



*Research article*

## **From responsibility to reward: Does corporate social responsibility perception enhance customer loyalty in Vietnamese banking sector?**

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**Abstract:** This study investigated the impact of perceived corporate social responsibility (CSR) on customer loyalty in Vietnam's banking sector, with customer trust as a mediating factor. While prior research has examined CSR's direct influence on customer loyalty, limited studies have explored its indirect effects in developing economies. Using a survey-based approach, data were collected from 386 banking customers across 11 major banks in Vietnam and analyzed through partial least squares structural equation modeling (PLS-SEM). The findings confirm that CSR perception positively affects customer loyalty both directly and indirectly through customer trust. This highlights the strategic importance of CSR in building long-term customer relationships and competitive advantages for banks. The study provides valuable insights for bank managers on designing CSR initiatives that enhance customer trust and loyalty.

**Keywords:** perceived corporate social responsibility (CSR); customer loyalty; customer trust; Vietnam; banking

**JEL Codes:** M14, G21, D12

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## 1. Introduction

Companies adopt corporate social responsibility (CSR) to enhance environmental and social outcomes at the macro level while driving reputation, premium pricing, talent acquisition, profitability, and stakeholder value at the micro level (Pham et al., 2024; Wu & Shen, 2013). Many believe that banks should actively participate in CSR since they benefit significantly from society. For instance, during crises, governments frequently provide implicit support to mitigate the risk of bank failures (Iannotta et al., 2013). In some countries, deposit insurance has been implemented to prevent mass withdrawals, while public funds have been used to rescue struggling banks (Shen et al., 2016). Moreover, the banking sector is vital for maintaining stability, fostering innovation, and delivering a wide range of customer services. Therefore, banks in most countries actively participate in economic initiatives designed to support sustainable development. However, public trust in banks and financial institutions is gradually eroding, highlighting the need for better assessment tools for the banking sector (Kartsonakis & Grigoroudis, 2023). Despite the potential benefits, the question of whether banks should engage in CSR activities remains controversial due to the significant costs involved.

Researchers have extensively examined the importance of CSR policies in the banking industry. Customer response drivers are increasingly shifting from price and quality to ethical and social initiatives (Webb et al., 2008). Hence, businesses should focus on retaining existing customers by improving customer satisfaction (Donaldson & O'toole, 2007; Jin et al., 2012). Satisfied customers bring long-term benefits, such as stronger loyalty and higher profits (Palmatier et al., 2006). To attract customers and maintain competitive advantage, businesses often deploy differentiation strategies, which involve creating value and improving performance. Corporate social responsibility is acknowledged as a powerful marketing tool that can stimulate customer behavior and engagement (Green & Peloza, 2011). Given the rising demands and concerns from social and environmental stakeholders, financial institutions are increasingly driven to prioritize initiatives that advance social responsibility.

Vietnam is chosen as the research context here due to several reasons. First, while CSR has been widely recognized in developed markets, Vietnamese consumers are still developing their understanding of corporate social responsibility. Many still associate CSR primarily with philanthropic activities rather than broader commitments to ethical business practices (Vo et al., 2020). This evolving perception provides a valuable research opportunity to assess how CSR influences consumer behavior in Vietnam's banking industry. Second, Vietnam's banking sector has faced multiple financial scandals, including fraud cases involving major banks. A notable case is the SCB-Truong My Lan scandal, with financial losses amounting to tens of billions of dollars, which exposed deep-rooted issues in corporate governance and financial transparency. These incidents have severely undermined public trust and eroded the image of the banking industry (My Sang et al., 2023; Vu, 2024). Understanding how CSR can be used to rebuild customer confidence is particularly relevant in this context. Third, despite the growing importance of CSR in Vietnam, there is a lack of empirical studies examining its direct and indirect effects on customer loyalty in the banking sector. Prior studies, such as Vo et al. (2020), linked CSR to financial inclusion; My Sang et al. (2023) identified CSR activities' impacts on bank attractiveness with bank reputation as an intermediate variable, yet overlooked the trust's mediating role. Fourth, Vietnam's banking industry is highly competitive, with both state-owned and private banks striving to differentiate themselves. CSR has become a critical strategic tool for banks to attract

and retain customers by fostering trust and enhancing their market reputation. This competitive environment makes Vietnam an ideal research setting to explore how CSR strategies impact customer trust and loyalty (Al-Ghamdi & Badawi, 2019).

In the Vietnamese context, CSR perception plays a crucial role in shaping consumer behavior. Unlike in some developed countries where CSR initiatives are widely recognized and actively considered in purchase decisions, Vietnamese consumers' understanding of CSR is still evolving. Many consumers associate CSR primarily with philanthropic activities, such as charity donations and community support, rather than a broader commitment to ethical business practices and sustainability (Vo et al., 2020). However, as awareness increases, CSR perception is becoming an influential factor in shaping trust and loyalty in the banking sector. Vietnamese customers tend to value CSR efforts that directly impact their communities, such as environmental initiatives, educational support, and social welfare programs (Fatma & Khan, 2023). This perception influences their decisions to continue using banking services, as they are more likely to trust and stay loyal to banks that they believe are socially responsible. Therefore, understanding how Vietnamese consumers interpret and prioritize CSR activities is essential for banks to design effective CSR strategies that align with customer expectations and foster long-term loyalty.

This study provides valuable contributions to current literature. First, it extends the research on corporate social responsibility (CSR) by critically analyzing CSR activities in the Vietnamese banking sector, an area that has not been explored before. While CSR's impact on customer loyalty has been studied globally, its influence in Vietnam's unique socio-economic context remains unclear (Vo et al., 2020). Vietnam's banking industry has experienced rapid growth, but public trust in banks remains fragile due to economic fluctuations and scandals (My Sang et al., 2023). Therefore, understanding how CSR influences customer trust and loyalty in this environment is essential. Second, we contribute to the literature by presenting an in-depth examination of how CSR perception—not just initiatives—drives customer behavior. Finally, it provides strategic recommendations to improve customer satisfaction and loyalty through CSR perception in Vietnam's banking sector. Although CSR activities are specific to each country, the recommendations are carefully crafted to strengthen the industry's engagement in socially responsible activities and strategically coordinate these programs to foster greater customer loyalty.

This research aims to answer two primary questions:

Research question 1: How can commercial banks strengthen customer trust through perceived CSR initiatives?

Research question 2: To what extent does enhanced customer trust, driven by CSR perception, contribute to greater customer loyalty?

The subsequent sections of the paper are structured as follows: Section 2 outlines the theoretical framework and the development of hypotheses for this study. Section 3 outlines the research methodologies used in the study. Section 4 recaps the main results, while Section 5 presents a discussion of the findings. Section 6 presents the conclusion and implications of the research, and the final section presents the limitations of the research and suggests future directions.

## 2. Literature review and hypotheses development

### 2.1. Theoretical background

The impact of CSR on customer loyalty in the banking industry is a complex and multifaceted issue. Modern consumers not only seek reliable financial services but also expect banks to generate a positive contribution to society and the environment (Pérez & Rodríguez Del Bosque, 2015). Through well-executed CSR initiatives, banks can enhance their brand reputation, foster customer trust, and ultimately strengthen customer loyalty (Özkan et al., 2019). This study examines the different CSR strategies used by private commercial banks and their impact on customer loyalty and satisfaction.

Stakeholder theory offers a useful framework for analyzing the strategic significance of CSR in the banking industry. According to this theory, companies should consider the interests of multiple stakeholders—including customers, employees, suppliers, communities, and regulators—rather than focusing solely on shareholders (Freeman et al., 2018). Within this framework, CSR is viewed as an essential tool for businesses to build long-term, trust-based relationships with stakeholders, thereby ensuring sustainable success. CSR is particularly relevant in financial services, where ethical concerns, transparency, and accountability play critical roles in consumer decision-making (Platonova et al., 2018).

Signaling theory (Spence, 1973) suggests that companies use CSR as a signal to convey credibility, ethical commitment, and trustworthiness to stakeholders, particularly customers. Since banking services are intangible and complex, CSR acts as a trust-enhancing signal, reducing uncertainty and increasing customer confidence in the institution (Fatma & Khan, 2023; Muflih, 2021).

In the banking industry, trust is particularly critical due to the intangible nature of financial services. Unlike tangible products, banking services require customers to place confidence in financial institutions to safeguard their assets and provide ethical services. CSR initiatives (e.g., sustainability programs and community development) send a positive signal about the bank's ethical standards, making customers more likely to trust and stay loyal (Muflih, 2021). In addition, customers who perceive banks as socially responsible are more likely to reduce perceived risk, fostering stronger customer loyalty. CSR initiatives serve as a mechanism to reinforce this trust by signaling a bank's commitment to ethical business practices, social responsibility, and community well-being (Shen et al., 2016). Research in banking has confirmed that CSR-based signaling fosters trust, reduces perceived risk, and strengthens customer relationships (Fatma & Khan, 2023; Khan et al., 2015).

This study adopts stakeholder theory (Freeman et al., 2018) and signaling theory (Spence, 1973) to analyze the role of perceived CSR initiatives in Vietnam's banking sector. The research examines how CSR initiatives influence customer perceptions, build trust, and ultimately drive customer loyalty. Given the increasing importance of corporate ethics in consumer decision-making, this theoretical foundation provides critical insights into the mechanisms through which CSR strengthens long-term customer relationships.

## 2.2. Definition

### 2.2.1. Perceived corporate social responsibility

CSR is a multifaceted concept that encompasses various interpretations and perspectives (Wirba, 2023). Although widely discussed in research, defining CSR in a clear and comprehensive manner remains challenging (Al-Ghamdi & Badawi, 2019). According to the World Bank (2004), corporate social responsibility (CSR) signifies a company's commitment to fostering sustainable economic growth and improving overall well-being. This approach establishes a mutually beneficial connection between businesses and the community. Likewise, the European Commission (2011) defines CSR as the voluntary incorporation of social and environmental considerations into a company's strategy and operations while ensuring stakeholder engagement in the process (Islam et al., 2021). The United Nations Industrial Development Organization (UNIDO) (2022) defines CSR as a business's effort to balance economic, social, and environmental objectives, often referred to as the "triple bottom line approach". Key aspects of CSR include environmental management, ecological efficiency, ethical sourcing, stakeholder engagement, fair working conditions, social equality, human rights, and good governance. When effectively implemented, CSR initiatives can offer several competitive benefits, such as better access to capital and markets, higher revenue and profitability, lower operational costs, improved performance and quality, stronger human resources, an enhanced brand reputation and image, and stronger customer loyalty.

The World Business Council for Sustainable Development describes CSR as a company's dedication to fostering sustainable economic growth. The main goal is to create benefits for both the company and broader developmental objectives by collaborating with stakeholders and the community (Aramburu & Pescador, 2019). Additionally, another perspective on CSR views it as a management philosophy that focuses on incorporating social and environmental factors into a company's operations. This concept encourages companies to self-regulate their behavior to ensure they are responsible to the company, stakeholders, and the larger community.

Researchers have defined the concept of CSR in three main approaches. The first approach, introduced by Carroll (1979, 1991), develops the CSR pyramid model, which includes four levels: economic obligations (profit), legal obligations (compliance with laws), ethical obligations (doing the right thing), and discretionary/charitable obligations (supporting the community). The second approach, proposed by Schwartz and Carroll (2003), provides a three-dimensional framework for CSR, encompassing economic obligations (profit), environmental obligations (protecting the planet), and social obligations (caring for people). The third approach is based on stakeholder theory. According to this theory, CSR includes activities that serve various parties, including the environment, society, shareholders, employees, customers, and other stakeholders (Freeman et al., 2010).

CSR perception refers to how stakeholders (consumers, employees, investors, and the general public) interpret and evaluate a company's CSR initiatives. It encompasses the beliefs, attitudes, and judgments stakeholders form about a company's ethical, social, and environmental commitments. It is influenced by various factors such as the authenticity of CSR efforts, transparency in communication, the actual societal and environmental impact of these initiatives, and stakeholders' expectations. Companies that align their CSR activities with stakeholder expectations and demonstrate a genuine

commitment to ethical and sustainable practices tend to foster positive CSR perceptions. Conversely, organizations perceived as engaging in CSR-washing—where CSR efforts are seen as insincere or purely for marketing purposes—risk damaging their corporate reputation and stakeholder trust. Effective CSR communication plays a crucial role in shaping public perception, as it ensures that stakeholders understand the company's social and environmental contributions. Ultimately, CSR perception is a key determinant of corporate legitimacy, brand loyalty, and long-term business success (Du et al., 2010).

### 2.2.2. Customer loyalty

Customer loyalty can be defined as the degree of emotional attachment a customer has toward a specific brand or service, coupled with making future purchases or continuing to use that brand (Pan et al., 2012). It plays a critical role in business strategy, particularly during economic downturns, as loyal customers contribute to financial stability and resilience (Pérez et al., 2013). Given that customers are a company's most valuable yet finite resource, fostering loyalty is essential for sustaining profitability, market expansion, and competitive advantage (Khan et al., 2015; Oliver, 1999).

Researchers have identified two primary approaches to assessing customer loyalty: the behavioral approach and the attitudinal approach (Dick & Basu, 1994). The behavioral approach evaluates actual purchasing actions, such as purchase frequency, brand retention, and repurchase intentions, serving as quantifiable indicators of customer commitment (Bennett & Rundel-Thiele, 2005). In contrast, the attitudinal approach examines customers' perceptions, emotional attachment, and brand advocacy, providing deeper insights into their long-term engagement and willingness to pay a premium (Kartsonakis & Grigoroudis, 2023). This method considers factors like brand trust, personal connection to the brand, and favorable word-of-mouth (Chaudhuri & Holbrook, 2001). A positive attitude toward the brand, combined with repeat purchasing behavior, is widely recognized as a key driver of customer loyalty (Huifeng & Ha, 2021; Zeithaml et al., 1996).

### 2.2.3. Customer trust

Customer trust refers to an individual's willingness to engage in transactions based on confidence in the reliability, integrity, and competence of the involved parties (Moorman et al., 1993). It is built over time through consistent positive experiences, transparency, and ethical behavior (Morgan & Hunt, 1994). Trust also involves accepting a certain level of risk or potential negative outcomes while expecting positive outcomes in the future (Ennew et al., 2011). Furthermore, customer trust reflects the extent to which customers believe in a company's ability to fulfill its commitments (Hapsari et al., 2020). Establishing trust depends on various factors, including past interactions, perceived safety, and the company's compliance with legal and ethical standards (Anneli Järvinen, 2014). Establishing trust is crucial for reducing consumer hesitation when making purchasing decisions, which helps them feel more secure when engaging in new transactions (Wongkitrungrueng & Assarut, 2020).

In the banking sector, customer trust is particularly significant due to the sensitive nature of financial transactions and personal data security. Customer trust in banking refers to the confidence customers have in a bank's ability to safeguard their financial assets, provide reliable services, and

maintain privacy. Banks that demonstrate transparency, ethical practices, and strong cybersecurity measures are more likely to gain and retain customer trust, ultimately leading to long-term customer relationships and financial stability (Suh & Han, 2003).

Harrison McKnight et al. (2002) stated that the metrics employed to assess customer trust are trusting belief and trusting intention. Trusting belief refers to the level of trust and confidence a person has in others in specific situations. Trusting intention refers to the act of placing confidence (of customers) in trusted parties (banks), based on their assumptions that sellers can benefit customers. In addition, trusting intention is a deliberate act when an individual willingly relies on others in specific situations, resulting in direct interaction with other people. The key factor in developing trusting intention is the willingness to depend.

### 2.3. Hypotheses development

#### 2.3.1. Perceived CSR and customer loyalty

The direct relationship between CSR and customer loyalty has been confirmed in numerous studies (Al-Ghamdi & Badawi, 2019; Balcombe et al., 2013; Poolthong & Mandhachitara, 2009; Pérez & Rodríguez Del Bosque, 2015). Employing CSR is the most effective approach for cultivating attitudinal loyalty, especially in industries like telecommunications, where competitor products exhibit significant similarities, making loyalty-building a challenging endeavor (Poolthong & Mandhachitara, 2009). Similarly, research has shown that companies that engage in CSR tend to foster more positive consumer attitudes toward their products and services (Balcombe et al., 2013).

In the banking sector, CSR can elicit positive emotional responses from customers, leading to stronger brand attachment and loyalty (Pérez & Rodríguez Del Bosque, 2015). By fostering customer identification and satisfaction, CSR helps banks build long-term relationships with customers. Al-Ghamdi & Badawi (2019) further confirmed that CSR activities significantly and positively influence customer satisfaction and loyalty among banking customers in Saudi Arabia.

However, the impact of CSR on loyalty may vary depending on business type, level of CSR commitment, and country. While CSR has been extensively studied in developed markets, its role in customer loyalty within Vietnam's banking sector remains underexplored (Vo et al., 2020). Previous research (Vo et al., 2020) linked CSR to financial inclusion but overlooked its impact on customer retention. In addition, few studies have investigated how CSR perceptions—rather than direct initiatives—affect customer loyalty. Given the unique socio-economic environment of Vietnam, this study expands the literature by examining CSR perception as a driver of customer loyalty in the banking industry. This study builds upon previous work (Vo et al., 2020) by incorporating cultural and economic factors specific to Vietnam's banking sector.

***Hypotheses 1 (H1): Perceived CSR has a positive effect on customer loyalty.***

#### 2.3.2. Perceived CSR and customer trust

Social perspectives on a company's ethics are crucial for building trust and positive relationships with the community. By actively participating in CSR initiatives, companies not only showcase their

dedication to social well-being but also create numerous benefits for themselves and their stakeholders, including the community and customers (Öberseder et al., 2014). Park and Kim (2018) confirmed that CSR is one of the most effective strategies for building trust. Companies that incorporate CSR into their operations often benefit from increased customer loyalty, enhanced market value, improved customer satisfaction, and a stronger brand image. Ethical business practices also play an important role in enhancing customer perceptions of a company's products or services, thereby fostering trust (Mascarenhas et al., 2006). Extensive research has linked a company's active CSR engagement to the development of consumer trust. For example, Zidehsaraei et al. (2024) evaluated the impact of shared values, religious beliefs, and empathy on customer perceptions of an Iranian bank's CSR commitment. Their findings indicate that customers who perceive banks as committed to CSR are more likely to trust and be satisfied with the bank's services.

Trust is a fundamental pillar in banking, where financial transactions involve high risks and require customers to place significant reliance on institutions to safeguard their assets. In this context, CSR initiatives serve as a critical mechanism for reinforcing customer trust, signaling that a bank operates ethically and prioritizes social well-being (Fatma & Khan, 2023).

From the perspective of a bank manager, CSRs are considered a valuable approach to improving a bank's reputation and gaining customer trust (Shen et al., 2016). CSR holds significant importance in the banking sector due to banks selling intangible products to customers who may lack financial literacy. Given that financial services are intangible, customers may struggle to assess service quality or differentiate between competing banks. CSR bridges this gap by signaling corporate integrity and helping firms build trust-based relationships with customers. This is particularly relevant in Vietnam, where public confidence in financial institutions has been historically low due to past financial scandals and governance concerns (Öberseder et al., 2014). We propose that CSR enhances trust by aligning with customer expectations of corporate ethics, particularly in banking, where transparency and responsibility are critical (Öberseder et al., 2014).

***Hypotheses 2 (H2): Perceived CSR has a positive effect on customer trust.***

### 2.3.3. Customer trust and customer loyalty

Trust is a cornerstone of long-term customer relationships, particularly in industries where consumers rely on businesses for financial security and ethical business conduct. In banking, where services are largely intangible and involve significant financial risks, trust is a critical determinant of customer loyalty (Ibrahim Mohamad Ibrahim & Bayram, 2024).

Trust serves as the foundation for stability and reliability between a business and its customers. When consumers perceive a company's products, services, and commitments as high quality, they are more inclined to sustain long-term relationships with the company. To cultivate customer loyalty, companies must proactively build trust (Hussein et al., 2023). The degree of confidence customers have in a company's ability to meet its commitments directly influences their transactional behavior. Many studies have highlighted the significant impact of trust on customer loyalty, demonstrating a positive correlation, where increased trust leads to higher loyalty (Chen, 2013; Hapsari et al., 2020; Pahlevi & Suhartanto, 2020).

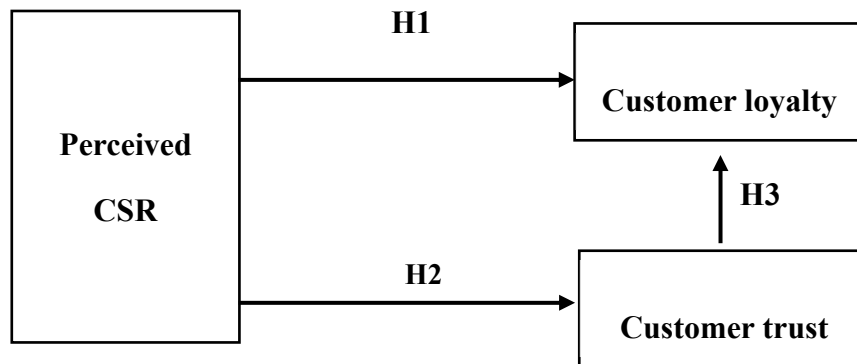


Numerous studies have emphasized the importance of building trust in fostering customer loyalty and maintaining long-term relationships between businesses and their customers (Ibrahim Mohamad Ibrahim & Bayram, 2024). When trust is established, customers develop a stronger emotional connection to the brand, leading to greater confidence in the institution and a higher likelihood of continued engagement. Research has shown that trust enhances customer satisfaction, encourages repeat transactions, and increases brand advocacy (Delgado-Ballester & Luis Munuera-Alemán, 2005). Trust also reduces customer hesitation and perceived risks, making them more inclined to maintain long-term relationships with the bank rather than switching to competitors.

From a business perspective, building and maintaining strong, trust-based relationships with customers is vital, as gaining a new customer can be 5–25 times more costly than keeping an existing one (Gallo, 2014). Therefore, banks that invest in trust-building initiatives, such as transparent communication, ethical banking practices, and customer-centric CSR programs, can achieve stronger customer loyalty and long-term profitability.

Based on these insights, we propose the following hypothesis:

**Hypotheses 3 (H3): Customer trust has a positive effect on customer loyalty.**



**Figure 1.** Hypothesized conceptual framework.

### 3. Research methodology

#### 3.1. Research model and measurement

This study collected data using the survey method. We used Google Forms to create the survey. This approach has the advantage of being flexible with timing, giving respondents the opportunity to reflect thoughtfully on their answers instead of rushing to provide quick responses as they might in an interview. This study utilized a questionnaire developed from existing literature and adjusted to align with the study's objectives and context. The questionnaire was structured into two sections: the first gathered demographic details from participants, while the second comprised 15 questions focusing on key study variables such as CSR, customer trust, and customer loyalty. All variables were assessed using a 5-point Likert scale, ranging from *strongly disagree* to *strongly agree*.

The measurement items of observed variables in this study were derived from previous research, serving as a foundation with minor adjustments to enhance their relevance to the Vietnamese context.

The study applied and extended the model proposed by Al-Ghamdi & Badawi (2019), where the mediating variable, customer loyalty, was derived from Leclercq-Machado et al. (2022).

To maintain clarity and prevent misunderstandings, the questionnaire was translated from English into Vietnamese, the official language of the target country. The process of developing the questionnaire involved three stages: (1) initial translation, (2) reverse translation, and (3) preliminary testing. Initially, the researcher carried out the primary translation by converting the questionnaire into Vietnamese. To minimize any potential biases, a separate translator, who had no prior knowledge of the research topic, performed the back translation. The pre-final version of the questionnaire (in Vietnamese) was then pilot-tested on a small sample of 30 participants to collect their feedback. This step was undertaken to verify the questionnaire's accuracy and clarity.

**Table 1.** Measurement scales.

Constructs	Code	Items	Sources
Perceived corporate social responsibility (CSR)	CSR1	This bank is socially responsible.	Eisingerich et al., (2011)
	CSR2	This bank contributes to society's welfare more than other banks.	
	CSR3	This bank dedicates a portion of its budget to donations and social initiatives aimed at enhancing the well-being of society's most disadvantaged groups.	
	CSR4	This bank is committed to enhancing the overall welfare of society.	
	CSR5	This bank prioritizes the respect and protection of the natural environment.	
Customer trust (CT)	CSR6	This bank contributes money to cultural and social events (e.g., music, sports).	Mende and Bolton (2011) Dagger et al. (2009)
	CT1	Promises made by this bank are reliable.	
	CT2	I trust the service this bank provides.	
	CT3	I trust this bank to safeguard my wealth.	
	CT4	The bank's hiring services serve as a guarantee of quality.	
Customer loyalty (LOY)	CT5	This bank is trustworthy.	Beerli et al. (2004) Harris & Goode (2004)
	LOY1	I consider this bank my first choice when selecting banking products or services.	
	LOY2	I do not like to switch to another bank because I am loyal to the selected bank.	
	LOY3	I will continue to choose this bank if I need banking services and products in the future.	
	LOY4	I will recommend others to use this bank.	

### 3.2. Research sample and data collection

The authors distributed online survey questionnaires to banking customers in Vietnam. From the country's 49 major commercial banks, we selected the 11 most well-known (including both state-owned and joint-stock banks). Together, these 11 banks account for over 90% of the market share in Vietnam's

banking industry. Due to Vietnamese law and regulations regarding customer privacy, the full list of consumers at these 11 banks was unavailable.

In 2023, approximately 75% of adults in Vietnam are anticipated to possess bank accounts, corresponding to around 75 million individuals. To determine an adequate sample size, considering a population of 75,000,000 and employing calculations based on Qualtrics with a 95% confidence level and a 5% margin of error, it was established that 385 individuals would be a satisfactory sample. Therefore, this research collected 508 questionnaires from participants, ultimately yielding 386 valid responses, thereby ensuring the adequacy of the sample size.

The research employed a convenient sampling method. Due to the banking sector's strict data confidentiality policies, obtaining a full customer list was not feasible. Therefore, the authors opted for a convenient sampling method to ensure data accessibility while maintaining the study's validity. A digital survey was sent via email to 800 targeted individuals with the assistance of banking staff. Out of 412 questionnaires that were completed (51.5% response rate), 386 of them were considered usable, while the remaining 26 responses exhibited a high possibility of response bias (the majority of responses were limited to *neutral* or *agree*). The quantitative survey took place between March 2023 and May 2023.

### 3.3. Data analysis

This study used the partial least squares structural equation modeling (PLS-SEM) method to examine the relationships among variables. According to Hair et al. (2021), SEM is often used to analyze complex models involving multiple variables. The SEM model is considered a second-generation analytical model; previously, researchers often used the variance analysis model (ANOVA) to test with multivariate models. Structural equation modeling (SEM) is broadly categorized into two main types: CB-SEM and PLS-SEM. Covariance-based structural equation modeling (CB-SEM) focuses on analyzing covariances and is commonly conducted using IBM AMOS software. This model requires a very large number of samples and is suitable for theoretical validation and hypothesis testing research. PLS-SEM is a better option for conducting practical analyses that investigate the linkages between variables, being particularly useful for forecasting important goal variables or key driver variables (Shmueli et al., 2019).

The methodology in this study differs significantly from previous studies. For example, Iglesias et al. (2020) examined the linkages between CSR, customer trust, and customer loyalty and assessed the factor structure, as well as convergent and discriminant validity, using confirmatory factor analysis (CFA) with the maximum likelihood method in AMOS 22.0. Similarly, Choi and La (2013) conducted CFA to explore the influence of CSR and customer trust on regaining loyal customers following service failure and recovery. CFA is a form of structural equation modeling (SEM) that specifically handles measurement models, i.e., the relationships between observed variables and latent factors. CFA, a subset of structural equation modeling (SEM), was specifically used to analyze measurement models by evaluating the connections between observed variables and latent constructs (Brown, 2015).

In contrast, our study employs the PLS-SEM method, a principal component-based approach that is more flexible as it does not require normal distribution assumptions and performs well with smaller samples or complex models with multiple dependent variables. Specifically, PLS-SEM is not only

suitable for theoretical models but also for studies focused on prediction and theory development, where relationships between variables are tested, and the explanatory power of dependent variables is maximized (Hair et al., 2021). This differs from studies using CFA, which tend to focus more on model confirmation than on predicting key variables. According to Hair et al. (2021), this method is deemed reliable for theory development and prediction. Thus, this research will employ PLS-SEM to examine the correlation between these factors. This is appropriate for prediction models that incorporate numerous highly correlated variables. Smart PLS 3 software was employed for application analysis. Additionally, we account for variations across Vietnam's banking landscape, distinguishing between state-owned and private banks, which differ in CSR execution and customer expectations.

The study began by evaluating the reliability and validity of the indicators based on the measurement model results. Reliability was examined using three primary metrics: external loadings, Cronbach's alpha, and composite reliability. Convergent validity was assessed through the average variance extracted (AVE) (Fornell & Larcker, 1981). To ensure discriminant validity, the heterotrait-monotrait (HTMT) ratio was applied, following Henseler et al. (2015), who advised that HTMT values should not exceed 0.90 or 0.85. Lastly, the measurement model was further analyzed by examining the variance inflation factor (VIF), the path coefficient of determination, and the p-value. Once both the measurement and structural models were confirmed, we analyzed the relationships using the path coefficients.

## 4. Results

### 4.1. Sample description

The sample structure is shown in **Table 2**. Bank service usage is higher among females (53.9%) compared to males (46.1%). The largest age groups in the sample are those aged 35–44 (36.7%) and 24–34 (29.7%), which reflects individuals with stable incomes and a strong demand for financial products. The highest usage of bank services is among those with university degrees (62%), likely due to their greater financial knowledge. Entrepreneurs and self-employed individuals lead in bank service usage (45.3%). Most respondents (41.1%) reported using bank services 10–15 times in the past month.

**Table 3** below provides descriptive statistics of all items. The mean of all variables falls within 4, indicating that customers generally perceive a bank's CSR activities favorably and possess a reasonably high level of trust and loyalty to the company. Notably, the lowest value for CT4, "Promises made by the bank are reliable", is 2, signifying an absence of the most negative reviews regarding the bank's trustworthiness.

**Table 2.** Descriptive statistics (n = 386).

Category	Item	N	%
Gender	Male	178	46.1
	Female	208	53.9
Age	<24	93	24
	24–34	115	29.7
	35–44	142	36.7
	45+	36	9.6
Academic level	High school	41	10.6
	University	239	62
	Postgraduate	106	27.4
Employment	Students	85	22
	Private company employees	80	20.7
	Entrepreneur/self-employed	175	45.3
	State agencies/enterprises	46	12
Frequency of using bank's services in the past 1 month	<5 times	41	10.6
	5–10 times	97	25.1
	10–15 times	159	41.1
	>15 times	89	23.2

**Table 3.** Descriptive statistics of item values.

	Mean	Min	Max	Std. Dev.
<b>Corporate social responsibility (CSR)</b>				
CSR1	3.944	1	5	1.069
CSR2	4.096	1	5	0.902
CSR3	4.040	1	5	0.958
CSR4	4.076	1	5	0.953
CSR5	4.086	1	5	0.931
CSR6	4.071	1	5	0.907
<b>Customer trust (CT)</b>				
CT1	4.086	1	5	0.952
CT2	4.106	1	5	0.950
CT3	4.045	1	5	0.889
CT4	4.035	2	5	0.923
CT5	4.207	1	5	0.854
<b>Customer loyalty (LOY)</b>				
LOY1	4.106	1	5	0.950
LOY2	4.071	1	5	0.890
LOY3	4.035	1	5	0.966
LOY4	4.005	1	5	1.008

#### 4.2. Evaluation of measurement model

Initially, the research team assessed the reliability of the variables using composite reliability, Cronbach's alpha, and external loadings. Hair et al. (2021) recommended a minimum external loading value of 0.7 in reflective measurement models to ensure adequate item reliability. As shown in **Table 4**, all outer loading values exceeded this threshold, confirming the reliability of the data. The internal reliability of a construct is considered satisfactory when both Cronbach's alpha and composite reliability reach or exceed 0.7 (Nunnally & Bernstein, 1994). Higher values for these metrics indicate higher reliability (Hair et al., 2021). **Table 4** proved that all of these indices surpass the threshold, indicating that the questionnaire that was developed can measure the variables accurately.

Second, convergent validity was assessed using the average variance extracted (AVE) (Fornell & Larcker, 1981). According to Hair et al. (2021), a scale exhibits convergent validity when the AVE value is 0.5 or higher, indicating that the construct accounts for more than half of the variance in its associated indicators. In this study, the AVE values ranged from 0.715 to 0.766, all of which exceeded the 0.5 threshold, confirming that there were no problems with convergent validity.

**Table 4.** Reliability and convergent validity.

	Outer loadings	Cronbach's alpha	Composite reliability	AVE
<b>Corporate social responsibility (CSR)</b>		0.920	0.938	0.715
CSR1	0.846			
CSR2	0.787			
CSR3	0.837			
CSR4	0.866			
CSR5	0.870			
CSR6	0.864			
<b>Customer trust (CT)</b>		0.898	0.929	0.766
CT1	0.860			
CT2	0.851			
CT3	0.832			
CT4	0.868			
CT5	0.853			
<b>Customer loyalty (LOY)</b>		0.906	0.930	0.727
LOY1	0.865			
LOY2	0.880			
LOY3	0.856			
LOY4	0.900			

Finally, discriminant validity was assessed using the heterotrait–monotrait (HTMT) ratio. Henseler et al. (2015) recommended that the HTMT value should not exceed 0.9 to ensure discriminant validity. As shown in **Table 5**, the HTMT values ranged from 0.517 to 0.754, all of which were below the 0.9 threshold. This validates that the constructs are empirically distinct within the structural model.

**Table 5.** Discriminant validity: heterotrait–monotrait ratio (HTMT).

	1	2	3
Corporate social responsibility	-		
Customer trust	0.727	-	
Customer loyalty	0.517	0.754	-

#### 4.3. Evaluation of structural model

To determine whether the results of the regression are biased, collinearity must also be examined (Hair et al., 2021). VIF values should ideally be 3 or lower, while values between 3 and 5 could cause some issues, and values above 5 may indicate significant collinearity problems. As shown in **Table 6**, the VIF coefficient for the CSR and CT variables is 1.000, which is very low and indicates no collinearity in the model. However, the VIF coefficients for the CSR–LOY and CT–LOY variables are both 4.86, which falls within the range of 3–5. Hair et al. (2021) said that a VIF value between 3 and 5 suggests that there may be potential collinearity in the model. Therefore, there could be collinearity among the variables affecting LOY.

The R-square value assesses the model's predictive strength by representing the proportion of variance in the dependent variable that is accounted for by the independent variables. In other words, it evaluates the effectiveness of the model's constructs (Hair et al., 2021). As shown in **Table 7**, the R-square values for customer trust and customer loyalty are 0.839 and 0.794, respectively, both exceeding 0.75. This indicates that the model has strong explanatory power for the dependent variable.

The results in **Table 8** indicate that the perceived CSR and customer trust (CT) variables have a moderate impact on customer loyalty (LOY), with f-square values of 0.3 and 0.267, respectively. According to Cohen's (2013) criteria, values between 0.15 and 0.35 indicate a moderate impact. This suggests that customers' perceptions of the bank's CSR initiatives have a moderate impact on their loyalty, while customers' trust in the company also plays a similarly important role. In addition, the perceived CSR has a strong impact on customer trust, with an f-square value of 3.861, far exceeding the threshold of 0.35. This highlights the significant impact of the bank's CSR initiatives in building customer trust.

**Table 6.** Collinearity statistics (VIF).

	1	2	3
Corporate social responsibility		1.000	4.861
Customer trust			4.861
Customer loyalty			

**Table 7.** Coefficient of determination (R-square)

	R-square
Customer trust	0.839
Customer loyalty	0.794

**Table 8.** F-Square.

	1	2	3
Corporate social responsibility		3.861	0.300
Customer trust			0.267
Customer loyalty			

According to Hair et al. (2021), a higher T statistic value indicates greater statistical significance of the path coefficient. As shown in **Table 9**, the T statistics for all three relationships are significant. Notably, the relationship between CSR and CT is particularly strong, with a T statistic value of 50.130. In addition, all relationships have P values below 0.001, confirming their statistical significance.

**Table 9.** Path coefficients.

Relationship	Original sample (O)	Standard deviation (STDEV)	T statistic ( O/STDEV )	P-value	Conclusion
<b>H1:</b> CSR → LOY	0.485	0.073	6.674	***	Supported
<b>H2:</b> CSR → CT	0.891	0.018	50.130	***	Supported
<b>H3:</b> CT → LOY	0.457	0.073	6.245	***	Supported

\*\*\*p < 0.001. Source: Authors' own calculations.

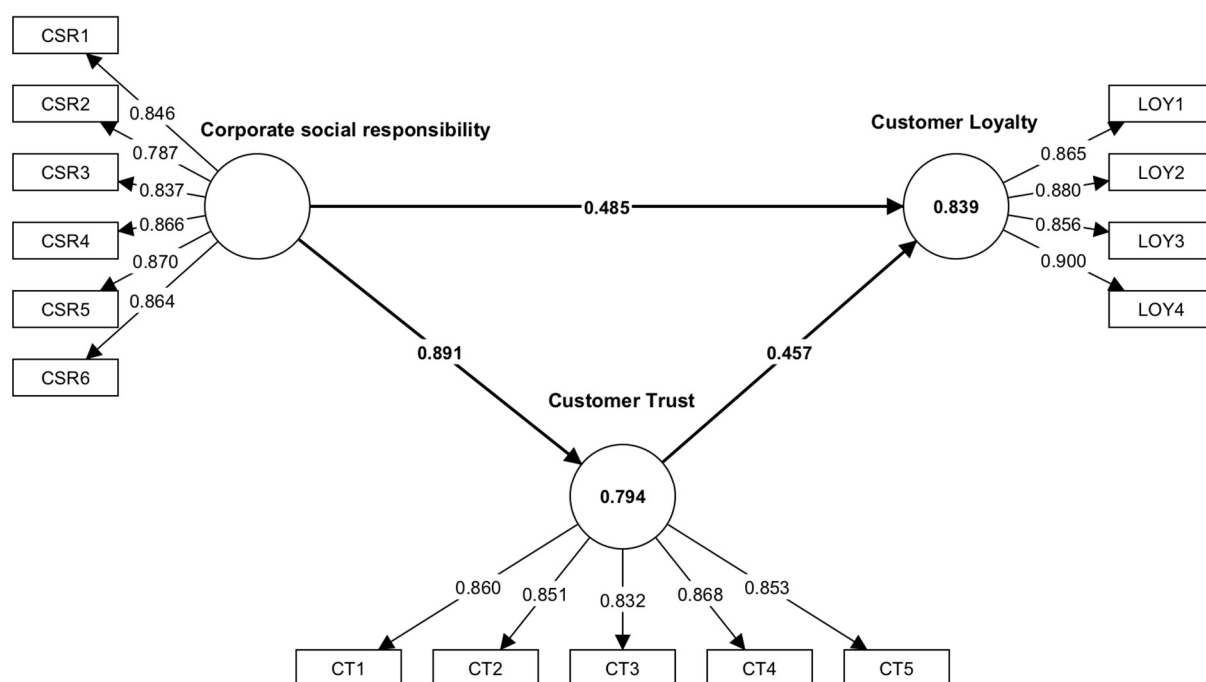
The statistical significance of path coefficients was evaluated by the bootstrapping method, as recommended by Reinartz et al. (2009). The study also computed the percentile bootstrap of the standardized regression coefficients at a 95% confidence interval. As highlighted in **Table 9**, all path coefficients carry a positive sign, indicating that all relationships within the model align in the same direction. As shown in **Table 9**, all three relationships have a p-value of 0.000, indicated by \*\*\*, which indicates the highest level of statistical significance. Among these relationships (Figure 2), the path coefficient from CSR to customer trust (CT) was the highest at 0.891, highlighting the significant role of CSR in promoting customer trust in the banking industry. Similarly, the path coefficient from CSR to customer loyalty (LOY) was 0.485, emphasizing the significant impact of CSR on customer loyalty. Finally, the path coefficient from CT to LOY was 0.457, confirming the strong positive influence of customer trust on loyalty.

Since this study includes a mediating variable, the total indirect and specific effects are identical. As shown in **Table 10**, customer trust plays a significant role in mediating the relationship between CSR and customer loyalty. The path coefficient for this indirect relationship was 0.407, with a T-statistic of 5.972 and a p-value of 0.000. These findings confirm that customer trust significantly strengthens the link between CSR perception and customer loyalty in the banking sector.

**Table 10.** Indirect effects.

Relationship	Original sample (O)	Standard deviation (STDEV)	T statistic ( O/STDEV )	P-value
CSR → CT → LOY	0.407	0.068	5.972	0.000 ***





**Figure 2.** Results of conceptual framework.

## 5. Discussion

### ***Hypotheses 1 (H1): Perceived CSR has a positive effect on customer loyalty: Supported***

The path coefficient for this relationship was 0.485, with a significance level below 0.01, indicating a statistically significant link between perceived CSR and customer loyalty in the banking sector. The results align with previous research, which also identified a direct positive relationship between CSR and customer loyalty (Al-Ghamdi & Badawi, 2019; Balcombe et al., 2013; Pérez & Rodríguez Del Bosque, 2015; Poolthong & Mandhachitara, 2009). According to stakeholder theory, businesses should address the needs of all stakeholders to ensure long-term success (Freeman et al., 2018). In line with this perspective, CSR initiatives help banks meet customer expectations, enhance brand value, and ultimately strengthen customer loyalty, as demonstrated by the study's empirical findings. Overall, the research highlights the critical role of CSR in fostering customer loyalty in the banking sector. It also underscores the importance of a well-planned communication strategy to emphasize the positive impact of CSR activities on customer perception, further reinforcing their loyalty to the bank.

### ***Hypotheses 2 (H2): Perceived CSR has a positive effect on customer trust: Supported***

The path coefficient of the relationship between CSR and customer trust was 0.891, with a significance level below 0.01. This finding suggests that customers' perceptions of the bank's CSR efforts play an important role in shaping their trust. These results are consistent with previous studies that have established a link between CSR and customer trust (Mascarenhas et al., 2006; Park & Kim, 2019; Shen et al., 2016). CSR initiatives are an effective strategy to enhance a bank's reputation and build customer trust, especially since banks primarily provide intangible financial services to customers who may have limited financial literacy (Shen et al., 2016). As financial institutions often

offer similar products, differentiation can be a challenge. Therefore, prioritizing CSR can help banks cultivate and maintain customer trust, ultimately strengthening their competitive advantage.

***Hypotheses 3 (H3): Customer trust has a positive effect on customer loyalty: Supported***

The path coefficient for this relationship was 0.457, with a significance level below 0.01, indicating a statistically significant correlation between customer trust and customer loyalty. This result suggests that customer trust has a moderate positive impact on loyalty. These findings align with previous research (Chen, 2013; Hapsari et al., 2020; Hussein et al., 2023; Pahlevi & Suhartanto, 2020), which also highlighted the crucial role of trust in fostering long-term customer loyalty. To improve customer loyalty, banks should focus on building trust with their customers. This can be achieved by enhancing service processes, increasing transaction transparency, and ensuring high-quality service to create a positive impression.

***Customer trust as a mediating factor between perceived CSR and customer loyalty: Supported***

This study explored the mediating role of customer trust in the relationship between CSR perceptions and customer loyalty. The path coefficient for this mediation was 0.407, with a p-value of 0.000, confirming its statistical significance. These findings indicate that customer trust plays an important role in linking CSR initiatives with customer loyalty in the banking sector. Customers' perceptions of a bank's CSR efforts not only have a direct impact on their loyalty but also exert an indirect effect through trust, as reflected in the path coefficient of 0.407. These results are consistent with previous studies (Ahn et al., 2021; Lombart & Louis, 2014; Muflih, 2021). The empirical result advocates for enhancing CSR efforts by banks, accentuating the likelihood of more positive outcomes with their customer base. CSR emerges as a catalyst capable of cultivating heightened customer trust toward the organization, consequently driving greater adoption of the company's offerings, including new credit cards and loans. Consequently, the significance of trust should be underscored as a critical determinant for customers to sustain ongoing engagement with the bank.

## **6. Conclusion and implications**

### ***6.1. Conclusions***

This study empirically examined the relationship between CSR perception, customer trust, and customer loyalty in the Vietnamese banking industry. Based on stakeholder theory, the findings reaffirm that CSR serves as an effective strategy to promote customer trust and enhance loyalty. Notably, these results are in contrast to previous research that found that CSR perceptions have no significant impact on customer loyalty (Paulík et al., 2015). It also contradicts a study that revealed a misalignment between companies' ethical behavior and customers' preferences (Carrigan & Attalla, 2001). However, these findings are consistent with several previous studies (Balcombe et al., 2013; Choi & La, 2013; Chomvilailuk & Butcher, 2014; He & Li, 2011; He & Lai, 2014; Pérez & Rodríguez Del Bosque, 2015; Poolthong & Mandhachitara, 2009). Furthermore, this study confirms that trust acts as a mediator in the relationship between CSR and customer loyalty, which is consistent with the findings of Leclercq-Machado et al. (2022). By analyzing the intermediary factors influencing customer loyalty, this model provides a thorough examination and offers valuable insights for bank management.

## 6.2. Managerial implication

This study provides valuable insights for organizations, particularly in understanding the evolving dynamics between consumers and companies regarding corporate social responsibility (CSR). The findings highlight that consumers' perceptions of a company's CSR commitment play a significant role in shaping long-term customer relationships. This highlights the need for today's financial institutions to effectively manage relationships with shareholders and other stakeholders.

For leaders in the banking sector, the study recommends that they focus on introducing and efficiently implementing CSR initiatives. These initiatives not only help build a positive public image but also foster customer trust and loyalty. By aligning business activities with socially responsible and ethical values, banks can gain a competitive edge in a market where consumers increasingly value responsible behavior.

In response to growing concerns about ethical conduct, many banks have increasingly leveraged CSR initiatives to rebuild their public image. However, in some cases, CSR has been used as a façade to distract from unethical or fraudulent practices. While CSR is meant to demonstrate a company's commitment to ethical business, social development, and sustainability, certain financial institutions have exploited it as a marketing tool rather than a genuine effort to foster trust and transparency. The recent scandals highlight the need for stricter regulatory oversight and greater transparency in the Vietnamese banking sector. CSR alone cannot compensate for fundamental governance failures. Instead, banks must ensure that their CSR initiatives align with ethical business practices and genuine accountability to restore public confidence and long-term customer loyalty.

The findings reveal that perceived CSR plays a crucial role in shaping customer loyalty in the banking sector. To improve CSR perception in the banking sector, managers should prioritize four key areas: authenticity, communication, impact assessment, and stakeholder expectations (Du et al., 2010). First, ensuring authenticity requires aligning CSR initiatives with the bank's core values and long-term commitments, avoiding superficial or marketing-driven campaigns that may be perceived as CSR-washing. Banks should integrate CSR into their business models rather than treating it as an add-on. Second, transparent and consistent communication is essential. Banks should actively share their CSR efforts through multiple channels, including social media, annual reports, and customer engagement programs, ensuring that messages are clear and data-driven and resonate with customers. To strengthen customer awareness and appreciation, banks must refine their communication strategies, ensuring that CSR efforts are clearly and effectively conveyed. Third, impact assessment should be conducted regularly to measure the effectiveness of CSR activities. By publishing reports with measurable outcomes, banks can enhance credibility and demonstrate accountability. Finally, banks must align CSR initiatives with stakeholder expectations, particularly by addressing local socio-economic and environmental concerns. This involves engaging with customers, employees, and community leaders to co-create CSR programs that reflect societal values and generate meaningful impact. By focusing on these areas, banks can strengthen CSR perception, build trust, and enhance customer loyalty.

While CSR has been extensively studied in developed economies, Vietnam presents a distinct case due to its rapid economic transition and evolving banking regulations (Vo et al., 2020). Vietnamese banks are increasingly integrating CSR into their strategies, but customer awareness and perceptions of these

efforts vary. This study provides empirical evidence on how these perceptions shape customer trust and loyalty, offering valuable insights for bank managers aiming to implement effective CSR strategies.

Additionally, this research recommends that bank managers should not only focus on CSR but also actively develop other programs to further enhance customer trust. Building and maintaining trust is essential in the financial sector, as initiatives that build customer trust can significantly improve customer loyalty. As financial institutions navigate the complex and competitive landscape, focusing on client-centric strategies driven by CSR initiatives and programs that instill confidence can serve as a powerful formula for sustaining patronage.

## **7. Limitations and future research lines**

The first limitation of this study is its exclusive focus on the banking industry. While this sector-specific investigation yields valuable insights, a compelling need exists for diversification across service industries such as hotels and tourism. Additionally, broadening the scope to encompass the industrial sector and conducting comparative analyses could unveil unique patterns and shed light on shared or distinctive factors influencing customer satisfaction across varied domains.

The second limitation comes from the sample size; namely, this study is specific to Vietnam. However, when conducting research, purposive sampling was limited to a single urban area and mainly customers in Hanoi. This geographical limitation raises considerations about the generalizability of the study results. Future research efforts can build on the results of this study by exploring similar topics in other regions of Vietnam to gain a broader understanding of the issues at hand. This approach ensures that the insights obtained are relevant and applicable across multiple locations, not limited to just one city.

Lastly, the research's focus on evaluating structures in a one-dimensional way has limited a deeper understanding of the subject. If future studies recognize that customer perceptions and satisfaction have multiple facets, they can adopt a more detailed and multidimensional approach. Utilizing advanced statistical techniques like factor analysis would allow for a clearer exploration of the complex relationships between these factors. Additionally, applying the same theoretical framework to different market contexts could help identify contextual factors that influence customer satisfaction, thereby increasing the generalizability of research findings.

By addressing these challenges, future studies can overcome current limitations and make significant contributions to enhancing understanding and applicability in customer satisfaction research. Expanding the scope of research, diversifying strategies, and incorporating multidimensional structures will provide a more comprehensive understanding of customer satisfaction dynamics across different industries and contexts.

## **Authors' Contributions:**

Conceptualization, methodology, data analysis, and writing the original draft, H.M.P; validation, data analysis, and writing the review and editing, N.Y.T.N; data curation, methodology, and writing the review and editing; data curation, result interpretation, and writing the review and editing, H.M.P.

## Use of AI tools declaration

The authors declare they have not used Artificial Intelligence (AI) tools in the creation of this article.

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## Transparency

The authors confirm that this manuscript is a truthful and clear description of the study. No important details have been left out, and any changes from the original plan have been explained. The study followed all ethical guidelines during its writing.

## Data Availability Statement

The corresponding author is available to share the study data upon a reasonable request.

## Conflict of interest

The authors declare no conflict of interest in this paper.

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