

Does Corporate Social Responsibility Drive Customer Loyalty in Islamic Banking? Evidence from Bank Syariah Indonesia

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Abstract

In recent years, customer preferences have shifted towards more sustainable business practices as awareness of social and environmental issues has increased. This study aims to analyze the influence of Corporate Social Responsibility (CSR) on customer loyalty and to examine the mediating role of company reputation, customer satisfaction, and customer trust in the Islamic banking sector. This study uses a quantitative approach with a survey method of 273 customers of Bank Syariah Indonesia (BSI) KCP Demak Sultan Fattah. The data were analyzed using Structural Equation Modeling (SEM). The results show that CSR has a positive and significant effect on corporate reputation and customer trust, but does not have a significant effect on customer satisfaction. Corporate reputation and customer trust were found to have a positive and significant effect on customer loyalty, while customer satisfaction did not have a significant effect on loyalty. In addition, the mediation test results showed that corporate reputation and customer trust significantly mediated the relationship between CSR and customer loyalty, while customer satisfaction did not play a mediating role. These findings confirm that customer loyalty in Islamic banking is more influenced by trust and institutional reputation than by service satisfaction alone. This study has important implications for strengthening CSR strategies oriented towards building trust and reputation in the Islamic banking industry.

Keywords: Corporate Social Responsibility, Customer Loyalty, Corporate Reputation, Customer Satisfaction, Customer Trust

INTRODUCTION

As an intermediary financial institution, banks play a strategic role in maintaining stability and promoting economic growth through their functions of fund collection, financing distribution, and monetary policy transmission. The continuity of these functions is highly dependent on the level of customer trust and loyalty towards banking institutions (Trisela & Pristiana, 2020). In the context of Islamic banking, customer loyalty is not only determined by financial aspects and sharia compliance, but also by perceptions of governance, reputation, and social responsibility carried out by banks (Gani et al., 2023).

Digital transformation has fundamentally changed the relationship between banks and customers. The digitization of banking services through mobile banking, internet banking, and other platforms has created new patterns of interaction that require digital-based trust as a key prerequisite for customer loyalty (Rahi et al., 2021). In the digital

environment, customers are increasingly sensitive to issues of data security, information transparency, and consistency of values displayed by banks on their digital channels. Therefore, the loyalty of Islamic bank customers in the digital era is no longer solely influenced by the quality of conventional services, but also by corporate reputation and trust built through credible digital communication.

As awareness of environmental, social, and governance (ESG) issues increases, corporate social responsibility (CSR) has become one of the key determinants in shaping customer perceptions and attitudes toward banks (Fatma & Khan, 2023). In the Islamic banking industry, CSR has a broader dimension because it is in line with the principles of *maqashid syariah*, social justice, and sustainability (Platonova et al., 2018). However, the effectiveness of CSR in increasing customer loyalty greatly depends on how the program is communicated and perceived, particularly through the bank's official digital channels (Du et al., 2010).

Previous studies have shown mixed results regarding the relationship between CSR and customer loyalty. A number of studies have found that CSR has a positive effect on loyalty through increased reputation and customer trust (Calosa & Jayadi, 2024; Faqihudin et al., 2020; Mandhachitara & Poolthong, 2011). Conversely, several other studies show that CSR does not directly affect loyalty, especially when CSR communication is considered less transparent or irrelevant to customer expectations (Almomani, 2024; Prashella et al., 2021). The inconsistency of these findings indicates the existence of a mediation mechanism that has not been fully explained, particularly the role of customer trust in the context of digital banking.

From a corporate reputation perspective, CSR is generally viewed as a strategic instrument for building a positive image and social legitimacy (Ghahroudi et al., 2020). However, the reputation built through CSR can weaken if digital communication is not managed consistently and authentically, thereby causing public skepticism (CSR skepticism) and reducing customer trust (Aryawati & Suardana, 2021; Pellinen, 2016). This condition is increasingly relevant for Islamic banks that promote ethical and moral values as their main proposition.

In the Indonesian context, PT Bank Syariah Indonesia Tbk (BSI) as the largest Islamic bank after the merger has a strategic position in the development of modern ESG-based Islamic banking. BSI's CSR implementation includes economic empowerment of

the people, disaster response, green financing, and digitization of Islamic financial services. However, the extent to which the perception of CSR communicated through BSI's digital channels is able to build customer trust, reputation, satisfaction, and loyalty still requires more in-depth empirical evidence.

This research was specifically conducted at BSI KCP Demak Sultan Fattah, based on academic considerations that the Demak region has unique customer characteristics: a predominantly religious community, high social and communal ties, and a significant increase in the use of digital banking services after the pandemic. In addition, KCP Demak is known for its active involvement in social-religious and disaster response CSR programs, which provide a relevant empirical context for examining the effectiveness of CSR and its communication on customer behavior. Based on these research gaps, this study aims to develop a conceptual model that integrates CSR, corporate reputation, customer satisfaction, and customer loyalty, with digital-based customer trust as a mediating variable. This research is expected to contribute theoretically to enriching the literature on CSR and loyalty in digital Islamic banking, as well as practically to CSR communication strategies and strengthening customer loyalty in Islamic banks in the era of digital transformation.

THEORITICAL FRAMEWORK

Social Identity Theory

Social Identity Theory, developed by Tajfel and Turner (1974), explains that individuals construct their self-concept through membership in specific social groups. This identification encourages individuals to align their attitudes and behaviors with the values, norms, and symbols of groups they consider relevant in order to maintain their self-esteem and sense of belonging. In the context of consumers, identification with an organization can result in emotional attachment that transcends transactional relationships.

In Islamic banking, SIT has strong relevance because banks are not only perceived as economic institutions, but also as representatives of moral and religious values, such as amanah (trust), social justice, and maslahah (public benefit). When customers perceive Islamic banks as implementing CSR that is in line with Islamic values, such as economic empowerment of the people, disaster response, and sustainable financing, customers tend

to identify themselves with the bank as part of their social and religious identity (Dusuki & Abdullah, 2007; Platonova et al., 2018).

In the digital age, the process of social identification is no longer limited to physical interactions, but is also formed through digital exposure to narratives, symbols, and CSR communications delivered through websites, social media, and mobile banking applications. CSR that is communicated transparently and consistently through digital channels serves as an identity signal that strengthens the perception of value congruence between banks and customers, thereby increasing psychological attachment and loyalty (Bhattacharya & Sen, 2003; Du et al., 2010).

Corporate Social Responsibility

Corporate Social Responsibility (CSR) is conceptually understood as a company's commitment to conducting business activities ethically by considering the social, environmental, and economic impacts of every decision made (Eells & Walton, 1961). This concept developed with the introduction of the Triple Bottom Line framework, which emphasizes a balance between economic profit, social welfare, and environmental sustainability (Elkington, 1997).

From a sharia economics perspective, CSR is not merely a strategic instrument or a tool for image building, but rather a moral and normative consequence of sharia principles. The concept of *maslahah* requires companies to create broad social benefits, while the principles of *amanah* and *'adl* emphasize the importance of integrity, fairness, and transparency in resource management (Dusuki & Abdullah, 2007). Therefore, the implementation of CSR in Islamic banking has a deeper spiritual and social dimension than the conventional CSR approach.

In the context of digital banking, the effectiveness of CSR is greatly influenced by how it is communicated. Research shows that transparent and credible CSR communication through digital channels can strengthen perceptions of authenticity and reduce public skepticism about corporate motives (Du et al., 2010; Fatma & Rahman, 2016). Conversely, inconsistencies between CSR claims and actual practices displayed digitally can undermine trust and damage a company's reputation (Almomani, 2024). Therefore, CSR in digital Islamic banking must be understood as a combination of substantive practices and transparent communication.

Corporate reputation

Corporate reputation refers to the overall perception of a company based on the actions and experiences of stakeholders over time. This reputation is shaped by what others say about the company, its actual behavior, and its internal communication efforts (Herbig et al., 1994). Important dimensions include emotional appeal, product quality, leadership vision, work environment, financial performance, and social responsibility. A strong reputation can increase customer trust and loyalty (Fombrun et al., 2000).

In Islamic banking, reputation is determined not only by financial performance, but also by perceptions of sharia compliance, managerial integrity, and social commitment. In the digital age, corporate reputation is increasingly influenced by online presence and interaction, giving rise to the concept of online corporate reputation. CSR information conveyed through digital media serves as a signaling mechanism that helps customers assess the bank's ethical and sustainability commitments (Ghahroudi et al., 2020). CSR that is carried out consistently and communicated transparently has the potential to strengthen the reputation of Islamic banks as trustworthy, responsible institutions that are relevant to the needs of modern society. A positive reputation, in turn, becomes an important foundation for building customer trust and loyalty.

Customer Satisfaction

Customer satisfaction is defined as an evaluation of a product or service based on whether it meets or exceeds consumer expectations. It plays a critical role in building customer loyalty, as satisfied customers are more likely to repurchase and promote the brand (Kotler & Keller, 2009). Key indicators include overall satisfaction levels, responsiveness to customer needs, competence in service delivery, transaction security, competitive service quality, and understanding of customer expectations (Howell & Shamir, 2005).

Customer Trust

Customer trust can be defined as the belief that consumers have in a company's ability to provide quality products or services while acting ethically and responsibly (Rotter, 1967). This trust is built over time through consistent positive experiences and transparent communication. Influencing factors include reliability, benevolence, integrity, and willingness to depend (Kotler & Keller, 2009).

Customer Loyalty

Customer loyalty encompasses consumers consistent preference for a brand over time. It is influenced by emotional bonds and situational factors that affect purchasing decisions (Jacob & Kyner, 1973). Loyalty is reflected in behaviors such as prioritizing brands when shopping, demonstrating commitment to brands, rejecting competitors' offers, and making cross-product purchases. Understanding these dynamics is crucial for businesses aiming to build sustainable customer relationships (Griffin, 1995).

This literature review synthesizes key theories and concepts related to the impact of CSR on customer loyalty through the lens of social identity theory, corporate reputation, customer satisfaction, and loyalty dynamics. Corporate Social Responsibility (CSR) has a significant influence on corporate reputation, customer satisfaction, and customer trust. Several studies support a positive relationship between CSR and corporate reputation. For example, research by Afifah et al. (2021) shows that CSR has a positive and significant effect on corporate reputation. Further research by Anggraeni & Gultom (2024) and Ghahroud et al. (Ghahroud et al., 2020) also confirms these findings, emphasizing that CSR can significantly improve corporate reputation.

Based on the theoretical framework described above, CSR in Islamic banking serves as the main mechanism that connects Islamic values with consumer behavior in the digital age. Through the lens of Social Identity Theory, CSR plays a role in building value alignment and customer identification with the bank. CSR that is communicated transparently through digital channels strengthens corporate reputation, increases customer satisfaction, and builds digital-based trust. Customer trust then acts as a key mediating mechanism that explains how CSR influences the loyalty of Islamic bank customers in a sustainable manner.

RESEARCH METHOD

The primary method of collecting data is through surveys conducted via questionnaires distributed among respondents. This approach allows for gathering numerical data that can be analyzed statistically. After collecting the primary data, SEM analysis was performed using the AMOS 23 package (Creswell, 2018). This statistical technique helps evaluate complex relationships between variables, providing insights into how various factors influence one another.

The population refers to the entire group of individuals, events, or phenomena being studied. In this context, the population comprises all customers of Bank BSI KCP Demak Sultan Fattah who could potentially participate in the study. Since selecting every individual from the large population would be impractical, a sample representing a subset of the population was chosen. This study uses a range of 200 to 500 samples, because this study only uses five constructs (Hair et al., 2019). Purposive sampling was utilized because it allowed targeting specific groups known to possess relevant information namely, active customers of Bank BSI KCP Demak Sultan Fattah who had made informed decisions regarding banking services and were concerned about social responsibility (Albar et al., 2025).

Respondents received closed-ended questions designed to elicit quantifiable responses. These questions were administered electronically via Google Forms to ensure efficient distribution and collection of data. Interval scales were used for measurement purposes. Specifically, Likert scales ranging from 1 to 10 were applied to gauge respondent behavior and opinions accurately (Sugiyono, 2009). This scale choice facilitated measuring attitudes and perceptions effectively due to its ability to capture nuanced differences in response levels.

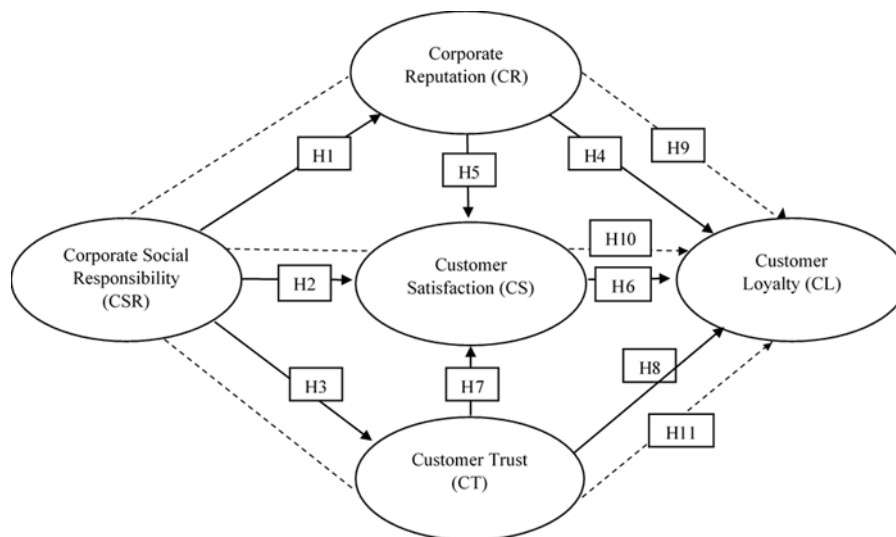


Figure 1. Research Framework

RESULT

Confirmatory Factor Analysis (CFA)

Content Validity

Content validity is the process of ensuring that the measuring instruments or scale items used are adequate and representative in describing a concept. This process relates to the extent to which the measuring instruments can reflect the dimensions and elements of the concept (Sekaran & Bougie, 2016). In this study, content validity was tested through discussions with experts and practitioners in the field of manufacturing, who provided valuable insights for the development of indicators and questionnaire items. The measuring instruments used adopted concepts that were sufficient to cover all the variables studied, so that the indicators met the criteria for content validity. However, due to its subjective nature, content validity alone is not sufficient; construct validity testing is also necessary to provide a more comprehensive interpretation (Naresh et al., 2017).

Construct Validity and Reliability

Construct validity is an approach to ensure that a group of items represents a conceptual definition. Construct validity testing in this study includes convergent validity and discriminant validity. Convergent validity assesses the extent to which scale items with the same concept correlate with each other, which is evaluated through confirmatory factor analysis using AMOS software. A construct reliability (CR) value above 0.7 and an average extracted variance (AVE) above 0.5 indicate adequate convergent validity. Discriminant validity testing ensures that one construct is distinct from another. High discriminant validity indicates that the construct is unique and can capture phenomena not captured by other measurement items (Naresh et al., 2017). This test is conducted by comparing the AVE value with the estimated correlation square; if the AVE value is higher, the indicator shows good discriminant validity (Hair et al., 2019). In summary, the results of the data quality test in this study are presented in Table 2 below:

Table 2. Validity and Reliability

Indicator	Factor Loading	Factor Loading ²	1- Factor Loading ²	CR	AVE	Conclusion
CSR1	0,922	0,850084	0,149916	0,97325	4,42131	Valid and Reliable
CSR2	0,923	0,851929	0,148071			
CSR3	0,931	0,866761	0,133239			
CSR4	0,927	0,859329	0,140671			
CSR5	0,933	0,870489	0,129511			
CSR6	0,923	0,851929	0,148071			
CR1	0,93	0,8649	0,1351	0,97305	0,85751	

CR2	0,932	0,868624	0,131376				
CR3	0,922	0,850084	0,149916				
CR4	0,916	0,839056	0,160944				Valid and
CR5	0,927	0,859329	0,140671				Reliable
CR6	0,929	0,863041	0,136959				
CS1	0,921	0,848241	0,151759				
CS2	0,929	0,863041	0,136959				
CS3	0,925	0,855625	0,144375	0,86718	0,85812		Valid and
CS4	0,918	0,842724	0,157276				Reliable
CS5	0,933	0,870489	0,129511				
CS6	0,932	0,868624	0,131376				
CT1	0,931	0,866761	0,133239				
CT2	0,93	0,8649	0,1351	0,87687	0,86909		Valid and
CT3	0,935	0,874225	0,125775				Reliable
CT4	0,933	0,870489	0,129511				
CL1	0,934	0,872356	0,127644				
CL2	0,928	0,861184	0,138816				
CL3	0,932	0,868624	0,131376	0,87482	0,86678		Valid and
CL4	0,924	0,853776	0,146224				Reliable
CL5	0,935	0,874225	0,125775				
CL6	0,933	0,870489	0,129511				

Source: Primary data processed in 2025

Based on Table 4.8 above, it can be concluded that all variables have good convergent validity and discriminant validity, because the Average Variance Extracted (AVE) and Reliability Coefficient (RC) values are higher than the correlation values between variables. Thus, it can be said that the indicators used to measure these variables are unique and capable of capturing phenomena that cannot be captured by other indicators or measurement methods. Therefore, all indicators in this study can be considered unique.

Normality Test

The basic assumption in multivariate analysis is normality. Based on the AMOS test results, it is known that the data is normally distributed. This is because the c.r. skewness value is less than ($\leq$) 2.58. As shown in Table 3 below, the variables produce values $\leq$ 2.58, so all data is normal and can be analyzed further.

Table 3. Assesment of Normality

Variable	min	max	skew	c.r.	kurtosis	c.r.
CT4	3,000	9,000	-,005	-,034	-,898	-3,030
CT3	3,000	10,000	,027	,180	-,919	-3,099
CT2	3,000	9,000	-,087	-,587	-,861	-2,902
CT1	3,000	9,000	-,099	-,667	-1,036	-3,493
CS6	3,000	10,000	-,048	-,325	-,815	-2,750
CS5	3,000	10,000	-,030	-,202	-,770	-2,598
CS4	3,000	9,000	-,083	-,561	-,863	-2,910
CS3	3,000	9,000	-,096	-,646	-,864	-2,915

CS2	3,000	9,000	-,015	-,100	-,769	-2,594
CS1	3,000	9,000	-,199	-1,342	-,739	-2,494
CR6	3,000	10,000	-,077	-,520	-,811	-2,736
CR5	3,000	9,000	-,067	-,451	-,865	-2,917
CR4	3,000	10,000	-,003	-,022	-,690	-2,326
CR3	3,000	9,000	-,178	-1,200	-,650	-2,193
CR2	3,000	9,000	-,151	-1,020	-,802	-2,705
CR1	3,000	9,000	-,025	-,171	-,889	-3,000
CSR6	3,000	9,000	-,126	-,848	-,853	-2,876
CSR5	3,000	10,000	-,005	-,035	-,783	-2,642
CSR4	3,000	10,000	-,108	-,731	-,736	-2,481
CSR3	3,000	9,000	-,040	-,272	-,832	-2,807
CSR2	3,000	9,000	-,100	-,675	-,856	-2,886
CSR1	3,000	9,000	-,080	-,539	-,853	-2,878

Source: Primary data processed in 2025

Sample Sufficiency Test

Sample size plays an important role in determining the representativeness for generalizing research results (Sekaran & Bougie, 2016). One way to analyze sample adequacy is to use the Hoelter critical value, which indicates the maximum sample size at which the model hypothesis can be accepted. A good Hoelter critical value is 200 or more, and in this study, the value was recorded at 232, exceeding the specified threshold¹. Sample size adequacy is also evaluated based on the number of constructs in the study. For models with fewer than five constructs, the minimum sample size required is 200 (Hair et al., 2019). This study involved 273 samples, thus meeting the established sample adequacy assumption. Therefore, the sample size is considered sufficient to draw valid conclusions.

Evaluation of Outliers

In this study, there are 28 indicators, so the chi-square value calculated using Excel with the CHIINV formula (0.001;28) is 56.89229. Therefore, if the Mahalanobis distance value is greater than the chi-square value, it can be identified as a multivariate outlier. Based on the multivariate outlier test results table, there is no Mahalanobis distance value that exceeds 56.89229. Therefore, it can be concluded that there are no multivariate outliers in this study, which means that one of the assumptions of the structural equation model has been fulfilled. Therefore, further analysis can be continued.

Multicollinearity and Singularity Tests

In this study, the results of data analysis show that the determinant value of the covariance matrix is 0.001. This value is far from zero, so it can be concluded that there

are no problems of multicollinearity or singularity in the analyzed data. Therefore, further analysis can proceed without hindrance.

Evaluasi Godness of Fit

Table 4. *Goodnes of fit Indices*

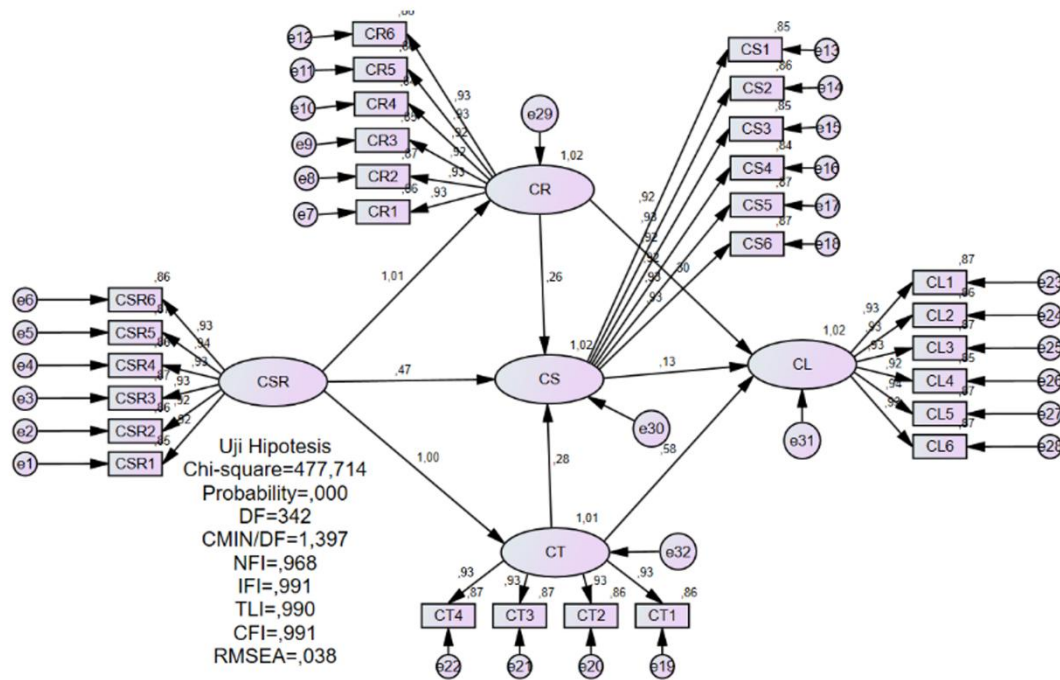
Criteria	Cut-off Value	Result	Conclution
$X^2 - Chi Square$		477,714	$\leq Cut-off Value$
DF		342	
Significant Probability	≥ 0.05	0,000	$\leq Cut-off Value$
CMIN/DF	≤ 2.0	1,397	Fit
CFI	≥ 0.95	0,991	Fit
TLI	≥ 0.95	0,990	Fit
NFI	≥ 0.95	0,968	Fit
IFI	≥ 0.95	0,991	Fit
RMSEA	≤ 0.08	0,038	Fit
Hoelter's	≥ 200	232	Fit

Source: Primary data processed in 2025

The results of the model fit index test show that the model tested in this study has good overall fit. Although the Chi-square value indicates a difference between the population and sample covariance matrices, other indicators such as CMIN/DF, CFI, TLI, NFI, IFI, and RMSEA show that the model meets the expected fit criteria. These values are above the established threshold, indicating that the model is acceptable and valid for use in drawing conclusions. In addition, the sample size used was also found to be adequate based on the Hoelter index value. Therefore, this study provides strong evidence that the proposed model is reliable for further analysis.

Analysis and Hypothesis Testing

This hypothesis testing was conducted to confirm the causal relationship between the research variables. This analysis aims to identify the significant contribution of one variable to another in the model. Hypothesis testing was conducted by referring to the probability value and critical ratio (CR) of each relationship between variables. In general, a CR value of 1.96 with a significance level of less than 0.05 is used as the threshold for accepting a hypothesis (Hair et al., 2019). Mediating variables were included in this hypothesis testing using the Sobel test in SEM AMOS (Dachlan, 2014). The following is an explanation of each hypothesis and a complete SEM diagram:



Source: Primary data processed in 2025

Figure 2. Full Structural Equation Model

Based on the full structural equation model diagram above, standardized estimates, estimates, standard errors, critical ratios, and significance levels can be analyzed. As shown in Table 5 below.

Tabel 5. Regresion Weight

Hypothesis	Relationship	Estimate	S.E.	C.R.	P-Value	Conclusion
Direct						
H1	CR ← CSR	1,053	0,035	30,093	0,000	Accepted
H2	CS ← CSR	0,445	0,331	1,347	0,178	Rejected
H3	CT ← CSR	1,043	0,036	29,343	0,000	Accepted
H4	CL ← CR	0,296	0,055	5,395	0,000	Accepted
H5	CS ← CR	0,234	0,077	3,043	0,002	Rejected
H6	CL ← CS	0,135	0,097	1,388	0,165	Rejected
H7	CS ← CT	0,258	0,256	1,009	0,313	Rejected
H8	CL ← CT	0,568	0,092	6,160	0,000	Accepted
Indirect (Mediation)						
H9	CSR → CR → CL	—	—	5,297	0,000	Accepted
H10	CSR → CS → CL	—	—	0,812	0,4167	Rejected
H11	CSR → CT → CL	—	—	6,038	0,000	Accepted

Source: Primary data processed in 2025

DISCUSSION

The results of the structural model testing show that Corporate Social Responsibility (CSR) has a positive and significant effect on corporate reputation (H1 accepted). This finding confirms that the implementation of CSR at BSI KCP Demak Sultan Fattah is perceived by customers as an institutional commitment to social values, ethics, and sustainability, which ultimately strengthens the bank's image and reputation. These results are consistent with the findings of Jao et al. (2023), Afifah et al. (Afifah et al., 2021), Ayu and Kusumawardhani (2015), and Sudirman and Ningrum (Sudirman & Ningrum, 2022), who state that CSR serves as a positive reputation signal, especially for financial institutions based on ethical values and public trust.

Conversely, CSR does not have a significant effect on customer satisfaction (H2 rejected). These findings indicate that although customers recognize and appreciate the CSR activities carried out by banks, this perception is not strong enough to directly influence their evaluation of banking service satisfaction. Customer satisfaction in the context of digital Islamic banking appears to be more influenced by functional aspects of the service, such as ease of transactions, speed of service, system security, and quality of digital interaction. These results are in line with the research by Sherina and Putra (2023) and Rofiki and Nurhayati (2020), which concluded that CSR does not always have a direct impact on customer satisfaction, especially when CSR is not directly integrated with the core service experience.

The analysis also shows that CSR has a positive and significant effect on customer trust (H3 accepted). This indicates that CSR is perceived as a manifestation of the bank's values of trustworthiness and moral responsibility, which strengthens customers' confidence in the integrity and long-term commitment of Islamic banks. These findings support the results of research by Fatma and Khan (Fatma & Khan, 2023) and Islam et al., (2021), which confirm that CSR plays an important role in building trust, especially in the financial services sector, which is highly dependent on public trust.

Furthermore, corporate reputation was found to have a positive and significant effect on customer loyalty (H4 accepted). This finding indicates that a good reputation encourages customers to maintain long-term relationships with banks, regardless of short-term fluctuations in service experience. In the context of Islamic banking, reputation reflects Sharia compliance, integrity, and social responsibility, which are the main

foundations of customer loyalty. These results are consistent with the research of Islam et al., (2021) and Subedi et al., (2023).

However, corporate reputation does not have a significant effect on customer satisfaction (H5 rejected). This shows that reputation functions more as a relational and symbolic factor than an evaluative factor on daily service experiences. In other words, reputation builds long-term trust, but does not directly increase customer operational satisfaction with the services received.

Further testing results show that customer satisfaction does not significantly affect customer loyalty (H6 rejected). This finding indicates that in the context of BSI KCP Demak Sultan Fattah, satisfaction is not the main determinant of loyalty. The loyalty of digital Islamic bank customers seems to be more influenced by factors such as trust, reputation, and value alignment than by transactional satisfaction alone. These results are in line with the findings of Octavia (2019), Manik (2018) (2018), and Warsito (2018), who stated that satisfaction does not always guarantee loyalty, especially in homogeneous and competitive service industries.

Furthermore, customer trust does not significantly affect customer satisfaction (H7 rejected). These findings indicate that trust and satisfaction are two conceptually and operationally distinct constructs. Trust is more related to belief in the integrity and security of an institution, while satisfaction is related to the evaluation of service experiences. These results support the research of (Mulya et al., 2023; Aprilia & Andarini, 2023), who found that an increase in trust is not always followed by an increase in satisfaction.

Conversely, customer trust has a positive and significant effect on customer loyalty (H8 accepted). This finding confirms that trust is a key factor in building the loyalty of Islamic bank customers. Customers who trust the bank both in terms of institutional and digital service security are more likely to maintain long-term relationships and reject offers from other banks. These results are in line with the research of (Hutubessy et al., 2024; Suranto & Triastity, 2019; Aprilianto et al., 2022; Kurniasih et al., 2024).

In testing indirect effects (mediation), the results show that corporate reputation significantly mediates the relationship between CSR and customer loyalty (H9 accepted). This confirms that CSR increases customer loyalty through the formation of a positive

reputation. Conversely, customer satisfaction does not mediate the relationship between CSR and customer loyalty (H10 rejected), which reinforces previous findings that satisfaction is not the primary mechanism in this relationship.

Furthermore, customer trust was found to significantly mediate the relationship between CSR and customer loyalty (H11 accepted). This finding confirms that trust is the strongest mediating mechanism in explaining how CSR affects customer loyalty in Islamic banking. CSR not only has a direct impact but also works indirectly through the formation of trust. These results are consistent with the findings of Mehnaz et al. (2024), Sherina and Putra (Sherina & Putra, 2023), Islam et al. (Islam et al., 2021), Prashella et al. (Prashella et al., 2021), Leclercq-Machado et al. (2022), and Sari & Pratama (2023). Overall, the findings of this study indicate that customer loyalty to Islamic banks is more relational and trust-based than service satisfaction-based. In the context of digital Islamic banking, CSR plays a strategic role in building reputation and trust, which in turn becomes the main foundation of customer loyalty.

CONCLUSION

This study was conducted to address the inconsistency of previous findings regarding the impact of Corporate Social Responsibility (CSR) on customer loyalty in the banking sector by incorporating customer trust as a mediating variable. Using data from customers of BSI KCP Demak Sultan Fattah and analyzing it through a structural equation modeling (SEM) approach, this study provides empirical evidence on how CSR operates within the context of Islamic digital banking.

The findings indicate that CSR has a positive and significant effect on corporate reputation, which in turn significantly enhances customer trust. This result confirms that CSR in Islamic banking functions as a reputational signal that strengthens customers' perceptions of integrity, accountability, and compliance with Islamic values. However, the study also reveals that CSR does not have a significant direct effect on customer satisfaction. This suggests that while customers may cognitively associate CSR initiatives with positive institutional values, satisfaction in Islamic digital banking is more strongly influenced by functional aspects of service delivery, such as service efficiency, digital convenience, system reliability, and transaction security.

Furthermore, the results demonstrate that corporate reputation has a significant positive effect on customer loyalty, but not on customer satisfaction. This indicates that reputation

plays a strategic role in shaping long-term relational commitment rather than immediate service evaluations. In contrast, customer satisfaction does not significantly influence customer loyalty in the proposed model. This finding implies that loyalty in Islamic digital banking is not solely driven by transactional satisfaction, but rather by relational and value-based factors, particularly trust and perceived institutional credibility.

From a theoretical perspective, these findings reinforce the importance of trust as a central mediating mechanism in explaining how CSR translates into customer loyalty. In line with Social Identity Theory and trust-based relationship models, CSR strengthens customers' identification with the bank and enhances digital trust through reputational legitimacy, which ultimately fosters loyalty. The absence of a significant satisfaction–loyalty linkage suggests that in a digital Islamic banking context, satisfaction alone is insufficient to sustain loyalty without trust and reputational assurance.

From a practical perspective, this study offers several important implications for Islamic banks operating in the digital era. First, CSR should be strategically integrated with ESG principles and communicated transparently through digital channels to reinforce online corporate reputation and digital trust. Second, Islamic banks should align CSR initiatives with Islamic social finance instruments such as zakat, waqf, and social microfinance to strengthen value congruence and social identity among customers. Third, beyond improving service quality, banks must prioritize digital trust by ensuring data security, privacy protection, and system reliability, as these factors are critical determinants of loyalty in digital banking environments.

Despite its contributions, this study has several limitations that should be acknowledged. The research adopts a cross-sectional design, which limits the ability to infer causal relationships over time. The sample is restricted to customers of a single branch, BSI KCP Demak Sultan Fattah, thereby constraining the generalizability of the findings to other regions or banking contexts. Additionally, the study relies on self-reported perceptions, which may introduce common method bias. Importantly, this research does not distinguish between highly active digital banking users and less active or conventional users, which may mask variations in trust and loyalty formation across different customer segments.

Future research is encouraged to employ longitudinal designs to capture dynamic changes in trust and loyalty, expand the study across multiple branches or regions, and incorporate

customer segmentation based on digital usage intensity. Further studies may also consider integrating external or contextual variables such as perceived digital risk, religiosity, or Islamic financial literacy as moderators or mediators to provide a more comprehensive understanding of loyalty formation in Islamic digital banking.

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