

2.6.2 Stakeholder Theory

Stakeholder Theory advocates for businesses to consider the interests of all parties involved, beyond just shareholders, encompassing employees, customers, society, and the environment (Freeman, 1984). It underpins Corporate Social Responsibility (CSR), emphasizing a balance between economic goals and social, environmental, and ethical norms (Freeman, 1984). By prioritizing stakeholder interests, companies can achieve sustainable development and enhance social value (Freeman, 1984). However, critics argue that excessive focus on external responsibilities may undermine shareholder interests and divert resources from core objectives (Freeman, 1984). Despite challenges in stakeholder classification and power dynamics, the theory facilitates companies in recognizing their broader societal role, fostering collaboration, and enhancing reputational capital (Freeman, 1984).

2.6.3 Social Cognitive Theory

Social Cognitive Theory (SCT), proposed by Bandura, integrates cognitive elements into traditional behaviorist theory, evolving since Bruner's introduction of social perception concepts (Bruner, 1947). Initially influenced by cognitive psychology in the 1970s, SCT has undergone paradigm shifts, progressing towards a clearer framework and more scientific methods (Bandura, 1977). Despite lacking a unified theoretical system, SCT emphasizes triadic interactive determinism, wherein cognition, environment, and behavior mutually influence each other (Bandura, 1977).

2.6.4 Resource-based Theory

Wernerfelt's seminal work in 1984 laid the foundation for resource-based theory, which posits that enterprises possess diverse resources that can lead to unique capabilities, offering sustained competitive advantage (Wernerfelt, 1984). According to the VRIN framework, resources must be Valuable, Rare, Imperfectly Imitable, and Non-Substitutable to confer competitive advantage (Barney, 1991). Resource allocation decisions shape an enterprise's flexibility and specificity, impacting its future decisions and competitive advantage (Peteraf, 1993). Enterprises optimize resource utilization to enhance efficiency and resource value (Peteraf, 1993). While competitive advantage attracts imitation, factors like causal ambiguity, path dependency, and imitation costs hinder replication (Barney, 1991). Uncertainty and complexity deter enterprises from imitating advantageous resources (Barney, 1991).

Enterprises cultivate unique resources through organizational learning, knowledge management, and external networks (Barney, 1991). Learning, organizing, and transmitting knowledge contribute to competitive advantage (Barney, 1991).

2.7 Research Hypotheses

Hypotheses on Corporate Social Responsibility (CSR) and Organizational Performance:

H1: Corporate social responsibility positively correlates with the organizational performance of rural commercial banks in China. This encompasses economic, legal, moral, and charity responsibilities.

(1) H1a: Economic responsibility positively impacts organizational performance.
(2) H1b: Legal responsibility positively impacts organizational performance.

(3) H1c: Moral responsibility positively impacts organizational performance.
(4) H1d: Charitable responsibility positively impacts organizational performance.

Hypotheses on CSR and Innovation Capability:

H2: There exists a positive relationship between corporate social responsibility and the innovation capability of rural commercial banks in China. This includes economic, legal, moral, and charity responsibilities.

(1) H2a: Economic responsibility of rural commercial banks in China positively impacts their innovation capabilities.
(2) H2b: Legal responsibility of rural commercial banks in China positively impacts their innovation capabilities.
(3) H2c: Moral responsibility of rural commercial banks in China positively impacts their innovation capabilities.
(4) H2d: Charitable responsibility of rural commercial banks in China positively impacts their innovation capabilities.

Hypotheses on Innovation Capability and Organizational Performance:

H3: Innovation capability positively influences organizational performance in rural commercial banks in China. This comprises employee innovation ability, customer innovation capability, organizational innovation capability, capital investment capacity, risk control capabilities, and technological innovation capability.

(1) H3a: The innovation ability of employees in rural commercial banks in China positively impacts organizational performance.
(2) H3b: Customer innovation capability of rural commercial banks in China positively impacts organizational performance.
(3) H3c: Organizational innovation capability of rural commercial banks in China positively impacts organizational performance.
(4) H3d: The investment capacity of rural commercial banks in China positively impacts organizational performance.
(5) H3e: The risk control capability of rural commercial banks in China positively impacts organizational performance.
(6) H3f: The technological innovation capability of rural commercial banks in China positively impacts organizational performance.

Hypotheses on Mediation Effect of Innovation Capability:

H4: Innovation capability of rural commercial banks in China mediates the relationship between corporate social responsibility and organizational performance. This mediation is observed through employee innovation ability, customer innovation capability, organizational innovation capability, capital investment capacity, risk control capabilities, and technological innovation capability.

(1) H4a: The innovation ability of employees in rural commercial banks in China mediates the relationship between corporate social responsibility and organizational performance.
(2) H4b: Customer innovation capability of rural commercial banks in China mediates the relationship between corporate social responsibility and organizational performance.
(3) H4c: The organizational innovation capability of rural commercial banks in China plays a mediating role in the relationship between corporate social responsibility and organizational performance.
(4) H4d: The investment capacity of rural commercial banks in China plays a mediating role in the relationship between corporate social responsibility and organizational performance.
(5) H4e: The Risk Control Capability of Rural Commercial Banks in China Mediates the Relationship between Corporate Social Responsibility and Organizational Performance.

(6) H4f: The technological innovation capability of rural commercial banks in China plays a mediating role in the relationship between corporate social responsibility and organizational performance.

Hypotheses on Moderating Effect of Organizational Innovation Atmosphere:

H5: The organizational innovation atmosphere of China Rural Commercial Bank moderates the relationship between innovation capability and organizational performance. This moderation is facilitated by colleague support, supervisor support, and organizational support within rural commercial banks in China.

(1) H5a: Colleagues from China Rural Commercial Bank support a moderating effect between innovation capability and organizational performance.
(2) H5b: The supervisor support of China Rural Commercial Bank has a moderating effect on the relationship between innovation capability and organizational performance.
(3) H5c: Organizational support of rural commercial banks in China has a moderating effect on innovation capability and organizational performance.

2.8 Model Construction

In constructing the model, the stakeholder theory posits that proactive corporate responsibility towards various stakeholders, including the government, employees, creditors, shareholders, distributors, and consumers, correlates positively with organizational performance. Similarly, the resource-based theory indicates that effective corporate social responsibility enhances a company's performance by attracting resources and talent, leading to improved human resource acquisition. This suggests a direct relationship between corporate social responsibility and performance. Moreover, the stakeholder theory emphasizes the reciprocal relationship between corporate responsibility and stakeholder support, influencing organizational performance. Meanwhile, the resource-based view suggests that companies with robust social responsibility often prioritize innovation, which may mediate the relationship between social responsibility and performance. Thus, innovation becomes a pivotal mediator in this process, facilitating the translation of social responsibility efforts into enhanced corporate value. Furthermore, social cognitive theory asserts that organizational behavior is influenced by the organizational atmosphere. Therefore, fostering a conducive organizational innovation atmosphere positively impacts employee behavior and organizational performance. Hence, the organizational innovation atmosphere serves as a crucial moderating variable, enhancing the relationship between innovation capability and performance.

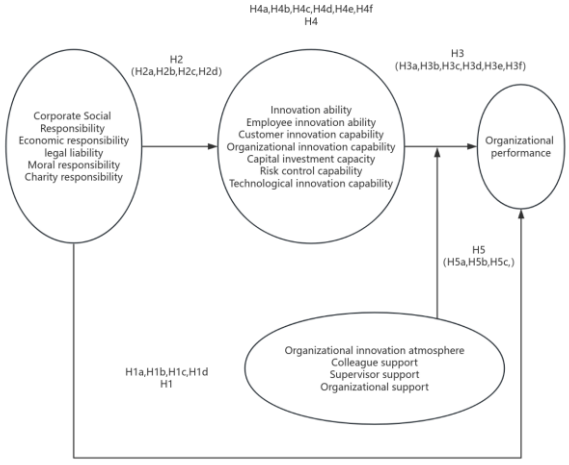

Figure 2-1 Theoretical Model Diagram

In this study, the author integrate these theoretical perspectives into a comprehensive model, with corporate social responsibility as the antecedent factor, innovation capability as the mediator, and the organizational innovation atmosphere as the moderator of organizational performance. This model aims to elucidate the intricate dynamics between these variables, providing insights into their interplay within rural commercial banks in China.

3. Methodology

3.1 Research Methods

Employing a multifaceted approach, this study utilized diverse research methodologies to ensure comprehensive analysis. Firstly, the literature research method facilitated an in-depth understanding, drawing on a rich array of domestic and international scholarly works (Sun & Zuo, 2024). Secondly, the questionnaire survey method provided direct insights into respondents' perspectives, enhancing the authenticity of gathered data. Tailored questionnaires aligned with research objectives were distributed to participants. Finally, data statistical analysis was conducted using advanced software tools to uphold objectivity. Rigorous analytical techniques were applied for both model research and data validation, ensuring robust findings.

3.2 Questionnaire Design and Distribution

Drawing from established research methodologies, this study comprehensively measures innovation capability, corporate social responsibility, organizational innovation atmosphere, and organizational performance. Innovation capability, informed by scholars like Wei Jiang and Hu Shengrong (2015), is assessed across six dimensions, including employee, technology, capital, customer, organization, and risk control (Jiang & Shengrong, 2015). Corporate social responsibility, based on the pyramid hierarchy theory, encompasses economic, legal, moral, and charity responsibilities (Li & Suellen, 2011). The organizational innovation atmosphere, adapted from Liu Yun and Shi Jintao's scale (2009), evaluates support from colleagues, supervisors, and the organization (Yun & Jintao, 2009). Organizational performance indicators, influenced by Spanos & Lioukas (2001) and Zhang Mian (2007), encompass financial metrics, employee and customer satisfaction, and market position (Spanos & Lioukas, 2001; Mian, 2007). The questionnaire was distributed nationwide to China Rural Commercial Bank managers, excluding general employees, between September 2023 and January 2024. Both paper and electronic formats were utilized, targeting grassroots, middle-level, and senior managers. Paper questionnaires were distributed during training sessions and conferences, while electronic versions were disseminated via communication apps to respective managerial levels. Of 600 distributed questionnaires, 552 valid responses were collected, ensuring a robust dataset. Pre-survey controls mitigated homologous variance influence. The Likert scale methodology minimized respondent bias by emphasizing truthful responses. Harman single-factor testing and single-factor principal component analysis in SPSS revealed no significant common method bias, ensuring data integrity for further analysis.

3.3 Reliability and Validity

The reliability and validity analysis of the survey data are crucial to ensure the accuracy and effectiveness of the research findings. Reliability testing, focusing on internal consistency, was conducted using Cronbach's α coefficient. For the innovation capability scale, corporate social responsibility scale, organizational innovation atmosphere scale, and organizational performance scale, all Cronbach's α coefficients exceeded 0.7, indicating good reliability. Specifically, the Innovation Ability Scale achieved an overall coefficient of 0.914, the Corporate Social Responsibility Scale reached 0.917, the Organizational Performance Scale obtained 0.919, and the Organizational Innovation Atmosphere Scale attained 0.904. These results

validate the reliability of the measurement tools used in the study. Validity analysis assessed the measurement results' ability to accurately capture the variables under examination. Content validity ensured theoretical relevance and practical applicability of questionnaire design. Construct validity, examined through factor analysis, confirmed the structural validity of the scales. Both the Kaiser-Meyer-Olkin (KMO) test and Bartlett's sphericity test supported the suitability of the data for factor analysis, with KMO values ranging from 0.893 to 0.917 and significant Bartlett's test results ($p < 0.001$). Factor analysis revealed high cumulative variance percentages for all scales, ranging from 61.78% to 78.42%, indicating strong stability and consistency. Load factors exceeding 0.4 in rotated component matrices further validated the scales' construct validity. Specifically, the Innovation Ability Scale demonstrated six major factors, the Corporate Social Responsibility Scale revealed four factors, the Organizational Performance Scale exhibited one dominant factor, and the Organizational Innovation Atmosphere Scale showcased three factors. Overall, the reliability and validity analyses confirmed the accuracy and robustness of the survey data, enabling the subsequent establishment of models and testing of research hypotheses. The meticulous examination of these metrics ensures the credibility and integrity of the research outcomes.

4. Results and Discussion

4.1 Interviewee Summary

In the findings and discussion section, the study sample of 276 participants was analyzed regarding six control variables, including gender, age, marital status, education level, position hierarchy, and years of work experience. Results revealed varying proportions within each category. For instance, the sample comprised 41.30% males and 58.70% females. Regarding age, respondents were distributed across different age groups, with 16.30% under 25 years old, 29.35% aged 25-30, 36.59% aged 31-40, and 17.75% aged 41-50. Additionally, 67.39% were married, while 32.61% were unmarried. Educationally, 35.51% held bachelor's degrees, 48.91% had master's degrees, and 12.32% possessed doctoral degrees. In terms of job hierarchy, 45.29% were grassroots managers, 31.52% were middle managers, and 23.19% were senior managers. Furthermore, regarding work experience, 22.83% had less than 5 years of experience, 37.68% had 6-10 years, 27.17% had 11-15 years, and 12.32% had over 16 years. Correlation analysis using Pearson's coefficient (r) examined the relationship between corporate social responsibility, innovation capability, and organizational performance. Results indicated significant positive correlations among various variables ($p < 0.001$). For instance, innovation capability showed strong positive correlations with employee innovation ability ($r = 0.744$), customer innovation capability ($r = 0.729$), and organizational innovation capability ($r = 0.748$). Similarly, corporate social responsibility exhibited positive correlations with economic responsibility ($r = 0.766$), legal liability ($r = 0.751$), moral responsibility ($r = 0.778$), and organizational performance ($r = 0.341$). These findings suggest a strong association between different dimensions of innovation capability, corporate social responsibility, and organizational performance within the studied sample.

4.2 The Relationship between Corporate Social Responsibility and Organizational Performance

In the analysis of the relationship between corporate social responsibility (CSR) and organizational performance, six control variables including gender, age, marital status, education level, position, and years of work experience were utilized. Organizational performance served as the outcome variable, while CSR and its dimensions were independent variables. Regression analysis revealed significant correlations. Initially, control variables showed no significant impact on organizational performance across all models (Models 1-6). Subsequently, the addition of CSR dimensions notably improved explanatory power.

Table 4-1 CSR Impact on Organizational Performance (Regression Analysis)

Category	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Control variable						
Gender	-0.042	-0.003	0.019	-0.044	-0.016	-0.023
Age	0.026	-0.017	0.003	-0.032	0.025	0.036
Marital status	0.018	0.017	0.06	0.034	0.025	0.036
Educational background	0.168	0.165	0.156	0.133	0.082	0.115
Position	0.101	0.045	0.062	0.061	0.043	0.059
Years of work experience	0.096	0.067	0.069	0.059	0.046	0.064
Independent variable						
Economic responsibility		0.466***				
Legal liability			0.452***			
Moral responsibility				0.481***		
Charity responsibility					0.447***	
Corporate Social Responsibility						0.605***
R^2	0.069	0.298	0.384	0.386	0.367	0.471
Adjusted R^2	0.054	0.284	0.372	0.374	0.355	0.457
F-test	5.463	27.517***	40.626***	41.083***	47.542***	73.791***

For instance, Model 2, including Economic Responsibility, demonstrated a significant positive correlation ($\beta = 0.466$, $p < 0.001$), supporting H1a. Similar findings were observed for Legal Liability (Model 3, $\beta = 0.452$, $p < 0.001$, supporting H1b), Moral Responsibility (Model 4, $\beta = 0.481$, $p < 0.001$, supporting H1c), and Charity Responsibility (Model 5, $\beta = 0.447$, $p < 0.001$, supporting H1d). Additionally, Overall CSR (Model 6) exhibited a significant positive correlation ($\beta = 0.605$, $p < 0.001$), validating H1. This study overturns previous notions that fulfilling social responsibility diminishes organizational performance (Makni et al., 2019). Contrarily, it suggests that CSR initiatives positively impact performance, aligning with stakeholder and resource-based theories. By meeting stakeholders' needs and attracting investments, rural commercial banks in China can enhance performance and market share.

4.3 The Relationship between Corporate Social Responsibility and Innovation Capability

The relationship between corporate social responsibility (CSR) and innovation capability was examined using regression analysis with control variables including gender, age, marital status, education level, position, and work experience. The result indicating significant correlations. Control variables showed no significant impact on innovation capability across all models (Models 1-6). However, the addition of CSR dimensions notably enhanced explanatory power.

Table 4-2 CSR Impact on Innovation Capability (Regression Analysis)

Category	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Control variable						
Gender	-0.044	-0.002	0.020	-0.045	0.021	-0.019
Age	0.026	-0.017	0.002	-0.033	0.002	0.032
Marital status	0.019	0.017	0.062	0.011	0.066	0.057
Educational background	0.173	0.170	0.161	0.137	0.172	0.032
Position	0.102	0.046	0.063	0.062	0.067	0.025
Unit nature	0.099	0.069	0.071	0.061	0.076	0.047
Independent variable						
Economic responsibility		0.444***				
Legal liability			0.431***			
Moral responsibility				0.458***		
Charity responsibility					0.366***	
Corporate Social Responsibility						0.673***
R^2	0.069	0.357	0.383	0.385	0.324	0.531
Adjusted R^2	0.054	0.339	0.372	0.374	0.336	0.517
F-test	5.463	37.517***	40.627***	41.082***	45.313***	73.791***

For instance, Model 2, including Economic Responsibility, exhibited a significant positive correlation ($\beta = 0.444$, $p < 0.001$), supporting H2a. Similar findings were observed for Legal

Liability (Model 3, β = 0.431, p < 0.001, supporting H2b), Moral Responsibility (Model 4, β = 0.458, p < 0.001, supporting H2c), and Charity Responsibility (Model 5, β = 0.366, p < 0.001, supporting H2d). Additionally, Overall CSR (Model 6) demonstrated a significant positive correlation (β = 0.673, p < 0.001), validating H2. The study concludes that CSR, including economic, legal, moral, and charitable responsibilities, positively impacts the innovation capability of rural commercial banks in China, thereby enhancing organizational performance. This aligns with scholars' views that good CSR reduces information asymmetry, fosters innovation, and enhances reputation (MacGregor & Fontrodona, 2018; Cheng, 2014).

4.4 Tthe Relationship between Innovation Capability and Organizational Performance

The relationship between innovation capability and organizational performance was explored using regression analysis with control variables including gender, age, marital status, education level, position, and years of work. The result indicating significant correlations. Control variables showed no significant impact on organizational performance across all models (Models 1-8). However, the addition of innovation capability dimensions notably enhanced explanatory power.

Table 4-3 Innovation Capability Regression Analysis on Organizational Performance

Category	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Control variable								
Gender	-0.036	-0.002	0.017	-0.037	-0.005	0.019	-0.042	-0.02
Age	0.022	-0.014	0.002	-0.028	0.025	0.002	-0.032	0.031
Marital status	0.015	0.014	0.052	0.009	0.033	0.059	0.010	0.031
Educational background	0.144	0.142	0.134	0.114	0.127	0.151	0.129	0.099
Position	0.086	0.039	0.053	0.052	0.027	0.060	0.059	0.052
Years of work experience	0.083	0.057	0.059	0.051	0.044	0.067	0.058	0.055
Independent variable								
Employee innovation ability		0.512***						
Customer innovation capability			0.489** *					
Organizational innovation capability				0.528***				
Capital investment capacity					0.493***			
Risk control capability						0.473***		
Technological innovation capability							0.502***	
innovation ability								0.775***
R^2	0.073	0.315	0.406	0.408	0.399	0.414	0.416	0.501
Adjusted R^2	0.057	0.301	0.394	0.396	0.387	0.402	0.403	0.487
F-test	5.781	29.119 ***	42.991 ***	43.471** *	52.018** *	45.765***	54.353***	58.086***

For instance, Model 2, including Employee Innovation Ability, exhibited a significant positive correlation (β = 0.512, p < 0.001), supporting H3a. Similar findings were observed for Customer Innovation Capability (Model 3, β = 0.489, p < 0.001, supporting H3b), Organizational Innovation Capability (Model 4, β = 0.528, p < 0.001, supporting H3c), Capital Investment Capacity (Model 5, β = 0.493, p < 0.001, supporting H3d), Risk Control Capability (Model 6, β = 0.473, p < 0.001, supporting H3e), and Technological Innovation Capability (Model 7, β = 0.502, p < 0.001, supporting H3f). Additionally, Overall Innovation Capability (Model 8) demonstrated a significant positive correlation (β = 0.775, p < 0.001), validating H3. The study concludes that innovation capability, including employee, customer, organizational, capital investment, risk control, and technological innovation abilities, positively impacts the organizational performance of rural commercial banks in China. This aligns with the perspective proposed by Zhao Ouwen et al. (2021) that organizational performance is significantly positively affected by innovation capability.

4.5 The Mediating Effect of Innovation Capability

The mediating effect of innovation capability on the relationship between corporate social responsibility (CSR) and organizational performance was examined using regression analysis. Employing the mediation method proposed by Kenny and Baron (1986), the study found that innovation capability plays a significant mediating role.

Table 4-4 Testing Innovation Capability's Mediating Effect

Category	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Control variable								
Gender	-0.023	-0.045	-0.018	0.020	-0.046	-0.024	-0.042	-0.036
Age	0.036	0.027	-0.018	0.003	-0.034	0.038	-0.031	0.057
Marital status	0.036	0.019	0.018	0.064	0.011	0.038	0.010	0.057
Educational background	0.115	0.179	0.176	0.167	0.142	0.123	0.130	0.184
Position	0.059	0.107	0.048	0.065	0.064	0.064	0.058	0.096
Unit nature	0.064	0.103	0.071	0.073	0.063	0.068	0.057	0.103
Independent variable								
Corporate Social Responsibility	0.605***	0.443***	0.426***	0.414***	0.406***	0.402***	0.416***	0.422***
Mediating variables								
Innovation ability		0.297***						
Employee innovation ability			0.263***					
Customer innovation capability				0.253***				
Organizational innovation capability					*** 0.221			
Capital investment capacity						*** 0.232		
Risk control capability							*** 0.235	
Technological innovation capability								*** 0.243
R^2	0.471	0.604	0.511	0.514	0.501	0.508	0.511	0.515
Adjusted R^2	0.457	0.587	0.496	0.499	0.491	0.497	0.501	0.505
F-test	*** 73.791	*** 83.886	*** 46.184	*** 46.702	*** 31.282	*** 42.475	*** 42.857	*** 43.243

Incorporating innovation capability as a mediating variable (Model 2), the regression coefficient of CSR on organizational performance decreased ($\beta = 0.443$, $p < 0.001$), while R^2 increased from 0.471 to 0.604, indicating enhanced explanatory power. Similar findings were observed for employee innovation ability (Model 3), customer innovation capability (Model 4), organizational innovation capability (Model 5), capital investment capacity (Model 6), risk control capability (Model 7), and technological innovation capability (Model 8). Each dimension exhibited a positive correlation with organizational performance and acted as a mediator between CSR and organizational performance. The results support the hypotheses that innovation capability, including its various dimensions, mediates the relationship between CSR and organizational performance (H4-H4f). This conclusion aligns with the perspective of Hull and Rothenberg (2018) and Cegarra Nav et al. (2020), suggesting that companies with stronger innovation capabilities can leverage CSR to achieve higher organizational performance. It emphasizes the importance of integrating CSR activities with innovation efforts to effectively benefit stakeholders and enhance organizational performance.

4.6 The Moderating Effect of Organizational Innovation Atmosphere

The study investigates the moderating effect of organizational innovation atmosphere on the relationship between innovation capability and organizational performance in China Rural Commercial Banks. Through regression analysis and the introduction of interaction terms, the moderating effect of organizational innovation atmosphere on innovation capability is examined.

Table 4-5 Moderating Effect of Organizational Innovation Atmosphere on Innovation Capability and Organizational Performance

Variable	Model 1	Model 2	Model 3	Model 4
Control variable				
Gender	-0.036	-0.02	-0.031	-0.049
Age	0.022	0.031	0.049	0.076
Marital status	0.015	0.031	0.049	0.076
Educational background	0.144	0.099	0.155	0.244
Position	0.086	0.052	0.082	0.128
Unit nature	0.083	0.055	0.086	0.136
Independent variable				
Innovation ability		0.775***	0.539***	0.443***
Adjusting variables				
Organizational innovation atmosphere			0.313***	0.223***
Interaction item				0.243
R^2	0.073	0.501	0.515	0.523
Adjusted R^2	0.057	0.487	0.508	0.516
F	5.781	58.086***	58.609***	59.136***

The results indicate that incorporating innovation capability significantly increases the explanatory power for organizational performance (R^2= 0.501, $p < 0.001$). Additionally, the introduction of organizational innovation atmosphere further enhances this effect (R^2= 0.515, $p < 0.001$), suggesting a moderating role. The interaction between organizational innovation atmosphere and innovation capability is significant (R^2= 0.523, $p < 0.001$), validating hypothesis H5. Furthermore, the study tests the moderating effect of three dimensions of organizational innovation atmosphere—colleague support, supervisor support, and organizational support—on the relationship between innovation capability and organizational performance. Results confirm the moderating effect of these dimensions, validating hypotheses H5a, H5b, and H5c. These findings support the importance of fostering a positive organizational innovation atmosphere in China Rural Commercial Banks to enhance innovation capability and, consequently, improve organizational performance. The conclusion is consistent with previous research suggesting the significant positive impact of organizational innovation atmosphere on performance (Zhang et al., 2021), and the role of corporate social responsibility in shaping employee innovation atmosphere (Zhang, 2015). In summary, creating a conducive organizational innovation atmosphere is crucial for enhancing innovation capability and organizational performance in rural commercial banks in China.

4.7 Summary of Hypothesis Test Results

The hypotheses were thoroughly tested through data analysis, confirming several significant relationships. Corporate social responsibility (CSR) positively influences organizational performance, including economic, legal, moral, and charitable responsibilities (H1-H1d). CSR of rural commercial banks in China positively affects innovation capability (H2-H2d), and innovation capability positively impacts organizational performance across six dimensions: customer innovation, capital investment, employee innovation, organizational innovation, risk control, and technological innovation (H3-H3f). Additionally, innovation capability partially mediates the relationship between CSR and organizational performance, with all six dimensions of innovation capability playing a partial mediating role (H4-H4f). Furthermore, the organizational innovation atmosphere moderates the relationship between innovation capability and organizational performance in rural commercial banks in China, with organizational support, supervisor support, and colleague support all exhibiting a moderating effect (H5-H5c). The findings suggest that CSR positively impacts organizational performance in rural commercial banks in China, with various dimensions of CSR contributing to this effect. Moreover, CSR enhances innovation capability, which in turn positively influences organizational performance across multiple dimensions. The mediating role of innovation

capability indicates that CSR indirectly affects organizational performance through innovation. Additionally, the moderating effect of the organizational innovation atmosphere underscores the importance of organizational support in facilitating the relationship between innovation capability and organizational performance.

5. Conclusions

The global wave of corporate social responsibility (CSR) has brought increased attention to the role of rural commercial banks as special financial entities in fulfilling CSR obligations. This study, after reviewing CSR theory, specifically explores the CSR practices of rural commercial banks. It establishes an evaluation framework for CSR in this context and quantitatively assesses CSR performance. Furthermore, it delves into the relationship between CSR, innovation capability, and organizational performance of rural commercial banks. The conclusions drawn from this study are as follows:

(1) CSR positively influences organizational performance across four dimensions: economic, legal, moral, and charitable responsibilities.
(2) CSR positively impacts the innovation capabilities of rural commercial banks, affecting various dimensions of innovation potential.
(3) The innovation capability of rural commercial banks significantly enhances organizational performance across multiple facets, including employee innovation, customer engagement, and technological advancement.
(4) The innovation capability of rural commercial banks partially mediates the relationship between CSR and organizational performance.
(5) The organizational innovation atmosphere, characterized by colleague, supervisor, and organizational support, moderates the relationship between innovation capability and organizational performance.

However, the study acknowledges several limitations and areas for improvement. The complex nature of CSR and its impact on organizational performance necessitates further exploration, particularly considering the diverse influencing factors and intricate relationships involved. The research model's limited variables, coupled with data collection from various industries and sectors, present constraints on the study's generalizability. Additionally, while the conclusions possess some universality, they lack specificity, especially within the complex Chinese context. The findings suggest a symbiotic relationship between CSR and innovation capability in rural commercial banks. Stimulating innovation can propel CSR efforts, creating a virtuous cycle. Governments should provide guidance to banks, encouraging responsible behavior beyond mere compliance. Rural banks should align CSR with long-term planning, viewing it not just as a regulatory requirement but as a strategic imperative. Robust social responsibility reporting systems and stringent regulatory oversight can ensure accountability. Enhancing innovation capability across various dimensions, such as technological investment, customer-centricity, and risk management, is pivotal. Rural banks must invest in innovative elements, tap into customer needs, and bolster risk management strategies to navigate challenges effectively. Creating a culture that fosters innovation is essential. Rural banks should incentivize employees, provide resources for innovation, and promote open communication. Building trust, encouraging collaboration, and recognizing innovative efforts can cultivate an environment conducive to sustained innovation. Despite the valuable insights provided, the study faces limitations. Future research should expand sample sizes, track long-term effects of CSR initiatives, and delve into the nuanced impacts of CSR on organizational performance. Additionally, exploring the interplay between CSR, human resource management, and organizational performance could yield further insights, necessitating the consideration of additional mediating variables such as corporate reputation and organizational commitment.

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