

CSR WINS HEARTS: A BANKING TALE OF SATISFACTION AND LOYALTY

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ABSTRACT

In the contemporary business landscape, Corporate Social Responsibility (CSR) plays a pivotal role in shaping customer perceptions and fostering loyalty. This paper investigates the relationship between CSR initiatives, customer satisfaction, and loyalty within the banking sector. Through a quantitative analysis of data gathered from 238 participants, the study demonstrates a significant positive correlation between CSR activities and customer satisfaction. Furthermore, it confirms the hypothesis that CSR activities positively influence customer loyalty. The research also underscores the well-established connection between customer satisfaction and loyalty. Findings suggest that satisfied customers are more inclined to remain loyal and engage in positive word-of-mouth recommendations. Practical implications highlight the importance for banking institutions to integrate and promote CSR initiatives strategically to enhance customer satisfaction and loyalty. The study provides a foundation for further exploration of specific CSR impacts and potential moderating factors, offering avenues for refining customer-centric strategies in the banking sector.

KEYWORDS: *Corporate Social Responsibility (CSR), customer satisfaction, customer loyalty, banking sector, quantitative analysis, strategic integration, sustainable business practices.*

Received: 05-Jan-2026

Accepted: 28-Jan-2026

Published: 16-Feb-2026

1. INTRODUCTION

Driven by global economic, environmental, and social concerns, Corporate Social Responsibility (CSR) is experiencing a surge in the business world. This manifests in proactive efforts by organizations to address social and environmental issues, demonstrating their commitment to stakeholders, society, and sustainable progress. Environmental sustainability, in particular, takes center stage in CSR due to its increasing urgency amid escalating economic and societal concerns (Baughn et al., 2007; Marrewijk, 2017). CSR investment is seen as a strategic advantage, not an expense, limitation, or detached activity. Major corporations prioritize CSR for its competitive benefits, including reputation enhancement, lowered advertising and operational costs, and increased appeal to talents and investors (Maqbool & Zameer, 2018; El-Garaihy et al., 2014; Fu et al., 2014; Li et al., 2015). Studies by Fraj-Andr'es et al. (2009) and Kunnaala et al. (2013) highlight the critical role of a reputable corporate image, green innovation capabilities, and strong corporate social performance. By developing eco-friendly products and processes, companies can enhance their reputation, market value, green innovation, and social performance. This commitment to stakeholders, society, and the environment is reflected in their business strategies and behaviors, shaping their overall social and environmental position. CSR has also evolved from its origins, becoming a strategic marketing tool that attracts consumers who value ethical brands. Firms that use CSR well gain an advantage over their rivals by enhancing their reputation and building customer loyalty (Porter & Kramer, 2006). Embracing CSR activities enhances both the company's profits and customer retention. Recognizing the impact of CSR on customer behavior is crucial in marketing-based

CSR research, aiming to develop optimal marketing strategies (Luo & Battacharya, 2006; Marin et al., 2009). Today, consumers prioritize ethics over just price or quality, leading to a shift in loyalty from irresponsible firms to those embracing Corporate Social Responsibility (CSR). To excel in this changing landscape, companies need to focus on retaining customers by aligning with CSR principles, enhancing satisfaction, and generating positive word-of-mouth. This approach fosters loyalty, resulting in increased profits and a strengthened reputation (Chang, 2017; Yadav & Rai, 2015; Webb et al., 2008). Consumers factor a company's CSR image into their purchase decisions, particularly in the competitive service market. While not universally applicable (Peloza & Shang, 2011), this underscores the strategic significance of CSR, showcasing positive effects like heightened consumer awareness, beliefs, attitudes, and loyalty, especially in times of financial crisis (S. Choi & Ng, 2011; Luo and Battacharya, 2006; Battacharya et al., 2009)). CSR, which is a powerful marketing tool, can shape how customers react to businesses, and provide various benefits through its execution and promotion. By satisfying customers, businesses can enjoy long-term rewards such as loyal customers, positive referrals, and increased profits (Green & Peloza, 2011; Peloza & Shang, 2011). Exploring the impact of CSR initiatives on customer behavior and marketing effectiveness is a crucial aspect of CSR-focused marketing research. Despite existing literature emphasizing the CSR-customer behavior connection, there is a notable gap requiring additional investigation into the empirical relationship between CSR activities and customer satisfaction and loyalty (Beracs & Moisescu, 2015; Potepkin & Firsanova, 2017; Kim & Kim, 2016; Gürlek, Düzgün, & Uygur, 2017; Fatma & Rahman, 2016). Further research is needed to develop informed marketing strategies based on these relationships.

2. RESEARCH BACKGROUND AND HYPOTHESIS DEVELOPMENT

Corporate Social Responsibility integrates profit goals with social expectations, stakeholder satisfaction, legal compliance, and voluntary societal responsibilities to enhance a firm's value. Sustainable business practices prioritize environmental responsibility, customer well-being, and positive social interactions, aligning policies and operations to increase profits while safeguarding the environment, ultimately benefiting stakeholders (Irfan et al., 2021; Manning et al., 2019; Stubbs & Cocklin, 2007).

Customer Satisfaction and CSR

According to Kotler (1996), satisfaction is the emotional response resulting from the contrast between pre-consumption expectations and post-consumption perceptions. Customer satisfaction is the overall evaluation of a company's performance by consumers, emphasizing that satisfaction is based on customer perceptions rather than the product or service itself (Johnson & Fornell, 1991; Gray and Boshoff, 2004)). Consequently, individuals may define satisfaction differently for the same product or service experience (Ueltschy et al., 2007). Customer satisfaction is often linked to the quality of experiences and communication with service providers, influencing outcomes such as purchasing readiness, corporate reputation, and customer loyalty (Crosby et al., 1990; Park, 2019; Su et al., 2016; Yang et al., 2017). Past studies highlight a positive link between CSR activities and customer satisfaction, possibly due to consumers seeing themselves as stakeholders caring not just about economic aspects but also the overall social performance of the firm. Consequently, satisfaction is higher when products or services are delivered by socially responsible companies (He & Li, 2011; Lee, 2019; Luo & Battacharya, 2006; Park, 2019; Saeidi et al., 2015). Thus, the researcher posits that:

H1: CSR is positively correlate with customer satisfaction.

CSR and customer loyalty

Customer loyalty is defined as “a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (Oliver, 1999). Customer loyalty reduces costs, boosts sales, and instils confidence in businesses. Companies securing customer loyalty gain a competitive edge, as it not only drives profits

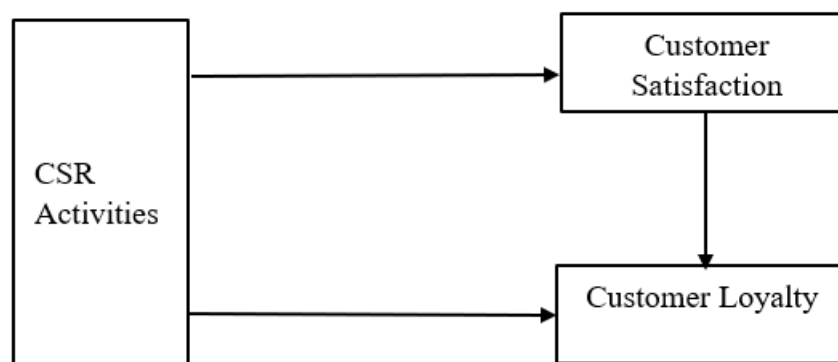
but also ensures long-term sustainability (Aksu, 2006; Yang and Peterson, 2004). A strong connection is observed between an organization's customer-centric focus and customer loyalty and retention (Oladimeji et al., 2017). Research findings indicate that Customer Social Responsibility (CSR) has a positive impact on customer loyalty, underscoring the importance for companies to recognize how customers' views on responsibilities toward customers, public authorities, the environment, community development, and sponsorship significantly shape loyalty (Chung et al., 2015; Moisescu, 2015). This study employs the attitudinal approach, centering on customer emotions, beliefs, preferences, and intentions to cultivate a strong and enduring emotional connection with the company (Buttle, 2009). The degree of customer loyalty is assessed through factors like repurchase intention, positive word-of-mouth, willingness to pay a premium, and resistance to switching to other companies (Hayes, 2008). Based on the insights from previous research, the hypothesis of the study is formulated as follows:

H2: CSR activities have a positive impact on customer loyalty.

Customer satisfaction and customer loyalty

Focusing on customer satisfaction is crucial for gaining a competitive edge by consistently surpassing rivals in meeting client needs. Satisfaction stems from the subjective evaluation that the chosen option meets or exceeds expectations (Bloemer & de Ruyter, 1998; Minta, 2018). Customer loyalty signifies a commitment to consistently choose and endorse a particular organization's goods or services, driven by perceived value superiority over competitors and emotional attachment to the service provider. It emerges from sustained satisfaction, fostering steadfastness, preference, and willingness to pay premium prices (Mellroy and Barnett, 2000; Rai and Medha, 2013). Customer loyalty is integral to a business's sustained survival and future growth, with studies affirming the strong link between customer satisfaction and loyalty, where satisfaction serves as a crucial precursor and indicator of loyalty (Anwar et al., 2019; Kim et al., 2004; Minta, 2018). Satisfied customers exhibit a propensity to repeat patronage and advocate for the service provider among others. Satisfaction with a product or service cultivates a positive attitude, fostering future repurchase intentions—a key indicator of customer loyalty (Lam et al., 2004; Srinath, 2016; Ramaseshan et al., 2017).

H3: Customer Satisfaction have a positive impact on customer loyalty.



Conceptual model adopted from (Al-Ghamdi et al., 2019)

3. METHODOLOGY

Research design

This research aimed to investigate the relationship between Corporate Social Responsibility (CSR) activities, customer satisfaction, and customer loyalty within the context of banking services. The study adopted a quantitative research methodology to gather and analyze data effectively. The survey instrument was designed to gather information on participants' perceptions of CSR initiatives, their levels of satisfaction with banking services, and their loyalty to the bank. A non-probability sampling technique known as convenience sampling was employed to select participants for the study. Data collection relied on structured questionnaires distributed through convenience sampling, targeting 300 individuals. Questionnaires were distributed electronically via email and various social media platforms to maximize the data collection process. Incomplete or partially filled questionnaires were excluded from the analysis to maintain data integrity and ensure the validity of results. Only 238 responses that met the criteria for completeness and accuracy were included in the final analysis.

Research Measurements

The study adopted the model proposed by Al-Ghamdi et al., 2019. The questionnaire consisted of two sections: one section contained items used to measure the demographic profile of the respondents, and the second section comprised the research constructs. The research used a five-point Likert scale to measure the items of customer satisfaction, customer loyalty, and CSR activities. Four validated items for CSR activities, such as "I believe this bank is socially responsible" (CSR1), "I think this bank actively protects the environment" (CSR2), "I see this bank contributing to the welfare of society" (CSR3), and "I observe this bank participating in donation programs" (CSR4), were adapted from Fatma and Rahman (2016), Martinez and Rodriguez-del-Bosque (2013), Klein and Dawar (2004), and Brown and Dacin (1997). Four validated items for customer satisfaction, including "I am consistently pleased with this bank meeting my expectations" (CS1), "This bank is exactly the service provider I need" (CS2), "I am satisfied with the services provided by this bank" (CS3), and "Choosing this bank was the right decision for me" (CS4), were adapted from Karadeniz and Gozuyukari (2016), Perez and Rodríguez-del-Bosque (2015a) & (2015b), and Oliver (1997). Finally, four validated items for customer loyalty, such as "I often speak positively about this bank to others" (CL1), "I recommend my family, friends, and relatives to do business with this bank" (CL2), "I would recommend this bank to someone seeking financial advice" (CL3), and "I plan to continue dealing with this bank in the future" (CL4), were adapted from Mohsan et al. (2011), Allred and Addams (2000), and Gerrard and Cunningham (1997).

3. DATA ANALYSIS AND INTERPRETATION

Table 1: The Reliability Test of all variables used in the study

Reliability Statistics	
Cronbach's Alpha	N of Items
0.896	12

The reliability test indicates a high level of internal consistency among the variables used in the study, with a Cronbach's Alpha value of 0.896. This suggests that the items related to CSR activities, customer satisfaction, and customer loyalty are reliable measures.

Table 2 represent the correlation test result of CSR Activities and Customer Satisfaction

Correlations			
		CSR	CS
CSR Activities	Pearson Correlation	1	.768**
	Sig. (2-tailed)		0.000
	N	238	238
Customer Satisfaction	Pearson Correlation	.768**	1
	Sig. (2-tailed)	0.000	
	N	238	238

** Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation coefficient of 0.768 is a strong positive correlation between CSR activities and customer satisfaction. This suggests that there is a significant relationship between a customer's perception of the bank's social responsibility and their level of satisfaction. As the perception of CSR activities increases, customers are more likely to report higher satisfaction with the bank's services.

Table 3 represent the regression test result of CSR Activities and Customer Loyalty

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.597	0.357	0.354	0.632	

a Predictors: (Constant), Customer Loyalty

The R Square value of 0.357 indicates that the regression model explains 35.7% of the variance in customer loyalty. While this is a moderate effect size, it suggests that CSR activities contribute significantly to the prediction of customer loyalty.

ANOVA							
Model	Sum of Squares	df	Mean Square	F	Sig.		
1	52.284	1	52.284	130.000	.000		
	94.287	36	2.619				
	146.572	37					

a Dependent Variable: CSR Activities
b Predictors: (Constant), Customer Loyalty

The ANOVA results are significant ($p < 0.001$), indicating that the model as a whole is a good fit for the data. This means that the inclusion of CSR activities as a predictor variable significantly improves the model's ability to explain customer loyalty.

Coefficients						
Model		Unstandardized Coefficients	Standard Error	Standardized Coefficients	T	Significance
	(Constant)	1.64	0.24	0.1	13.227	.000
	CL	0.451	0.39	0.0	11.44	.000

a Dependent Variable: CSR Activities

The coefficient for Customer Loyalty (CL) is 0.451 ($p < 0.001$). This indicates that for every one-unit increase in customer loyalty, the perception of CSR activities increases by 0.451 units. In simpler terms, there is a positive relationship between CSR activities and customer loyalty. As customers become more loyal, their perception of the bank's CSR activities also increases.

Table 4 represent the regression test result of Customer Satisfaction and Customer Loyalty

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	0.672	0.452	0.45	0.574	

a Predictors: (Constant), Customer Loyalty

The R Square value of 0.452 indicates that the regression model explains 45.2% of the variance in customer loyalty. This is a moderate to strong effect size, suggesting that customer satisfaction significantly contributes to the prediction of customer loyalty.

ANOVA						
Model	Sum of Squares	df	Mean Square	F	Significance	
1	64.086	1	64.086	532.194	.000	Regression
	77.748	36	0.329			Residual
	141.834	37				Total

a Dependent Variable: Customer Satisfaction
b Predictors: (Constant), Customer Loyalty

The ANOVA results are significant ($p < 0.001$), indicating that the model as a whole is a good fit for the data. Including customer satisfaction as a predictor variable significantly improves the model's ability to explain customer loyalty.

Coefficients							
Model		Unstandardized Coefficients	Standard Error	Standardized Coefficients (Beta)	T	Sig.	
1	(Constant)	1.4	113.0		12.434	.000	
	CL	0.5	1036.0	0.672	13.947	.000	

a Dependent Variable: Customer Satisfaction

The coefficient for Customer Loyalty (CL) is 0.5 ($p < 0.001$). This means that for every one-unit increase in customer loyalty, customer satisfaction increases by 0.5 units. The positive coefficient suggests that there is a strong positive relationship between customer satisfaction and customer loyalty. As customers become more satisfied, their loyalty to the bank increases.

3. CONCLUSION

In conclusion, the study establishes a strong and statistically significant positive correlation between CSR activities and customer satisfaction, affirming that customers perceiving the bank as socially responsible are more satisfied with the provided services. Furthermore, the research supports the hypothesis that CSR activities positively influence customer loyalty, emphasizing the crucial role of corporate social responsibility in fostering enduring customer relationships. The findings also reinforce the well-established link between customer satisfaction and loyalty, suggesting that satisfied customers are more likely to remain loyal to the bank and engage in positive word-of-mouth recommendations. These insights have practical implications for the banking sector, urging institutions to integrate and promote CSR initiatives as a strategic approach to enhance customer satisfaction and loyalty. The study provides a foundation for future research to explore specific CSR activities' impacts and potential moderating factors in greater detail, offering opportunities to refine strategies for sustained customer-centric success.

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