

# The Influence of Corporate Social Responsibility on Brand Loyalty Among FMCG Consumers in the Kathmandu Valley

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## Abstract

This study investigates the influence of Corporate Social Responsibility (CSR) on brand loyalty among FMCG consumers within Kathmandu Valley, addressing a significant gap in the existing literature. It explores how CSR functions as a differentiator in fostering brand loyalty within a competitive market. Employing a cross-sectional survey design, data were collected using structured questionnaires from FMCG consumers. The analysis, based on Carroll's CSR Pyramid and the Triple Bottom Line Theory, applies mediation techniques to evaluate the role of brand trust and perceived quality in the CSR-brand loyalty relationship. The findings demonstrate a positive correlation between CSR activities and brand loyalty, with brand trust acting as a significant mediator. However, perceived quality does not have any direct or indirect effect on brand loyalty. These results emphasise CSR's crucial role in building loyalty within Nepal's FMCG sector. The study offers practical insights for companies to align CSR with customer values to strengthen brand relationship and loyalty.

**Keywords:** Brand loyalty, brand trust, corporate social responsibility, fast moving consumer goods, perceived quality

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## INTRODUCTION AND STUDY OBJECTIVES

Corporate Social Responsibility (CSR) has become an essential business strategy to improve consumer perceptions, trust, and loyalty. CSR initiatives encompass efforts in societal welfare and environmental sustainability, which are now fundamental to organisational success in today's

competitive markets (Foroudi, 2019). The studies have shown that CSR positively influences the corporate image and consumer behaviour, serving as a strategic marketing tool (Kim et.al, 2020). By adopting CSR practices, businesses enhance their reputation, reduce operational costs, and attract talent and investors (Li et al., 2016). Early definitions of CSR focused on shareholder value, but today, it encompasses

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broader responsibilities, including societal and environmental care (Kotler & Lee, 2008). As a result, CSR is now a core part of a company's strategy and stakeholder management (Porter & Kramer, 2006).

CSR includes diverse initiatives such as environmental sustainability, ethical labour practices, and community engagement. In developed markets, consumers prefer brands that align with their values and contribute to social causes (Grayson & Hodges, 2017). CSR has proven critical in maintaining consumer trust and brand loyalty, especially in times of crisis (Bahta et al., 2021). Today, companies are driven to integrate CSR especially due to regulatory demands and competitive pressures. The rise of digital platforms has further increased consumer expectations for ethical business practices, as transparency allows for greater accountability (Bhattarai et al., 2023; Porter & Kramer, 2006). CSR, therefore, serves not just as a legal obligation but as a strategic asset in aligning with consumer values and sustaining long-term success. Several studies confirm a positive relationship between CSR and brand loyalty, indicating that consumers prefer to remain loyal to socially responsible companies (Bhattacharya & Sen, 2004).

CSR activities focusing on community development, environmental conservation, and ethical practices resonate with consumers, contributing to brand loyalty in Nepal. Nepal faces significant social and environmental challenges such as poverty and inequality, and CSR activities have been found to help address these issues to some extent. However, during this study, a research gap was found in Nepal. Sthapit

and Sharma (2018) examined the influence of CSR on consumer purchase decisions of FMCGs in Nepal, but their research was not extended to the impact of CSR initiatives specifically on brand loyalty. As consumer awareness about the social and environmental impact of their purchases grows, CSR presents an opportunity for businesses to build trust and credibility (Chapagain, 2020). Trust, a key component of brand loyalty, is strengthened through CSR efforts, particularly when businesses engage in community development and sustainable practices.

In the highly competitive FMCG sector with brands like Unilever and Nestle, retaining customer loyalty has become increasingly challenging due to the interchangeable nature of products and frequent brand switching (Singh et al., 2008). This inconsistency in brand loyalty threatens the long-term success of businesses, as it undermines customer retention and profitability (Aaker & Biel, 2013). Similarly, Nepalese FMCG companies are found to be adopting strategic CSR, shifting from philanthropic to more structured initiatives, and making a significant contribution to achieving developmental goals (Adhikari et al., 2016). Studies show that CSR practices in Nepal focus mainly on economic aspects, followed by legal, philanthropic, and ethical concerns, particularly among large firms (Chapagain, 2020).

Despite its potential, CSR's role in enhancing brand loyalty is underutilised in developing markets such as Nepal, where rising consumer awareness of sustainability and ethical practices offers a unique opportunity for companies to differentiate themselves

(Kotler & Lee, 2008). Research shows that CSR initiatives are effective in fostering brand loyalty by aligning with consumer values and trust (Porter & Kramer, 2006). However, the inconsistent application of CSR as a strategic tool in the FMCG sector, particularly in Nepal, highlights the need for a deeper understanding of its benefits and implementation. Sthapit (2021) examined CSR practices in Nepal, revealing increasing stakeholder awareness and influence on customers and employee behaviour, but highlighting persistent ambiguity in corporate understanding, dominance of philanthropic efforts, and limited compliance despite supportive government laws and policies. Similarly, past research works in Nepal have primarily addressed financial gains, neglecting consumer perceptions and brand loyalty in the FMCG sector (Das & Bhuniya, 2016). Hence, this present study aims to fill that gap by exploring how CSR initiatives, through perceived quality and brand trust, influence brand loyalty of FMCG buyers in Nepal.

## LITERATURE REVIEW

The significance of Corporate Social Responsibility (CSR) has grown globally, as companies increasingly integrate it into their business models to meet growing societal expectations (Ghaderi et al., 2019). From early philanthropic efforts to modern strategic initiatives, CSR has evolved as a critical business function and has contributed to positive outcomes, especially in the FMCG sector, fostering brand loyalty and improving consumer perceptions (Bhattacharya & Sen, 2004). Likewise, studies show that consumers

prefer socially responsible brands, with Nielsen (2015) reporting that 66 percent of global consumers are willing to pay more for sustainable products.

The global FMCG sector is increasingly influenced by sustainability trends, including a rising demand for environmentally friendly and ethically sourced products and the adoption of circular economy principles (McKinsey, 2020). As a result, companies are adapting their CSR strategies to meet consumer expectations and societal needs, focusing on innovative solutions such as sustainable packaging and ethical sourcing (Deloitte, 2021). Porter and Kramer (2006) noted that the pressure on businesses, such as Nike in the 1990s, to act on social concerns led to greater accountability. Similarly, Du et al. (2010) highlighted that firms have recognised CSR's potential to enhance brand loyalty and consumer trust, contributing to business success across sectors and regions. For instance, Unilever's Sustainable Living Plan helped reduce growth from environmental harm, resulting in significant social and economic gains, including €1 billion in cost savings and increased brand reputation (Unilever, 2020). Similarly, Procter & Gamble's "Ambition 2030" commits to ensuring 100% recyclable or reusable packaging by 2030, which responds to the growing demand for eco-friendly products (Procter & Gamble, 2020). Leading FMCG companies are thus setting high standards in CSR, aligning their practices with sustainability frameworks such as the Paris Agreement and the UN Sustainable Development Goals (Biswas & Sikdar, 2021). This trend also extends to Nepal, where multinational companies like Dabur Nepal and national

brands like Nepal Telecom have leveraged CSR to build consumer loyalty.

In Nepal, the awareness of CSR initiatives is still in the developing phase, even though CSR's impact on FMCG brands is increasingly recognised in the international context (Adhikari, 2012). Furthermore, Sthapit and Vaidya (2024) highlight that in Nepal, customer awareness of CSR practices is gradually increasing, with consumers increasingly basing their purchasing decisions on companies' CSR initiatives. In addition, Sthapit (2023) emphasised the growing importance of CSR in enhancing customer satisfaction, reputation, and profitability, advocating for the strategic integration of societal concerns into business operations. The study also highlights key concepts like the Triple Bottom Line theory, which stresses the significance of social, environmental, and economic factors in evaluating business performance.

While global companies benefit from media coverage and consumer understanding, local firms are gradually gaining recognition for their CSR efforts. Similarly, Nepal has also been progressively developing its regulatory framework to promote CSR initiatives among not just bank and financial institutions but amongst the other sectors of the economy. The Industrial Enterprise Act 2016 mandates that industries allocate at least one percent of their annual profit to CSR activities (Nepal Law Commission, 2016). Additionally, the Ministry of Industry, Commerce, and Supplies has guidelines that encourage companies to focus on areas such as education, health, environmental protection, and community development (Ministry of Industry, Commerce, and Supplies, 2018). Thus, both global and Nepalese FMCG companies are realising the contribution of CSR in fostering consumer loyalty and enhancing brand trust, highlighting its importance as a strategic business tool (Bhattacharya & Sen, 2004).

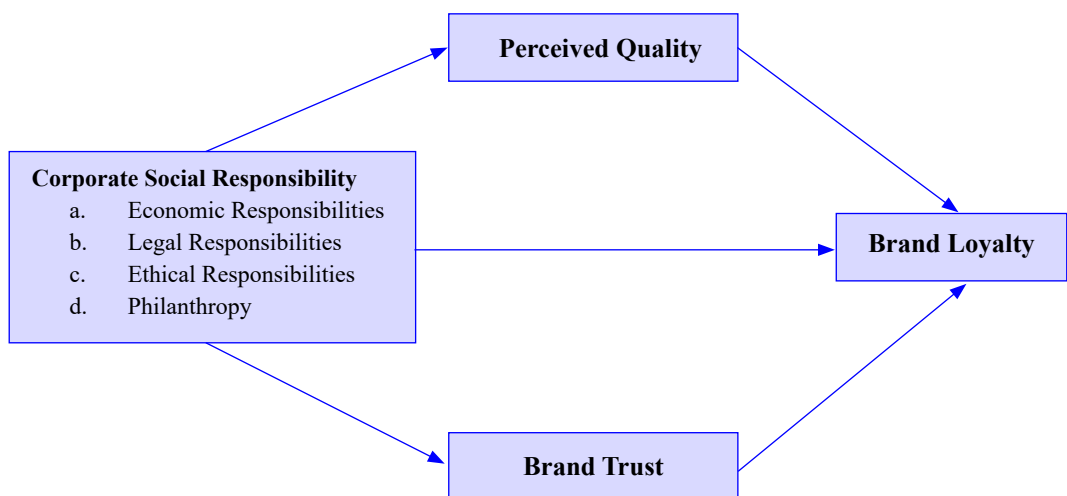


Figure 1. Proposed Research Framework  
 Note. Modified from Cham and Jean (2021) and Akbari et al. (2020).

### ***Conceptual Framework***

Carroll's Pyramid of CSR, the Triple Bottom Line (TBL) Theory, and The Stakeholder Theory are commonly used to explore how businesses can create value for their stakeholders while balancing economic, legal, ethical, and philanthropic responsibilities (Carroll, 1991; Elkington, 1998; Freeman, 2015). These theories perfectly align with the study's objectives and the framework developed to analyse the impact of Corporate Social Responsibility (CSR) on brand loyalty.

Anchored on Carroll's Pyramid of CSR, Triple Bottom Line Theory, and Stakeholder Theory, the researcher has developed the following framework for the study purpose:

### ***CSR and Brand Loyalty***

The study explores the relationship between Corporate Social Responsibility (CSR) and brand loyalty, emphasising how economic, legal, and ethical responsibilities shape consumer behaviour. Carroll's (1991) CSR framework connects economic responsibility with brand loyalty, indicating that financial performance and responsible business practices promote loyalty among consumers. Furthermore, research by Rahim (2010) highlights the importance of transparency and ethical business conduct in attracting and retaining loyal customers.

Empirical studies reinforce this positive relationship between CSR and brand loyalty across various sectors. Lu et al. (2020) indicates that CSR efforts enhance brand perception and performance, which in turn fosters consumer loyalty. Furthermore, Akbari et al. (2019) also

highlight that satisfied consumers, who recognise a brand's commitment to social responsibility, are more inclined to become loyal customers. Additionally, studies in the retail and service industries by Park et al. (2017) provide further evidence that CSR initiatives significantly impact repurchasing behaviour and long-term customer loyalty.

H<sub>1</sub>: There is a significant impact between CSR and brand loyalty among consumers of FMCG goods.

### ***Perceived Quality and Brand Loyalty***

Perceived quality is essential in shaping consumer value perceptions and directly influences purchasing and re-purchasing decisions, fostering brand loyalty over time. Tsotsou (2006) highlights that perceived quality significantly enhances purchase intentions, while Biedenbach and Marell (2009) identify it as a key determinant of brand loyalty. Ming (2011) confirms its impact on brand image, reinforcing its role in consumer loyalty.

Likewise, marketing research has consistently linked perceived quality with brand loyalty. Consumers view perceived quality as a key factor in distinguishing between competing brands and influencing their purchase decisions (Konuk, 2018). High-quality brands are often seen as superior, encouraging repeat purchases and enhancing customer loyalty by boosting self-esteem and reducing brand switching (Muskat et al., 2019).

H<sub>2</sub>: Perceived quality significantly impacts the brand loyalty among consumers of FMCG goods.

### ***Brand Trust and Brand Loyalty***

The past literature consistently demonstrates a positive relationship between brand trust and brand loyalty among FMCG consumers. [Delgado-Ballester et al. \(2001\)](#) provide empirical evidence showing that trust directly influences loyalty intentions, highlighting that brand trust significantly enhances and strengthens customer loyalty. These findings further illustrate that brand trust positively impacts loyalty, with trust and commitment fostering enduring customer relationships.

Additionally, the Theory of Self-Categorisation and the Theory of Social Identity ([Tajfel & Turner, 1979](#)) suggest that CSR initiatives can enhance trust and loyalty by aligning with customer values. These studies collectively emphasise the pivotal role of trust in fostering customer loyalty across various sectors, highlighting the significance of trust-building practices such as CSR and ethical behaviour.

H<sub>3</sub>: Brand Trust significantly impacts brand loyalty among consumers of FMCG goods.

### ***CSR and Perceived Quality***

Perceived quality has emerged as a significant focus in market research, yet there is a noticeable lack of literature linking it to corporate social responsibility (CSR), presenting a novel area for investigation. Empirical studies suggest that consumers tend to view product or service quality more positively when organisations engage in CSR activities, perceiving these initiatives as strategic investments that bolster competitive advantage ([Liu et al., 2014](#)). Moreover, research indicates that CSR investments

primarily enhance intangible assets like corporate reputation and perceived quality ([Martínez & Nishiyama, 2019](#)).

Similarly, [Lai and Pai \(2010\)](#) highlight that CSR efforts enhance perceived quality by showcasing a company's commitment to ethical and sustainable practices. Collectively, these findings indicate that CSR initiatives in the FMCG sector positively impact perceived quality.

H<sub>4</sub>: CSR significantly impacts the quality perceived by the consumers of FMCG goods.

### ***CSR and Brand Trust***

Research indicates a strong relationship between corporate social responsibility (CSR) activities and brand trust. [Ahn and Kwon \(2020\)](#) highlight that CSR initiatives enhance customer trust, leading to improved brand credibility. [Moon \(2015\)](#) further confirms that consumer attitudes toward brands are influenced by product quality and CSR engagement, leading to increased trust in organisations that prioritise CSR.

Additionally, [Vlachos et al. \(2009\)](#) connect customer perceptions of CSR to brand trust, emphasising the role of ethical behaviour in fostering this trust. [Freeman's \(2015\)](#) stakeholder theory supports the need for organisations to create value for all stakeholders, aligning with genuine CSR strategies that enhance customer trust. Together, these findings highlight the crucial role of CSR in building brand trust.

H<sub>5</sub>: CSR significantly impacts brand trust among consumers of FMCG goods.

### *Mediating Role of Perceived Quality*

The literature establishes a direct link between positive assessments of corporate social responsibility (CSR) and customer loyalty, with perceived quality serving as a key mediating factor. Past research suggests that perceived quality fosters positive consumer emotions, driving loyalty and enhancing consumer-brand relationships (Kim et al., 2020). Additionally, higher perceived product quality, influenced by CSR activities, strengthens consumers' willingness to buy and their propensity to repurchase, thus leading to brand loyalty (Lee et al., 2019). This positions perceived quality as a critical mediator, linking CSR to increased brand loyalty by enhancing both brand perception and consumer trust.

H<sub>6</sub>: The relationship between CSR and brand loyalty is mediated by the perceived quality.

### *Mediating Role of Brand Trust*

Brand trust plays a mediating role in consumer-brand relationships, with research indicating that trust leads to positive attitudes, increased loyalty, and repeat purchases (Hansen et al., 2011). Studies have shown that CSR activities enhance consumer trust and loyalty, as they signal a brand's commitment to social welfare (Oberseder, 2013). Pivato (2008) emphasised trust as a primary outcome of CSR, noting its mediating effect on consumer behaviour and attitudes.

Trust is cultivated through a brand's reputation and CSR efforts, which significantly enhances consumer trust (Servera et al., 2015). Furthermore, Brown and Dacin (1997) highlighted that brand

trust arises from shared values influenced by CSR initiatives, reinforcing trust is crucial in enhancing consumer loyalty.

H<sub>7</sub>: The relationship between CSR and brand loyalty is mediated by the brand trust.

## **RESEARCH METHOD**

This study adopts a positivist philosophy, employing quantitative methods and statistical analysis to explore the relationships between corporate social responsibility, brand loyalty, perceived quality, and brand trust among FMCG consumers in Kathmandu Valley. A causal-comparative design is utilised, with survey data collected to examine the influence of CSR on customer loyalty towards FMCG brands. The research focuses on the Kathmandu Valley, targeting individuals with the authority to make purchase decisions. Non-probability convenience sampling is used to collect data from 280 respondents through online forms, ensuring an efficient and relevant sample. Data is gathered using a structured 5-point Likert scale questionnaire distributed through KOBO Toolbox. A pilot test is conducted to ensure reliability before full-scale data collection, examining the relationships between the variables.

This study uses validated scales from prior studies, with all the items measured on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Measurement items for Corporate Social Responsibility and Brand Loyalty are from Salmones et al., (2005), Perceived Quality is from Washburn et.al. (2002) and Brand Trust is from Martinez et. al. (2014). Data is analysed

using SPSS for descriptive statistics and PLS-SEM for hypothesis testing. External validity is ensured by expert review of the questionnaire for relevance and clarity, with feedback leading to necessary revisions.

## **DATA ANALYSIS AND DISCUSSION**

### ***Profile of the Respondents***

The socio-demographic profile of 280 respondents shows a slight male majority (58.63% male, 42.09% female), with a predominantly young to middle-aged group, as 75.18% fall within the 18-30 age range and 25.54% within 31-40. In terms of education, 55.40% hold a bachelor's degree, 35.61% have a master's degree, and 5.76% have completed up to the +2 level. Regarding income, 35.25% earn between Rs. 60,000 and Rs. 100,000 per month, followed by 32.37% earning Rs. 30,000 to Rs. 60,000, and 29.50% earning within Rs. 30,000. Only 3.60% of respondents earn above Rs. 100,000. This profile reflects a highly educated and well-compensated workforce engaged in FMCG purchases.

### ***Preliminary Conditions Analysis***

Before analysing the data, some preliminary conditions such as Common Method Bias (CMB), Non-Response Bias, Distributional Assumptions, and Model fit were evaluated. Similarly, descriptive statistics indicate that mean scores for study variables range from 2.95 to 4.15, showing slightly positive responses or sentiments across all the constructs. The Standard deviations vary from 0.718 to 1.302, suggesting a moderate variability. Likewise, the KMO measure of sampling adequacy was 0.811, indicating high suitability for factor analysis. Bartlett's

test of sphericity was significant ( $P < 0.05$ ), confirming that the data matrix is factorable. In addition, the findings revealed that Harman's single factor value was 48.39%, which was below the cut-off criteria of 50%, stating no issue of common method bias. The Variance Inflation Factor (VIF) values for all indicators are below 5, indicating no multicollinearity issues in the dataset (Kock, 2020). Non-response bias was also assessed using wave analysis in SPSS, which involved comparing early and late respondents. The paired t-test showed no significant difference, confirming the absence of non-response bias. Similarly, the skewness values ranged from -1.149 to 0.011, and kurtosis values ranged from -1.126 to + 0.478, all of which fall within the acceptable range of -3 to +3 for skewness and kurtosis, as suggested by Kline (1998). These values indicate that data distribution is normal, making it suitable for further statistical analysis.

### ***Model Specification/PLS-SEM Analysis***

The research model was analysed using PLS-SEM 4.0, encompassing the measurement and structural models. The analysis began with the evaluation of the measurement model, focusing on item reliability, internal consistency, and construct validity to ensure the robustness of the data. Establishing reliability and validity is a critical prerequisite for examining the relationships between constructs. Construct validity was assessed using several key metrics: Average Variance Extracted (AVE), cross-loadings, the Fornell-Larcker criterion, and the Heterotrait-Monotrait ratio (HTMT). After satisfying the measurement model, a structural model was analysed including predictive relevance, model fit, and hypothesis testing.



Table 1  
Validity and Reliability

Constructs	Observed Item and Coding	Factor Loading	Cronbach's Alpha	Composite Reliability	AVE
Brand Loyalty	BL_1	0.944	0.961	0.968	0.810
	BL_2	0.931			
	BL_3	0.91			
	BL_4	0.942			
	BL_5	0.888			
	BL_6	0.821			
Brand Trust	BL_7	0.858	0.948	0.957	0.734
	BT_1	0.861			
	BT_2	0.872			
	BT_3	0.791			
	BT_4	0.833			
	BT_5	0.82			
	BT_6	0.874			
	BT_7	0.914			
Corporate Social Responsibility	BT_8	0.881	0.971	0.975	0.795
	CSR_10	0.888			
	CSR_2	0.847			
	CSR_3	0.912			
	CSR_4	0.9			
	CSR_5	0.87			
	CSR_6	0.895			
	CSR_7	0.879			
	CSR_8	0.86			
	CSR_9	0.928			
Perceived Quality	CSR_1	0.935	0.925	0.952	0.870
	PQ_1	0.959			
	PQ_2	0.927			
	PQ_3	0.911			

Note. Field survey (2024)

### ***Assessment of the Reflective Measurement Model***

The study assessed four reflective constructs and 28 items using Hair et al.'s (2017) methodology, focusing on Standardised

Factor Loading (SFL), internal consistency, and various validity measures. All items had loadings above the 0.70 threshold, confirming good reliability. Internal consistency was verified with Cronbach's

Table 2  
Fornell and Larcker Criterion Analysis

Constructs	BL	BT	CSR	PQ
BL	0.900			
BT	0.438	0.857		
CSR	0.776	0.373	0.892	
PQ	0.184	0.185	0.234	0.933

*Note. Field survey (2024)*

Table 3  
HTMT Analysis

Constructs	BL	BT	CSR	PQ
BL				
BT	0.450			
CSR	0.797	0.370		
PQ	0.192	0.195	0.242	

*Note. Field survey (2024)*

Alpha and Composite Reliability (CR) values exceeding 0.70, though CR values above 0.90 may indicate potential validity concerns. Convergent validity was confirmed with an Average Variance Extracted (AVE) above 0.50, and discriminant validity was established through HTMT, Fornell-Larcker analysis, and cross-loading, with results showing satisfactory levels. The Variance Inflation Factor (VIF) scores for all indicators were below 3, indicating no multicollinearity issues.

Similarly, discriminant validity ensures that concepts are distinct and can be assessed using the Fornell-Larcker criterion, HTMT, and cross-loadings (Hair et al., 2017). The Fornell-Larcker criterion compares the square root of the Average Variance Extracted (AVE) for each latent variable with its correlations with other variables.

The study confirms the fulfilment of the criterion of the square root of the AVE being greater than the correlations (see Table 2). However, Henseler et al. (2015) suggest using HTMT for better sensitivity, as the Fornell-Larcker criterion has limitations. In addition, Henseler et al. (2015) recommend the HTMT method for assessing discriminant validity, with thresholds of 0.85 for distinct constructs and 0.90 for closely related constructs. An HTMT threshold of 0.85 was applied in this study (see Table 3), and all ratios met this criterion, confirming discriminant validity. Moreover, to validate discriminant validity, an item's outer loading in its parent construct should exceed its cross-loadings in other constructs. This study met this criterion, showing no cross-loading issues and confirming that the measurement models are adequate.

**Assessment of Structural Model Predictive Relevance**

To examine the predictive relevance, the coefficient of determination, effect size, and  $Q^2$  predict were explicitly analysed. The model shows brand loyalty with moderate explanatory power, with 62.8% of its variance explained by the exogenous variables (CSR, PQ, and BT). These results indicate that the model is particularly strong in predicting brand loyalty. After assessing the overall effect size ( $R^2$ ), the researcher examined the specific effect size ( $f^2$ ) to determine the contribution of exogenous constructs to the  $R^2$  values. The PLS results show CSR has a large effect on brand loyalty ( $f^2 = 1.141$ ) and a moderate effect on brand trust ( $f^2 = 0.161$ ). However, CSR's impact on perceived quality is weak ( $f^2 = 0.058$ ), and PQ's effect on brand loyalty is negligible ( $f^2 = 0.001$ ). Brand loyalty does not significantly impact other constructs. The  $Q^2$  values in this study (0.598, 0.127, and 0.044) confirm the model's predictive

relevance, as they are all greater than zero. Brand loyalty shows strong predictive relevance with a  $Q^2$  of 0.598, while brand trust has moderate predictive relevance ( $Q^2 = 0.127$ ). However, perceived quality has weak predictive relevance, with a  $Q^2$  of 0.044. These  $Q^2$  predict values indicate the predictive relevance of the PLS-SEM model, suggesting stronger predictive power for the model.

**Model Fit**

Due to the reflective nature of each construct, the study is suitable for a consistent algorithm (Dijkstra & Henseler, 2015). The model fit index is based on the SRMR value since it's one of the best indices for assessing model fit. Similarly, the SRMR value in this study was determined to be 0.072, which is below the 0.08 threshold and indicates that the model has good explanatory power.

**Hypothesis Testing**

Furthermore, the study examined the causal relationship by analysing the direct effects

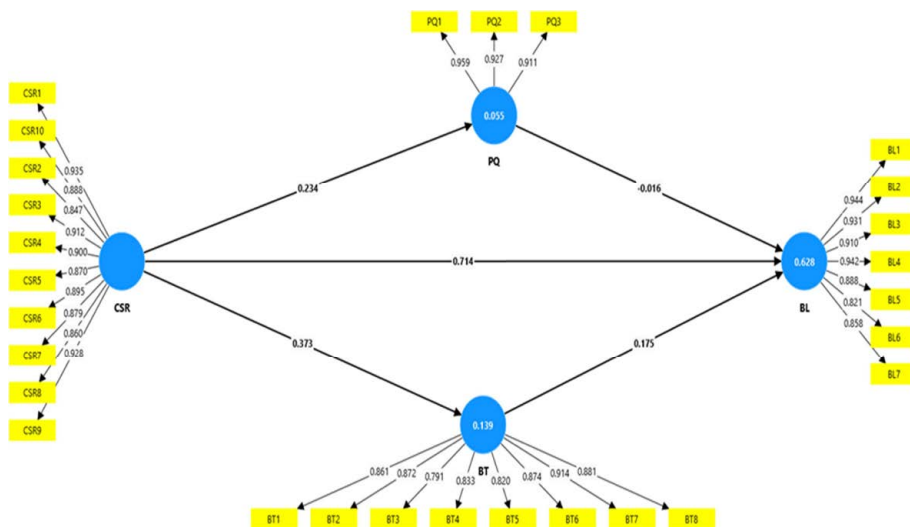


Figure 2. Path Diagram

Table 4  
Hypothesis Testing

Structural Path	Beta Coefficient ( $\beta$ )	Sample Mean (M)	Standard deviation (STDEV)	T values	P values	Empirical Decisions
Direct Effect						
CSR -> BL_	0.714	0.712	0.047	15.349	0.001	Supported
PQ_ -> BL_	-0.016	-0.016	0.035	0.447	0.655	Not Supported
BT_ -> BL_	0.175	0.178	0.039	4.447	0.001	Supported
CSR -> PQ_	0.234	0.236	0.063	3.735	0.001	Supported
CSR -> BT_	0.373	0.377	0.053	7.073	0.001	Supported
Indirect Effect						
CSR -> PQ_ -> BL_	-0.004	-0.003	0.008	0.433	0.665	Not Supported
CSR -> BT_ -> BL_	0.065	0.068	0.020	3.325	0.001	Supported

Note. Field survey (2024)

of independent variables over dependent variables, and by conducting the mediating analysis.

Five hypotheses ( $H_1$ ,  $H_3$ ,  $H_4$ ,  $H_5$ , and  $H_7$ ) are supported, with p-values below 0.005 and t-values above 1.96, indicating significant relationships between corporate social responsibility (CSR) and perceived quality, CSR and brand trust, brand trust and brand loyalty, and CSR and brand loyalty. Mediation analysis confirms  $H_7$ , showing brand trust mediates the relationship between CSR and brand loyalty. However, perceived quality does not mediate or directly influence the CSR-brand loyalty relationship, so  $H_2$  and  $H_6$  are not supported.

### Discussions

This study highlights the significant role of Corporate Social Responsibility (CSR) in enhancing brand loyalty within

Nepal's FMCG sector. The findings of the study indicate that Corporate Social Responsibility has a significant and positive influence on brand loyalty among FMCG consumers ( $H_1$ ), suggesting brands that actively engage in CSR initiatives build a loyal customer base, confirming findings from previous research (Rivera et al., 2019). Along with CSR, brand trust plays a pivotal role in influencing brand loyalty ( $H_3$ ). The findings support the work of Vlachos et al. (2009), which emphasises trust as a foundation for customer commitment and advocacy. When consumers trust a brand, their loyalty strengthens, which aligns with studies by Huo et al. (2022) that highlight transparency and reliability as key factors in building trust.

Similarly, CSR positively affects perceived quality ( $H_4$ ), as consumers tend to associate socially responsible brands with higher

product quality. This is consistent with research by Martínez et al. (2019) and Liu et al. (2014), which argue that CSR enhances a brand's reputation and consumers' perception of product reliability. Likewise, CSR also fosters brand trust ( $H_5$ ), as companies that engage in CSR activities tend to gain stronger consumer trust. This finding aligns with previous research, such as Swaen and Chumpitaz (2008), which emphasises CSR's importance in enhancing a brand's trustworthiness. Additionally, the study supports the Stakeholder Theory, showing that companies succeed by providing value to customers, with CSR contributing to both social responsibility and the reinforcement of brand reputation and trust.

Interestingly, this study does not support the hypothesis that perceived quality significantly influences brand loyalty ( $H_2$ ) or mediates the relationship between CSR and brand loyalty ( $H_6$ ). This contradicts the evidence that CSR positively impacts perceived quality, which subsequently influences brand loyalty (Cham et al., 2021). The study further confirms that brand trust mediates the CSR-brand loyalty relationship ( $H_7$ ). CSR indirectly enhances brand loyalty by building trust, which aligns with Gu et al. (2023), further underlining trust as a key element in consumer loyalty development.

## CONCLUSION AND IMPLICATIONS

The findings emphasise CSR's critical role in shaping consumer perceptions and fostering brand loyalty within the Nepalese FMCG sector. As Nepalese consumers become more aware of

social and environmental issues, they increasingly favour brands that integrate CSR into their core business strategies. This is particularly important as CSR is not only a tool for social and environmental impact but also a strategic advantage for building loyal customer bases. The study aligns with the Triple Bottom Line (TBL) Theory and Carroll's CSR Pyramid Theory, confirming that CSR activities create value beyond economic gains by enhancing social and environmental outcomes. These frameworks advocate for a proactive CSR approach, where companies not only comply with regulations but also actively seek to integrate socially responsible practices into their core operations. While brand trust is a critical mediator, perceived quality might not significantly affect brand loyalty. However, CSR strongly influences consumer perceptions of quality. Therefore, companies must ensure their CSR initiatives are perceived as genuine and are communicated effectively. Consumers need to understand the value of these initiatives, not just in societal or environmental terms, but also in enhancing their overall brand experience.

Thus, this study provides valuable insights into the impact of CSR on brand loyalty in the Nepalese FMCG sector, addressing a critical gap in the literature. It emphasises the need for companies to adopt a strategic approach to CSR, focusing on activities that align with consumer values and build trust. The results further suggest that the relationship between CSR and brand loyalty is not solely dependent on any external pressure or regulatory frameworks but is significantly shaped by internal initiatives and consumer perceptions. This

underscores the importance of companies taking the lead in sustainability efforts, rather than being compelled by regulations. By prioritising CSR, FMCG companies can enhance brand loyalty, strengthen their market position, and contribute to broader social and environmental goals, achieving long-term success.

This study further broadens the application of the Triple Bottom Line (TBL) Theory, showing that CSR enhances not just economic, but also social and environmental outcomes. It also applies Carroll's CSR Pyramid Theory, revealing that Nepali consumer value brands addressing social and environmental issues beyond economic responsibilities. Additionally, the study fills an empirical gap in Nepal by analysing how CSR impacts brand loyalty through brand trust and perceived quality, offering a framework for future research in developing markets like Nepal. Hence, the findings of this study offer actionable insights for FMCG companies operating in Nepal. FMCG companies in Nepal can enhance brand loyalty by integrating CSR into their strategies, particularly in areas like reducing waste and supporting local communities. Furthermore, brands must ensure to communicate their CSR initiatives authentically, as this strengthens trust and aligns with consumer values. Similarly, building trust through consistent delivery of sustainable products and transparency in CSR practices further strengthens

brand loyalty. Furthermore, the study urges policymakers to create a supportive environment for CSR by providing incentives for sustainable practices and developing clear frameworks to encourage responsible business conduct, fostering a culture of CSR in the FMCG sector.

This study focuses on Kathmandu Valley's FMCG consumers, highlighting the need for further research across different regions of Nepal. Although global studies offer insights, more empirical research is required to explore how CSR impacts brand loyalty in developing markets like Nepal. Similarly, future studies should explore how cultural, social, and economic factors influence CSR perceptions and brand loyalty. Expanding the geographic scope beyond Kathmandu Valley with larger sample sizes and conducting longitudinal studies would also offer a broader understanding of CSR's long-term effects on brand loyalty. Additionally, a deeper exploration of mediators like corporate transparency, governance, and social media influence would contribute to understanding the complexities of CSR's impact on consumer behaviour. Likewise, cross-industry studies comparing sectors such as finance, tourism, and manufacturing could also reveal variations in CSR practices, offering a comprehensive understanding of CSR's role and its influences across industries in Nepal.

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