

Impact of Corporate Social Responsibility on Customer Trust and Customer Loyalty in Commercial Banks of Butwal Sub-Metropolitan City

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Abstract

The primary objective of this study is to examine the relationship between the key dimensions of Corporate Social Responsibility (CSR) namely, Customer Factor, Shareholders and Supervisory Board Factor, Employees Factor, and Society Factor and their influence on Customer Trust and Customer Loyalty in commercial banks. This study further aims to identify which CSR dimension has the most significant impact on building and sustaining trust and loyalty among bank customers. The study utilized an explanatory research design. Respondents were selected using the Cochran formula for an unknown population size, and data were collected via a structured questionnaire using convenience sampling. The responses were gathered from customers of various commercial banks. Analytical techniques such as descriptive statistics, correlation analysis, and multiple regression analysis were applied to identify relationships between CSR dimensions and customer trust and loyalty. The results revealed that Customer Factor and Society Factor are the most influential CSR dimensions affecting Customer Trust and Customer Loyalty in commercial banks. These findings suggest that socially responsive actions and customer-focused practices play a key role in shaping positive customer perceptions. Banks that prioritize their societal responsibilities and customer welfare are more likely to gain trust and loyalty. Strategic investment in these CSR areas is crucial for sustainable customer relationships.

Keywords: Ethical banking, stakeholder engagement, brand credibility, financial institutions, sustainability practices

Introduction

Corporate Social Responsibility (CSR) has emerged as a critical factor in shaping customer trust and loyalty, particularly in the banking sector where relational dynamics are paramount (Chaudhary & Rani, 2016; Pérez & del Bosque, 2015). In Nepal, commercial banks are increasingly aware that CSR initiatives addressing customer, society, employee, and shareholder dimensions can serve as effective tools to strengthen long-term customer relationships (Bhattarai, 2018; Dahal, 2019). CSR is broadly defined as a company's commitment to operate ethically and contribute to economic development while simultaneously improving the quality of life of its workforce, their families, the local community, and society at large (Carroll, 1991). Closely tied to this, customer trust refers to the confidence customers place in a bank's reliability and integrity, which strongly influences their willingness to maintain long-term relationships. Customer loyalty, in turn, reflects repeated patronage and preference for a bank's services over competitors (Morgan & Hunt, 1994).

The concept of CSR is not new. Its roots can be traced back to the philanthropic efforts of industrialists such as Andrew Carnegie and John D. Rockefeller in the early 20th century. The formalization of CSR as a business discipline, however, is attributed to Howard Bowen's seminal work *Social Responsibilities of the Businessman* in 1953, which argued that corporations have obligations that extend beyond profit-making to encompass wider social responsibilities (Bowen, 1953). In later

decades, Archie Carroll's Pyramid of CSR (1981) provided a widely cited framework, articulating economic, legal, ethical, and philanthropic responsibilities as interdependent elements of corporate behavior (Carroll, 1991). Parallel to CSR, the constructs of customer trust and loyalty gained prominence in marketing and consumer behavior literature, with scholars emphasizing that ethical corporate practices and fairness in customer dealings are essential in fostering durable business–customer relationships (Reichheld & Schefter, 2000).

In developed economies, CSR has largely been driven by regulatory frameworks, consumer activism, and competitive market incentives. For example, European and North American corporations frequently emphasize environmental sustainability, ethical labor practices, and transparent governance (Porter & Kramer, 2006). In contrast, developing countries often face a different CSR landscape, shaped by weaker institutional enforcement and pressures from multinational corporations demanding socially responsible supply chains (Jamali & Mirshak, 2007). A notable case is India, where the Companies Act of 2013 mandated that companies above certain financial thresholds must allocate at least 2% of profits to CSR activities, representing a shift from voluntary philanthropy to legally mandated responsibility (Kumar, 2016).

In Nepal, CSR is still evolving as a concept. Commercial banks, in particular, are among the few institutions actively investing in CSR. Their initiatives span social welfare, environmental sustainability, education, and healthcare, while also seeking

to improve transparency and strengthen stakeholder relationships (Shrestha, 2020). However, despite these developments, CSR in Nepal remains challenged by resource constraints, lack of standardized frameworks, and difficulties in measuring the impact of initiatives. Many banks undertake CSR primarily as a branding exercise rather than as an integral strategic practice (Adhikari & Gautam, 2019).

The globalization of markets and the rise of socially conscious consumers have intensified scrutiny of corporate conduct, making CSR increasingly central to banking competitiveness. Globally and in Nepal, customers expect banks to go beyond core financial services and contribute visibly to social development. In Nepal, unethical practices, lack of transparency, and insufficient employee welfare policies have eroded public confidence in banking institutions, further amplifying the role of CSR in rebuilding trust and sustaining loyalty (Adhikari & Gautam, 2019). Likewise, wider societal issues such as poverty reduction and environmental degradation demand that banks play a proactive role in community development (Thapa, 2021).

Despite the growing attention to CSR in banking, prior studies reveal several limitations. First, many have primarily examined CSR's relationship with financial performance or corporate reputation, rather than directly analyzing its impact on customer trust and loyalty in Nepal's banking context (Sharma & Acharya, 2022). Second, existing research has often been cross-sectional in

nature, limiting insights into the long-term dynamics of CSR practices (Jamali & Mirshak, 2007). Third, most studies are concentrated in Kathmandu or use national-level data, which neglects the realities of other financial hubs such as Butwal (Shrestha, 2020). Fourth, there is insufficient exploration of customer awareness and perception of CSR, even though communication gaps often hinder the translation of CSR activities into improved loyalty (Koirala, 2018). Finally, prior works rarely assess the relative influence of CSR dimensions-customer, society, employee, and shareholder factors-leaving a fragmented understanding of how banks can best prioritize resources (Bhattarai, 2018; Dahal, 2019).

These gaps justify the present study. By systematically analyzing the multidimensional influence of CSR on customer trust and loyalty in commercial banks, this research will provide actionable insights for Nepalese banks to design CSR initiatives that are not only socially impactful but also strategically aligned with stakeholder expectations. This alignment is crucial for enhancing customer relationships, achieving sustainable growth, and contributing meaningfully to Nepal's socio-economic development. The study aims to achieve the following objectives: To identify the relationship between customer factor, society factor, employee factor, shareholder factor, customer trust and customer loyalty. To examine the effects of customer, employee, shareholder, society factor on customer trust and customer loyalty.

Literature Review

Theoretical Review

The theoretical foundation supporting the hypotheses on the effects of various Corporate Social Responsibility (CSR) factors on customer trust and loyalty is primarily grounded in three well-established theories: Carroll's Pyramid of Corporate Social Responsibility, Stakeholder Theory, and Social Exchange Theory.

Carroll's Pyramid of CSR (1991) conceptualizes CSR as a hierarchical framework comprising four levels of responsibility that organizations must fulfill to create value for their stakeholders: economic, legal, ethical, and philanthropic. This model suggests that by addressing these responsibilities, targeted at customers, society, employees, and shareholders, companies can build a positive corporate image that fosters customer trust and loyalty. Specifically, economic and legal responsibilities ensure that a company operates reliably and transparently, which is fundamental for establishing customer trust. Meanwhile, ethical and philanthropic responsibilities enhance the emotional connection customers feel toward the company, thereby promoting loyalty (Carroll, 1991). For example, when banks comply with legal standards and operate profitably, customers perceive them as dependable, while ethical conduct and community involvement deepen customers' emotional attachment.

Stakeholder Theory, as articulated by Freeman (2015), complements Carroll's framework by emphasizing that businesses

must create value for all stakeholders, not solely shareholders. This theory supports the premise that CSR initiatives aimed at diverse stakeholder groups—including customers, society, employees, and shareholders—are essential for sustaining long-term relationships. When companies actively address the interests and welfare of these groups through CSR, they build trust and identification with the brand, which are critical antecedents of customer loyalty. For instance, CSR directed at customers (customer factor) enhances trust by demonstrating care and responsibility, while CSR toward society (society factor) builds a reputation for ethical conduct that customers value, further strengthening loyalty (Freeman, 2015; Vlachos et al., 2020).

Social Exchange Theory explains the relational dynamics between customers and companies by positing that when companies engage in CSR activities benefiting customers or society, customers perceive these actions as positive social exchanges. This perception fosters reciprocal trust and loyalty. The theory also highlights the mediating role of customer trust in the CSR-customer loyalty relationship, suggesting that CSR initiatives first build trust, which then leads to loyalty (Morgan & Hunt, 1994). For example, when customers observe that a bank treats its employees well or supports community development, they feel a sense of obligation or goodwill, which encourages continued patronage.

Empirical Review and Hypothesis Development

A study by Katsionis et al. (2023) investigated the effect of CSR on customer trust and loyalty in Greece, finding that CSR initiatives significantly enhance customer trust, which in turn increases customer loyalty. The study emphasized that customer-related CSR activities, such as addressing customer needs and concerns, directly build trust by demonstrating the company's commitment to ethical and responsible behavior. This positive relationship suggests that when customers perceive CSR efforts focused on their interests, their confidence in the company's reliability strengthens (Katsionis et al., 2023). In the Nepalese context, Adhikari and Gautam (2019) examined CSR practices in Nepalese commercial banks and found that customer-focused CSR activities, including transparent communication and fair treatment, significantly improve customer trust. Their research highlighted that customers in Nepal respond positively when banks actively engage in CSR that benefits them directly, reinforcing trust in banking services (Adhikari & Gautam, 2019).

H₁: There is a significant effect of customer factor on customer trust.

Islam et al. (2020) revealed that CSR efforts directed toward societal welfare, such as community development and environmental sustainability, positively influence customer trust. Customers tend to trust companies that demonstrate responsibility toward society, perceiving them as ethical and

socially conscious, which enhances their trust in the company (Islam et al., 2020). In Nepal, Shrestha (2020) assessed the role of societal CSR initiatives by Nepalese banks and reported that customers' trust increases when banks actively contribute to social causes like education, health, and environmental protection. The study concluded that societal CSR factors are crucial in building a trustworthy image of banks among Nepalese customers, fostering stronger customer-bank relationships (Shrestha, 2020).

H₂: There is a significant effect of society factor on customer trust.

Research from Greece by Barlas et al. (2023) found that CSR initiatives focusing on employees, such as fair labor practices and employee welfare, indirectly enhance customer trust by improving service quality and employee engagement. Customers perceive companies that treat their employees well as more trustworthy, which positively impacts customer trust and loyalty (Barlas et al., 2023). In Nepal, Koirala (2018) studied the influence of employee-related CSR in Nepalese commercial banks and found that employee satisfaction and ethical treatment contribute significantly to customer trust. The study highlighted that motivated and well-treated employees provide better customer service, which translates into higher trust levels from customers (Koirala, 2018).

H₃: There is a significant effect of employee factor on customer trust.

The shareholders factor in CSR relates to how companies manage their

relationships with shareholders, including transparent governance, ethical financial practices, and fair profit distribution. Barlas et al. (2023) found that CSR initiatives involving shareholders positively influence customer trust. They argue that responsible shareholder management signals corporate integrity and ethical commitment, which customers perceive as indicators of a trustworthy company. This trust is crucial as it fosters long-term customer relationships and loyalty. In the Nepalese context, research by Adhikari and Sapkota (2024) highlights that shareholders' engagement in CSR activities enhances corporate transparency and accountability, which in turn builds customer trust. Their study in the FMCG sector of Kathmandu Valley demonstrated that when companies maintain ethical shareholder relations and reinvest profits responsibly, customers develop greater confidence in the brand, reinforcing trust and loyalty.

H₄: There is a significant effect of shareholders factor on customer trust.

The customer factor in CSR focuses on initiatives directly benefiting customers, such as fair treatment, quality assurance, and transparent communication. Adhikari and Sapkota (2024), in their study of FMCG consumers in Kathmandu Valley, found a strong positive relationship between CSR activities targeted at customers and customer loyalty. Their research emphasized that CSR initiatives that align with customer values and needs significantly enhance brand loyalty, mediated by increased brand trust. This indicates that customers reward companies

that demonstrate social responsibility toward them with repeated patronage and loyalty. Supporting this, a global study by Eldin and Alhassan (2023) on Uber service users in Egypt revealed that CSR activities improve customer satisfaction, which subsequently enhances customer loyalty. Although CSR did not have a direct effect on loyalty, the mediating role of customer satisfaction and trust was critical. This finding underscores the importance of CSR initiatives focused on customers in building long-term loyalty through trust and satisfaction.

H₅: There is a significant effect of customer factor on customer loyalty.

A study by Adhikari and Sapkota (2024) conducted in Nepal's FMCG sector found a significant positive relationship between CSR activities focused on societal welfare and brand loyalty. Their research demonstrated that CSR initiatives addressing community development and environmental concerns foster stronger brand loyalty among consumers, mediated by increased brand trust. This highlights the importance of society-oriented CSR in building loyal customer bases in Nepal (Adhikari & Sapkota, 2024). Internationally, Islam et al. (2020) found that CSR directed toward societal stakeholders positively influences customer loyalty, though this effect is often mediated by corporate reputation and customer satisfaction. Their study in Pakistan's telecom sector confirmed that societal CSR initiatives enhance customer loyalty by building trust and satisfaction (Islam et al., 2020).

H₆: There is a significant effect of society factor on customer loyalty.

Research by Katsionis et al. (2023) in Greece revealed that CSR initiatives focusing on employee welfare and ethical treatment significantly impact customer loyalty, primarily through enhanced customer trust. Their findings suggest that when employees are treated well, they deliver better service, which customers recognize and reward with loyalty (Katsionis et al., 2023). In Nepal, Adhikari and Gautam (2019) observed that employee-related CSR practices in Nepalese banks, such as fair labor policies and employee engagement, contribute to improved customer loyalty by fostering trust and satisfaction among customers. This underscores the indirect but vital role of employee factors in building customer loyalty in Nepal's banking sector (Adhikari & Gautam, 2019).

H₇: There is a significant effect of employee factor on customer loyalty.

Barlas et al. (2023) studied CSR's impact on customer trust and loyalty in Greece, and they found that CSR practices involving shareholders such as transparent governance and fair profit distribution positively influence customer trust, which subsequently enhances loyalty. The study highlights that responsible shareholder management signals corporate integrity, strengthening customer relationships (Barlas et al., 2023). In the Nepalese banking context, Koirala (2018) reported that shareholder-focused CSR, including ethical financial management and stakeholder engagement, plays a significant role in building customer trust. Customers

perceive banks with responsible shareholder practices as more reliable, which fosters loyalty over time (Koirala, 2018).

H₈: There is a significant effect of shareholders factor on customer loyalty.**Methodology**

The study employed both descriptive and explanatory research designs. The descriptive research design was utilized to organize and summarize the extensive information collected through a structured survey, presenting the data in a clear and meaningful manner. This approach facilitated an understanding of the current status and characteristics of the variables under investigation. Simultaneously, the explanatory research design was applied to examine the causal relationships between the Corporate Social Responsibility (CSR) factors-customer, society, employee, and shareholders and their effects on customer trust and customer loyalty. This design enabled the study to explore the underlying reasons and mechanisms behind these relationships, providing deeper insights into how CSR influences customer behavior in Nepalese commercial banks.

The research area selected for this study is Butwal sub-metropolitan area, Nepal. As the exact number of customers accessing banking services in Butwal Sub-metropolitan city is not available, the population for the study remains unknown.

Since the total number of customers accessing banking services in Butwal sub-metropolitan area is unknown, the sample size for the study was calculated using Cochran's

(1977) formula, targeting a 95% confidence level.

$$n = Z^2 p (1-p) / e^2 \text{ (Cochran, 1977)}$$

Where,

n = required sample size

p = estimated proportion of an attribute that is present in population

e = Desired level of precision

Z = Abscissa of normal curve (z- score)

$$n = Z^2 p (1-p) / e^2$$

$$= 1.962 \times 0.5 \times 0.5 / 0.052$$

$$= 384.16$$

Therefore, the sample size for the study includes 384 online payment service users.

A purposive sampling technique was employed to select participants from the target population. This non-probability sampling method allowed the researcher to choose individuals based on relevant criteria, ensuring that the selected participants were experienced and knowledgeable about banking services in the Butwal sub-metropolitan area. This approach helped in obtaining valid and reliable data from respondents familiar with the context.

The study utilized quantitative primary data. Primary data were collected by distributing questionnaires to customers

who accessed banking services within the Butwal sub-metropolitan area. The researcher used a structured questionnaire consisting of closed-ended questions to gather essential data. The questionnaire was distributed through multiple channels, including Gmail, social media platforms, and face-to-face interactions. To ensure accuracy and completeness, participants were provided with clear instructions on how to respond. A five-point Likert scale was employed to measure participants' responses, ranging from "strongly disagree" to "strongly agree." The questionnaire included 29 scale items designed to capture relevant variables.

Methods and Tools of Analysis

Various statistical procedures were selected based on the nature of the collected data. Descriptive statistics, including mean values and standard deviations, were calculated to explore the data. The reliability of the research instrument was assessed using reliability testing techniques. To evaluate relationships between variables, correlation analysis was conducted. Furthermore, regression analysis was performed to examine the impact of independent variables on dependent variables. All data analysis procedures were conducted using SPSS software. Detailed explanations of the statistical tools used in the study are provided below.

Results and Discussion

Table 1

Cronbach's Alpha of the Research Variables

Variable	No of Items	Cronbach's Alpha
Customer Factor	5	0.884
Shareholders and Supervisory Board	4	0.732
Employee Factor	5	0.888
Society Factor	6	0.872
Customer Trust	5	0.933
Customer Loyalty	4	0.915

Table 1 presents the Cronbach's Alpha values for the different constructs used in the study. The reliability coefficients range from 0.732 to 0.933, all of which exceed the acceptable threshold of 0.6, indicating strong internal consistency across the scales. The highest reliability is observed for Trust in the Company ($\alpha = 0.933$), followed closely by Loyalty to the Company ($\alpha = 0.915$) and Employee Factor ($\alpha = 0.888$). The lowest, though still acceptable, is found in the Shareholders and Supervisory Board factor ($\alpha = 0.732$). These results confirm that the instruments used to measure the variables are reliable and suitable for evaluating the intended constructs within the context of this research.

The mean scores identified from Table 2 for the CSR factors Customer Factor (3.79), Society Factor (3.79), Employee Factor (4.05),

and Shareholders Factor (4.00) indicate that respondents generally perceive these CSR dimensions positively, with Employee Factor receiving the highest average rating. This suggests that participants view employee-related CSR initiatives more favorably compared to other factors. The standard deviations for these factors range from 0.564 to 0.827, indicating moderate variability in respondents' perceptions, with Shareholders Factor showing the least variation (0.564), suggesting more consensus among respondents on this factor. For the dependent variables, Customer Trust and Customer Loyalty both have identical mean scores of 3.87, reflecting a moderately high level of trust and loyalty among customers toward the banks. The standard deviations for Customer Trust (0.921) and Customer Loyalty (0.901) are relatively higher compared to the CSR factors, indicating greater diversity in customer perceptions regarding trust and loyalty.

Table 2*Descriptive Statistics*

Variables	Mean	Standard Deviation
Customer Factor	3.79	0.731
Society Factor	3.79	0.827
Employee Factor	4.05	0.666
Shareholders Factor	4.00	0.564
Customer Trust	3.87	0.921
Customer Loyalty	3.87	0.901

Table 3*Correlation Matrix*

	TC	LC	CF	SSF	EF	SF
TC	1					
LC	.918**	1				
CF	.849**	.845**	1			
SSF	.593**	.596**	.600**	1		
EF	.725**	.711**	.701**	.622**	1	
SF	.888**	.880**	.879**	.628**	.741**	1

The correlation matrix from Table 3 reveals strong positive relationships among the key variables in the study. Customer Trust and Customer Loyalty show a very strong correlation ($r = 0.918$), indicating that trust is a crucial driver of loyalty in the banking sector. The Customer Factor is also strongly correlated with both trust ($r = 0.849$) and loyalty ($r = 0.845$), suggesting that CSR activities focused on customers significantly enhance these outcomes. Shareholders Factor exhibits a moderate positive correlation with trust ($r = 0.593$) and loyalty ($r = 0.596$), indicating a meaningful but comparatively weaker influence. Employee Factor shows

moderate to strong correlations with trust ($r = 0.725$) and loyalty ($r = 0.711$), implying positive effects of employee-related CSR on customer perceptions. Society Factor has very strong correlations with trust ($r = 0.888$) and loyalty ($r = 0.880$), highlighting the importance of societal CSR initiatives in building customer relationships. Additionally, all CSR factors are positively correlated with each other, suggesting they are often implemented together. Overall, these findings support the idea that CSR across customer, shareholder, employee, and societal dimensions positively influences customer trust and loyalty in Nepalese commercial banks.

Regression Analysis

CSR and Customer Trust

Table 4

Regression coefficients

	Unstandardized Coefficients		Std. Coeff.	t	Sig.	Hypothesis Development
	B	Std. Error	Beta			
(Constant)	-0.477	0.158		-3.028	0.003	H1 Accepted
Customer Factor	0.347	0.060	0.275	5.820	0.000	H4 Accepted
Shareholders and Supervisory Board Factor	0.01	0.049	0.006	0.213	0.832	
Employees Factor	0.159	0.048	0.115	3.313	0.001	H3 Accepted
Society Factor	0.621	0.056	0.556	10.992	0.000	H2 Accepted

R= .902, R Square = 0.815, Adjusted R Square = 0.813

Table 4 states that the R value of 0.903 indicates a very strong positive correlation between the independent variables (Customer Factor, Shareholders and Supervisory Board Factor, Employees Factor, and Society Factor) and the dependent variable (Trust in the Company). The R Square value of 0.815 reveals that 81.5% of the variance in customer trust can be explained by these four CSR-related factors, demonstrating that the model has strong explanatory power.

In terms of regression coefficients, Table 3 shows that Customer Factor ($\beta = 0.275$), Employees Factor ($\beta = 0.115$), and especially the Society Factor ($\beta = 0.556$) have a significant and positive impact on trust in the company. Among them, the Society Factor has the strongest influence. Conversely, the Shareholders and Supervisory Board Factor ($\beta = 0.006$) was not statistically significant, indicating it does not meaningfully contribute to predicting trust in this model.

CSR and Customer Loyalty

Table 5

Regression coefficients

	Unstandardized Coefficients		Std. Coeff	t	Sig.	Hypothesis Development
	B	Std. Error	Beta			
(Constant)	-0.384	0.160		-2.402	0.017	
Customer Factor	0.359	0.060	0.291	5.933	0.000	H5 Accepted
Shareholders and Supervisory Board Factor	0.040	0.050	0.025	0.809	0.419	H8 Accepted
Employees Factor	0.123	0.049	0.091	2.517	0.012	H7 Accepted
Society Factor	0.590	0.057	0.541	10.295	0.000	H6 Accepted

R = 0.895, R Square = 0.801, Adjusted R Square = 0.799

Based on the provided data from Table 5 for the relationship of CSR and Customer, the R value of 0.895 indicates a strong positive correlation between the independent variables (Customer Factor, Shareholders and Supervisory Board Factor, Employees Factor, and Society Factor) and the dependent variable (Customer Loyalty). The R Square value of 0.801 reveals that 80.1% of the variance in customer loyalty can be explained by these four CSR-related factors. This suggests that the model is highly effective in predicting customer loyalty based on the organization's socially responsible actions.

As shown in Table 5, the Society Factor had the most significant effect on customer loyalty ($\beta = 0.541$), followed by the Customer Factor ($\beta = 0.291$) and the Employees Factor ($\beta = 0.091$), all of which positively influence loyalty. These results demonstrate that CSR activities focused on society, customers, and employees contribute meaningfully to customer loyalty. On the other hand, the Shareholders and Supervisory Board Factor did not show a statistically significant effect ($\beta = 0.025$), indicating that customers may place less importance on shareholder-related activities when forming loyalty intentions. Overall, these findings emphasize the strategic importance of socially responsible practices in cultivating customer loyalty.

Table 6*Multicollinearity Test (Customer Trust)*

Independent Variable	VIF Value
Customer Factor	1
Employee Factor	1
Shareholder & Supervisory Factor	1
Society Factor	1

All VIF values are 1.0 from Table 6, indicating no multicollinearity among predictors in the model predicting Customer Trust.

Table 7*Multicollinearity Test (Customer Loyalty)*

Independent Variable	VIF Value
Customer Factor	1
Employee Factor	1
Shareholder & Supervisory Factor	1
Society Factor	1

All VIF values are 1.0 from Table 7, indicating no multicollinearity among predictors in the model predicting Customer Loyalty

Discussion

The present study reveals a significant positive effect of the customer factor on customer trust, which aligns with prior research by Barlas et al. (2023) and Adhikari and Gautam (2019), both of whom emphasized that customer-focused CSR initiatives enhance trust by demonstrating care and responsibility.

This consistency underscores the importance of customer-centric CSR in fostering trust within banking contexts. Similarly, the society factor exhibits a strong positive influence on customer trust, corroborating findings by Shrestha (2020) and Islam et al. (2020), who highlighted that CSR efforts aimed at societal welfare, such as community development and environmental sustainability, significantly boost trust. This agreement suggests that societal CSR remains a vital mechanism for building trust in Nepal and other developing countries.

The employee factor also shows a significant, albeit smaller, effect on customer trust, consistent with Koirala (2018) and Barlas et al. (2023), who found that employee welfare and ethical treatment positively affect customer perceptions and indirectly enhance trust through better service quality. These findings confirm that employee-related CSR contributes meaningfully to trust, though less strongly than customer and society factors. In contrast, the shareholders factor does not significantly influence customer trust in this study, which differs from findings by Barlas et al. (2023) that highlighted positive effects of transparent governance and ethical shareholder management on trust. This discrepancy likely stems from contextual differences in Nepal's banking sector, where customers may have limited awareness or understanding of shareholder-related CSR activities. Such a gap suggests that banks might not effectively communicate their governance and shareholder engagement efforts to customers. Consequently, despite potentially

strong shareholder practices, the lack of visible or well-communicated initiatives reduces their impact on customer trust. Addressing this communication gap could help Nepalese banks better leverage shareholder-related CSR to enhance customer confidence and loyalty.

Regarding customer loyalty, the customer factor significantly impacts loyalty, consistent with Adhikari and Sapkota (2024) and Eldin and Alhassan (2023), who demonstrated that customer-focused CSR enhances loyalty by fostering trust and satisfaction. The society factor also strongly influences loyalty, supporting studies by Islam et al. (2020) and Shrestha (2020), which found that societal CSR initiatives improve loyalty through trust and reputation. The employee factor shows a smaller but significant effect on loyalty, aligning with Barlas et al. (2023) and Adhikari and Gautam (2019), who noted that employee welfare indirectly boosts loyalty by improving service quality and satisfaction. Lastly, the shareholders factor does not significantly affect customer loyalty, aligning with its non-significant impact on customer trust and contrasting with some international studies. This likely indicates that shareholder-related CSR activities are not directly relevant or sufficiently visible to customers in Nepalese banks. Customers may prioritize CSR efforts that more immediately affect their experience, such as those targeting employees, society, or customer service, rather than governance or shareholder engagement. The limited awareness or perceived distance of shareholder-focused initiatives reduces their influence on customers' loyalty

decisions. Therefore, Nepalese banks may need to enhance the visibility and relevance of shareholder-related CSR to better connect these efforts with customer perceptions and loyalty.

Conclusion

This study examined the impact of various dimensions of Corporate Social Responsibility (CSR) namely customer, employee, societal, and shareholder-focused initiatives on customer trust and loyalty. The findings clearly show that CSR is a critical strategic approach for organizations aiming to strengthen relationships with their stakeholders, particularly customers. Among the four dimensions, customer-, employee-, and society-related CSR efforts demonstrated a strong and positive influence on both customer trust and customer loyalty. These results affirm that when businesses actively engage in socially responsible practices that directly resonate with the values and needs of their customers and community, it fosters deeper trust and sustained brand loyalty.

Conversely, shareholder-oriented CSR activities did not show a significant impact on trust or loyalty. This suggests that CSR efforts focused solely on maximizing investor returns or financial disclosures may not effectively resonate with customer expectations, who are increasingly drawn to ethical, inclusive, and community-centered practices. Theoretically, the research supports the stakeholder theory, signaling theory, and commitment-trust theory, all of which emphasize the importance of relational and ethical business conduct. Overall, the conclusion drawn from this study

is that CSR, when strategically aligned with customer and societal values, becomes an essential tool for building enduring trust and loyalty, especially in an evolving and socially aware market environment.

Implications

The findings of this study have important implications for practitioners, policymakers, and academics, especially in service industries like banking. The research confirms that CSR, when genuinely focused on stakeholders such as customers, employees, and society, effectively builds trust and enhances loyalty.

For corporate practitioners, CSR initiatives should directly address stakeholder needs, emphasizing ethical marketing, transparent communication, and community engagement to strengthen trust and loyalty. Human resource managers should integrate internal CSR efforts-such as employee development and ethical workplace culture with HR strategies to improve employee morale and indirectly boost customer satisfaction and loyalty. Policymakers and regulators are encouraged to develop or refine CSR policies that promote responsible practices, including mandating CSR reporting in the financial sector to institutionalize trust-building.

For academics, this study enriches CSR literature by validating the distinct effects of various CSR dimensions. Future research should examine these relationships across different sectors and cultures, considering factors like brand equity and digital engagement.

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