



# Impact of corporate social responsibility on perceived community well-being: The mediating role of awareness and trust

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## Abstract

Over the past number of years, CSR has come to be seen as a stakeholder-based model that is beyond the scope of philanthropy to produce wider social value. Even though previous research recognizes the potential of CSR efforts in improving community outcomes, mechanisms that underlie the impact of CSR in promoting community well-being have not been done extensively in a perception-based approach. This study analyses how perceived CSR initiatives affect the perceived community well-being through the use of awareness and trust. Using stakeholder theory along with existing literature on CSR perception, the study proposes a conceptual framework that mediates among CSR initiatives, awareness, trust, and perceived community well-being. The key assumption underlying the study is that CSR initiatives would have higher chances of improving the community's well-being when they are observable to stakeholders.

This study employs a quantitative method and relies on primary data to examine the population's perceptions of CSR initiatives, using Partial Least Squares Structural Equation Modelling (PLS-SEM). The study attempts to uncover how CSR initiatives can turn into positive perceptions of community well-being by concentrating on awareness as a cognitive mechanism and trust as an evaluative mechanism. The research shows that effective communication and trust-building strategies of CSR can increase the social impact of CSR activities. The research is especially pertinent within the frame of the long-term national development objectives like Viksit Bharat@2047, in which the contribution of the corporations to community development matters.

**Keywords:** Corporate Social Responsibility (CSR), CSR awareness, Trust, Community well-being, PLS- SEM

## Introduction

CSR has evolved from a voluntary philanthropic practice to a strategic, stakeholder-balanced approach [27], such as customer satisfaction, loyalty, and repurchase intention [1], incorporating economic, social, and environmental responsibilities into business processes [19]. The current literature in the field of CSR has pointed out that companies are no longer judged solely on financial performance but rather on their role in contributing to the welfare of society [3, 20]. Stakeholder theory holds that CSR is a company's investment in meeting the demands and interests of various stakeholders, including local communities directly impacted by corporate business practices [8, 18].

In the emerging markets like India, the concept of CSR has become especially relevant in terms of inclusive growth and national development objectives in the long term. CSRs are nowadays expected to support societal development of communities, social inclusion, and environmental sustainability as a means of supporting the goals of wider policies to enhance better living conditions and curb socio-economic inequalities. While companies are increasingly involved in CSR, its impact is constrained by consumers' lack of awareness and understanding of CSR practices [25]. If consumers are not aware of CSR activities, these initiatives may not have an effective influence on their attitudes and

purchase intentions [25]. According to the previous research, CSR may be a development instrument in case it coincides with corporate goals, community requirements and societal priorities [26].

Nonetheless, empirical studies indicate that the results of CSR programs do not cut across all situations. Though not all CSR programs are effective in promoting the welfare of the community, some of them do not have a significant social impact [28]. This inconsistency shows that the effectiveness of CSR does not just lie in whether institutions have CSR initiatives but it also relies on the perception of the stakeholders of the CSR initiatives. Specifically, community members have to see, understand, and believe in CSR initiatives as credible to ensure that they produce positive effects. As a result, more recent studies in CSR have shifted their attention to the perceptual and relational processes that are used to explain the process of CSR to stakeholder-level and community-level outcomes [2, 6].

Awareness and trust are among these mechanisms that have been found to be of importance. CSR awareness indicates the level of knowledge that the stakeholders have on corporate social initiatives. Research papers regarding CSR communication show that awareness is a crucial cognitive process that determines how the stakeholders understand CSR

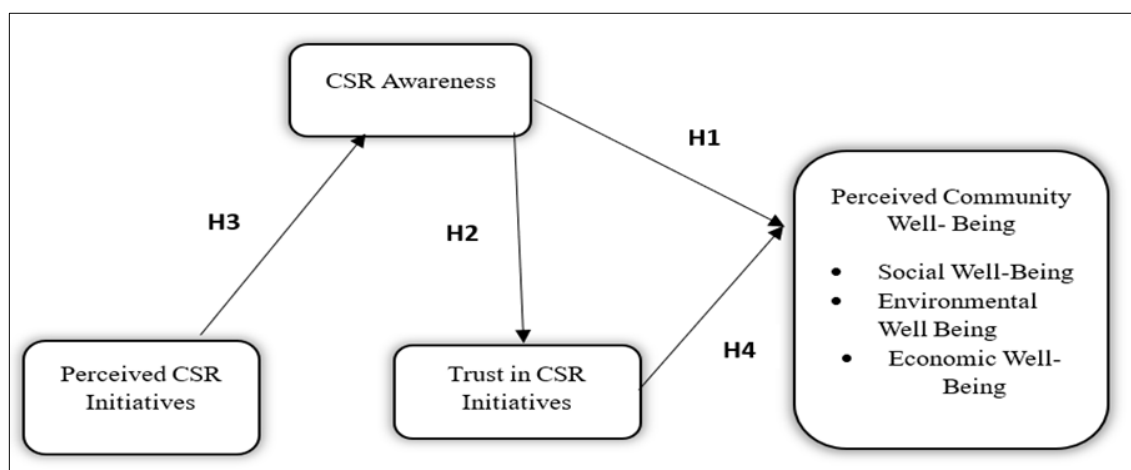
activities and how they develop preliminary judgments [6]. Even the well-developed CSR initiatives can prove to be ineffective in their ability to impact the stakeholder perceptions or the results on the communities without appropriate awareness.

Expanding on awareness, trust is an evaluative process, under which the stakeholders determine the honesty and authenticity of CSR programmes. Trust has been identified as the key construct in the relationship marketing and the stakeholder theory that determines the long-term attitude and assessment. Trust is particularly significant in the CSR context, as, in such cases, the stakeholders have no direct access to internal company decision-making processes and, thus, trust them based on how authentic and consistent the CSR practices are perceived [22]. Empirical research based on structural equation modelling has also demonstrated that CSR has an indirect effect on stakeholders' outcomes via trust, which is why CSR is mediated by trust in its effectiveness [14, 17].

Based on this literature, the conceptualisation of CSR in this study is in the form of the stakeholder-perceived construct view, which is aligned with the existing measurement methods that view CSR as the perception of the masses and not

organisational self-reports [29]. The concept of perceived community well-being is defined as a multidimensional outcome, implying social, economic, and environmental dimensions, which the previous empirical studies conducting the research on community respondents and using PLS-SEM methods prove [28]. This paper will use the recommendations of the literature on CSR communication and trust to hypothesise that CSR initiatives positively affect perceived community well-being by increasing awareness, then contributing to trust between community members.

Despite the previous studies which investigated how CSR affects the well-being of communities and how awareness or trust affect it in isolation, few studies incorporate both awareness and trust as sequential processes connecting CSR activities to perceived community health in particular through the prism of a public based viewpoint. To fill this gap, the current study suggests and proves through empirical research a mediation-based concept of the association among CSR initiatives, awareness, trust, and perceived community well-being, thereby adding to the literature on CSR and inclusive development.



Note: H5 and H6 are indirect (mediated) effects and are not explicitly shown in the conceptual framework.

**Fig 1:** Conceptual framework linking CSR initiatives, awareness, trust, and perceived community well-being with hypothesised relationships.

### Literature review

The literature of CSR usually takes a stakeholder-oriented approach, whereby CSR is developed as a duty of a firm towards the different stakeholder groups including society and local communities [3, 7]. The validated scale of CSR made by [29] is one that measures the opinions of stakeholders regarding corporate responsibilities to society and the environment, which is a strong base for perception-based CSR studies. The usual view of community well-being is a multidimensional concept, which includes economic opportunities, social cohesion and quality of the environment. Empirical data indicate that CSR programs might improve these factors, fostering the social context, improving economic factors, and ensuring the conservation of nature [27, 28], as confirmed using community respondents. The studies of CSR communication underline that awareness is a prerequisite of CSR effectiveness since the stakeholders need to understand and recognize CSR

initiatives first before making judgments [6, 24]. For CSR activities to influence consumer behaviour such as purchase intention and engagement, consumers need to be aware of these activities [23, 12]. Unless stakeholders are aware of CSR initiatives, such activities are unlikely to affect their attitudes and behaviours [9].

Trust is another evaluative mechanism, which is a key factor between stakeholders and firms. The relationship marketing theory postulates trust is a cornerstone construct that affects the stakeholder attitudes and long-term judgments [22]. Trust has been identified in CSR settings as a mediator between CSR efforts and stakeholder satisfaction, such as loyalty and positive perceptions [14, 17]. CSR activities help to develop consumer trust, which serves as a moderator that affects corporate reputation and brand outcomes. Trust is a moderator of the effects of CSR initiatives on consumer behaviours as well as attitude [7]. Appropriate communication of CSR initiatives is

key to informing consumers, developing trust and enhancing corporate reputation, suggesting the need for transparent and educative communication [16, 24]. Lack of transparency in CSR communication may lead to scepticism among stakeholders, thereby weakening trust in corporate initiatives [15].

Collectively, the available pieces of literature prove the existence of CSR as a perceived construct by stakeholders, its applicability to societal well-being, and the presence of awareness and trust as the mediating factors. Nevertheless, research that incorporates CSR, awareness, trust, and perceived community well-being in one mediation model is sparse, especially that based on public and community respondents.

**Objective of the study**

1. To test how perceived CSR activities are associated with perceived community well-being.
2. To test the facilitating effect of CSR awareness and trust in clarifying the relation between perceived CSR activities and perceived community well-being.

**Hypothesis**

Grounded on the conceptual framework and literature review, the hypotheses are as follows:

- H1:** CSR awareness positively impacts perceived community well-being.
- H2:** CSR awareness positively influences trust in CSR initiatives.
- H3:** Perceived CSR initiatives positively influence awareness of CSR activities.
- H4:** Trust positively influences perceived community well-being.
- H5:** CSR initiatives are indirectly related to perceived community well-being via awareness and trust in a step-wise manner.

**H6:** CSR initiatives have an indirect effect on perceived community well-being through awareness.

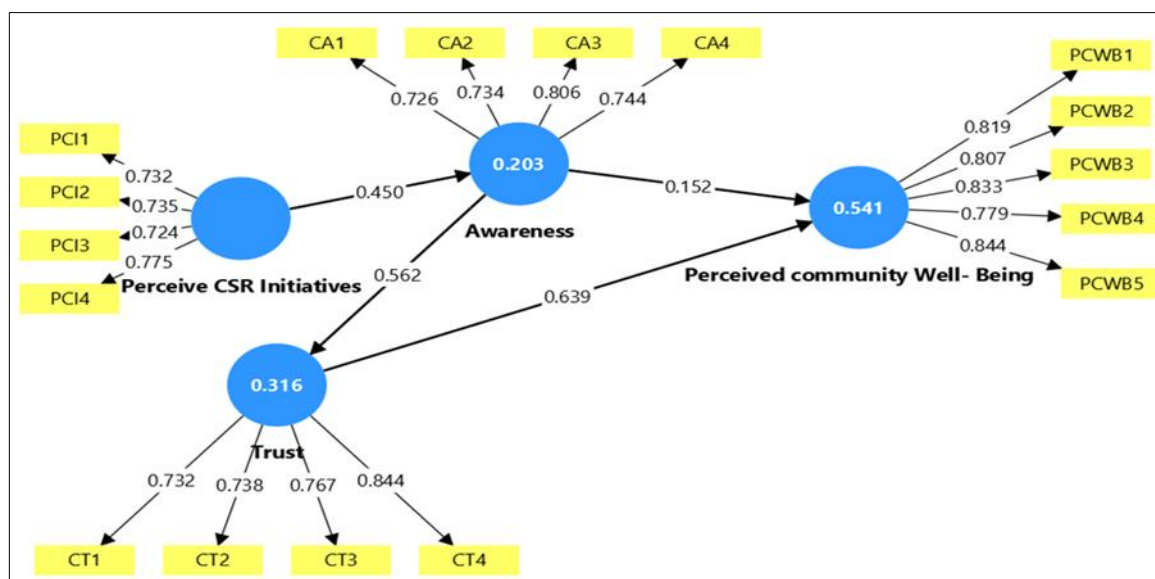
**Research Methodology**

**Research design and methods**

The study used a quantitative, cross-sectional research design, employed a perception-based survey method to analyse stakeholder assessments, and was carried out in some urban, semi-urban, and rural locations within the state of Uttarakhand, where observable CSR programs for community development are in place. The target population included the general population who were exposed to or had general knowledge about the CSR activities of the companies. Non-probability convenience sampling was conducted because of accessibility and time constraints.

A structured questionnaire was used to collect primary data via online and offline surveys. The questionnaire will contain questions assessing different variables used in the study, based on the established works in CSR and stakeholder literature and was modified to fit the situation of a public perception. A 5-point Likert scale was used to record responses, with strongly disagree at one end and strongly agree at the other. There were 250 respondents, more females (138) than males (112), with most of the respondents being of the 18-30 age group (166). A higher number of respondents were postgraduates (135) and students (134), and most of them (217) lived in urban and semi-urban regions, with the biggest proportion of those aware of CSR initiatives. The obtained data are analysed using PLS-SEM with Smart PLS 4. PLS-SEM is believed to be suitable in the study since it allows the investigation of the complex relationship between latent constructs, mediated analysis, and to be used in exploratory and prediction-focused research models [10, 11].

**Outer or measurement model results**



Sources: Author's Own

**Fig 2:** Structural Model (PLS- SEM)

The outer model was evaluated with the help of discriminant validity, indicator reliability, convergent and internal consistency. First, outer loadings indicate the degree to which particular indicators of the corresponding constructs load. The [www.dzarc.com/social](http://www.dzarc.com/social)

consistency. First, outer loadings indicate the degree to which particular indicators of the corresponding constructs load. The

outer loadings fall between 0.724 and 0.844, which is more than the recommended 0.70. This implies that observed variables are sufficient to represent their latent constructs and have high indicator reliability.

Second, composite reliability ( $\rho_c$ ) and Cronbach's alpha were used to assess internal consistency. Alpha values for Cronbach range from 0.73- 0.88, and composite reliability values range from 0.83- 0.909, both of which exceed the

acceptable level of 0.70. This affirms that the items in every construct are always measuring the same concept.

Third, convergent validity was measured using Average Variance Extracted (AVE). All AVE values are more than 0.50 (0.55 to 0.667), indicating that all constructs account for over 50% of the variance in their indicators. In this way, convergent validity is achieved.

**Table 1:** Measurement model assessment model results discriminant validity

| Construct                      | Indicator | Outer Loading | Cronbach's Alpha | Composite Reliability ( $\rho_c$ ) | AVE   |
|--------------------------------|-----------|---------------|------------------|------------------------------------|-------|
| Awareness                      | CA1       | 0.726         | 0.75             | 0.84                               | 0.567 |
|                                | CA2       | 0.734         |                  |                                    |       |
|                                | CA3       | 0.806         |                  |                                    |       |
|                                | CA4       | 0.744         |                  |                                    |       |
| Trust                          | CT1       | 0.732         | 0.77             | 0.854                              | 0.595 |
|                                | CT2       | 0.738         |                  |                                    |       |
|                                | CT3       | 0.767         |                  |                                    |       |
|                                | CT4       | 0.844         |                  |                                    |       |
| Perceived CSR Initiatives      | PCI1      | 0.732         | 0.73             | 0.83                               | 0.55  |
|                                | PCI2      | 0.735         |                  |                                    |       |
|                                | PCI3      | 0.724         |                  |                                    |       |
|                                | PCI4      | 0.775         |                  |                                    |       |
| Perceived Community Well-Being | PCWB1     | 0.819         | 0.88             | 0.909                              | 0.667 |
|                                | PCWB2     | 0.807         |                  |                                    |       |
|                                | PCWB3     | 0.833         |                  |                                    |       |
|                                | PCWB4     | 0.779         |                  |                                    |       |
|                                | PCWB5     | 0.844         |                  |                                    |       |

These measures of discriminant validity were assessed using the HTMT and Fornell-Larcker tests <sup>[11]</sup>. The HTMT values are lower than the conservative threshold of 0.90, indicating sufficient differentiation among constructs. Even though the HTMT of Trust vs. Perceived Community Well-Being (0.854)

is rather high, it falls within acceptable boundaries, indicating conceptual proximity rather than redundancy. The Fornell-Larcker findings are another confirmation of validity, whereby the square root of AVE of each construct is more than the correlation of that construct compared to other constructs.

**Table 2:** Heterotrait- Monotrait Ratio of correlation (HTMT)

| HTMT                           | Awareness | Perceive CSR initiatives | Perceived community well-being | Trust |
|--------------------------------|-----------|--------------------------|--------------------------------|-------|
| Awareness                      | -         | -                        | -                              | -     |
| Perceive CSR Initiatives       | 0.608     | -                        | -                              | -     |
| Perceived Community Well-Being | 0.628     | 0.671                    | -                              | -     |
| Trust                          | 0.735     | 0.725                    | 0.854                          | -     |

**Table 3:** Fornell-Larcker

| Fornell larcker                | Awareness | Perceive CSR initiatives | Perceived community well-being | Trust |
|--------------------------------|-----------|--------------------------|--------------------------------|-------|
| Awareness                      | 0.753     | -                        | -                              | -     |
| Perceive CSR Initiatives       | 0.45      | 0.742                    | -                              | -     |
| Perceived Community Well-Being | 0.512     | 0.546                    | 0.817                          | -     |
| Trust                          | 0.562     | 0.557                    | 0.724                          | 0.771 |

### Inner model or structural model

This model shows a good explanatory power. R<sup>2</sup> for Awareness is 0.203, and perceived CSR initiatives explain 20.3% of the variance in awareness, which is moderate in strength. Trust has an R<sup>2</sup> value of 0.316 and therefore awareness can explain 31.6% of the variation of trust. The model describes 54.1% (R<sup>2</sup> = 0.541) of the variance on perceived community well-being, which suggests that it has high predictive power in social science studies.

The strength of individual relationships can also be explained by the use of effect size ( $f^2$ ) analysis. The perceived CSR influences the awareness with a medium-large ( $f^2 = 0.254$ ) effect. The awareness has a significant impact on trust ( $f^2 = 0.463$ ), which demonstrates its powerful influence on the development of organizational trust. Perceived community well-being shows a very strong association with trust ( $f^2 = 0.607$ ), making it the strongest predictor in the model.

Nonetheless, the direct impact of awareness on the community well-being is insignificant ( $f_2 = 0.035$ ), so the effect of

awareness does not have a significant impact on the well-being perceptions.

**Table 4:** Structural model assessment results

| R <sup>2</sup>                 | Original sample (O) | F <sup>2</sup>                              | Original sample (O) |
|--------------------------------|---------------------|---|---------------------|
| Awareness                      | 0.203               | Awareness -> Perceived community Well-Being | 0.035               |
| Perceived Community Well-Being | 0.541               | Awareness -> Trust                          | 0.463               |
| Trust                          | 0.316               | Perceive CSR Initiatives -> Awareness       | 0.254               |
|                                |                     | Trust -> Perceived Community Well-Being     | 0.607               |

### Testing of hypothesis

Each of the relationships that were hypothesized is statistically significant ( $p < 0.05$ ), which can be viewed as empirical evidence of the proposed model. Awareness positively relates to the perceived community well-being ( $b = 0.152$ ,  $p = 0.030$ ), but the effect size is not very large, implying a minor contribution. There is a strong interrelation between awareness and trust ( $b = 0.562$ ,  $p < 0.001$ ), showing the importance of awareness in building confidence among stakeholders. Additionally, perceived CSR initiatives are found to have a major impact on creating awareness ( $b = 0.450$ ,  $p < 0.001$ ),

which proves that CSR activities are capable of bringing more knowledge of stakeholders about organisational activities related to social work. Trust has the most significant impact on perceived community well-being ( $b = 0.639$ ,  $p < 0.001$ ), meaning that trust is the most dominant mediator whereby CSR-related perceptions are converted into better judgments of community well-being. All these points shows that CSR programs help in enhancing the community's well-being, but indirectly through the process of trust building as opposed to awareness alone.

**Table 5:** Hypothesis testing results

| Trajectory   | Hypothesis | Original sample (O) | Sample mean (M) | T statistics ((O/STDEV)) | P values | Decision |
|--|------------|---------------------|-----------------|--------------------------|----------|----------|
| Awareness -> Perceived community Well-Being                                      | H1         | 0.152               | 0.154           | 2.165                    | 0.030    | Accept   |
| Awareness -> Trust   | H2         | 0.562               | 0.568           | 13.046                   | 0.000    | Accept   |
| Perceive CSR Initiatives -> Awareness  | H3         | 0.450               | 0.461           | 9.410                    | 0.000    | Accept   |
| Trust -> Perceived Community Well-Being  | H4         | 0.639               | 0.639           | 11.388                   | 0.000    | Accept   |
| Perceive CSR Initiatives -> Awareness -> Trust -> Perceived community Well-Being | H5         | 0.161               | 0.029           | 5.473                    | 0        | Accept   |
| Perceive CSR Initiatives -> Awareness -> Perceived community Well-Being          | H6         | 0.07                | 0.035           | 1.978                    | 0.048    | Accept   |

### Recommendations

Organizations need to go beyond the creation of awareness of CSR activities and endeavour to establish stakeholder trust. Given that trust produces the most significant effect on the perceived community well-being ( $f_2 = 0.607$ ), CSR practices must focus on transparency, authenticity, and regular interaction with communities. Communication activities should be based on quantifiable social results as opposed to advertising. Future studies can build on the model by considering more mediators like corporate reputation or stakeholder engagement and longitudinal data to analyse the long-term outcomes.

### Conclusion

The paper examines the role of relational mechanisms in interpreting the effects of CSR activities on societal outcomes. These results indicate that CSR programs are more likely to affect perceived community well-being through trust rather than awareness. Although the knowledge of social activities in an organization is raised through awareness, trust is the one that changes the awareness into significant perceptions of community good. This supports the theoretical claim that CSR effectiveness does not rely solely on communication but also on stakeholders' credibility and confidence.

The research has added to the field of CSR and stakeholder theory by showing that psychological concepts like trust are at the centre of mediation to correlate the organizational activities to perceived social impact. It also highlights how the stakeholders appraise and internalise CSR initiatives in determining sustainable outcomes in communities. On the whole, the study reveals that trust-building is an important strategic and theoretical underpinning of increasing the social value of CSR activities. The results are in line with previous research which suggests that CSR initiatives impact consumer behaviour by creating awareness and trust [7, 9, 25]. Therefore, this study reinforces the view that CSR effectiveness depends largely on stakeholder awareness and trust, which are critical drivers of behavioural outcomes [5, 9].

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