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Reducing Information Asymmetry through ESG Communication : A Conceptual Framework for Consumer Trust and Financial Loyalty in the Indian Banking Sector

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Abstract

The growing importance of Environmental, Social, and Governance (ESG) practices has transformed sustainability from a compliance-oriented activity into a strategic mechanism for strengthening stakeholder relationships within the banking sector. While existing research has largely focused on the financial and investor-related outcomes of ESG adoption, limited attention has been paid to understanding how ESG communication influences consumer perceptions in emerging economies such as India. This conceptual paper proposes a framework that examines the relationship between ESG communication, consumer trust, and financial loyalty in the Indian banking sector. Drawing upon Signaling Theory, Stakeholder Theory, Interest-Based Banking Theory, and Akerlof's Lemons Theory through an extensive review and synthesis of existing literature, the study argues that effective ESG communication serves as a credible signal that reduces information asymmetry, enhances consumer trust, and ultimately strengthens financial loyalty. The framework further incorporates consumer trust as a mediating variable and proposes perceived greenwashing, ESG literacy, consumer awareness, information asymmetry, and third-party assurance as key moderating factors influencing the effectiveness of ESG communication. Through a comprehensive review and synthesis of existing literature, the study identifies significant gaps in consumer-centric ESG research within the Indian banking context and develops eight research propositions for future empirical investigation. The paper contributes to the sustainability, banking, and marketing literature by offering an integrated theoretical perspective that explains how transparent and authentic ESG communication can foster long-term customer relationships. The proposed framework provides valuable insights for banking institutions, policymakers, and regulators seeking to enhance disclosure credibility, strengthen consumer trust, and promote sustainable financial behaviour.

Keywords - *ESG Communication, Consumer Trust, Financial Loyalty, Greenwashing; ESG Literacy, Information Asymmetry, Third-Party Assurance, Indian Banking Sector; Sustainability Communication, Akerlof's Lemons Theory.*

1. INTRODUCTION

In India, banks and financial institutions are vital for individual prosperity and economic growth (Joshi, 2016). As intermediaries, they offer services like credit, investment, insurance, and green banking (Tanwar et al., 2020). Banks' health significantly impacts economic growth (Hafsal et al. 2020). By aiding development, employment, and financial inclusion (Kumari, 2019), banks maintain economic stability and sustainability through efficient operations (Haralayya et al., 2021). Banks support economic growth and offer green banking services, including loans, paperless transactions, and digital services. Consumers assess banks' credibility through CSR, becoming more aware of banks' activities (Purwanti et al., 2024). Howard Bowen introduced CSR in 1953. In India, the Companies Act, 2013 mandates CSR obligations for certain companies, aligning with Sustainable Development Goals. CSR enhances brand awareness, public trust, consumer loyalty, and sustainability (Mohanty & Batth, 2023). For banks, CSR means committing to social, ethical, and environmental responsibilities beyond compliance, using strategies that build stakeholder trust, promote digital literacy, encourage responsible investment, and offer microfinance for rural development. This fosters connections, enhances customer confidence, and promotes economic development (Dorasamy 2013).

After the 2005 United Nations Who Cares Wins report, ESG ideas became more important. The report showed how things like carbon footprint, employee well being, and ethical governance can impact financial results. (esg.org, 2005). In India, SEBI has helped make things clearer by requiring listed banks to provide a BRSR report. This sustainability report lets banks share their ESG activities with the public. It encourages sustainability, accountability, and openness, which increases consumer trust. SEBI's focus on governance builds trust and loyalty. It promotes ethical behaviour, independent boards, and clear transactions (Mani, 2022). Similarly, ESG has evolved from CSR, transforming sustainability reporting into a measurable and data-driven framework. Originally, CSR involved discretionary disclosures on business ethics but has since become more systematic (Dathe et al. 2022), evolving from social welfare to regulation and sustainability-driven models. As challenges have shifted priorities from CSR to ESG (Gupta, 2021), banks have expanded ESG practices to build stakeholder trust and credibility. By adopting ESG frameworks, banks influence corporate behaviour, promote ESG literacy, reduce environmental and social risks, enhance their reputation, and guarantee long-term value. ESG services meet social responsibilities while fostering long-term trust and loyalty among customers (Sebi. gov. in). The concept of ESG-driven, trust-based, and sustainable banking has gained traction in Indian Banking recently. CSR and ESG both promote sustainability but differ. CSR, or Corporate Social Responsibility, is a broader framework focused on society and communities, including strategies and policies for environmental and social goals like community development, often in voluntary reports like GRI (Sari et al., 2020). ESG, or Environmental, Social, and Governance, emphasizes measurable, data-driven, and mandatory disclosures more than CSR. ESG highlights transparency and ethical governance using quantifiable metrics like carbon emissions and governance practices, which banks must disclose (Cort & Esty, 2020). While CSR reflects a company's voluntary social commitment, ESG provides data-based evidence for investors, regulators, and stakeholders to evaluate sustainability performance. The focus on sustainable development highlights the importance of ESG practice. Rising consumer awareness influences decision-making because ESG affects both consumer choice and stakeholder interests. Before investing in or engaging with banks, both groups consider ESG reports to build trust and ensure loyalty (Rastogi et al., 2025). Consumers are increasingly considering their bank's ESG initiatives when making decisions, which enhances their loyalty and trust. In the financial sector, trust is founded on the perceived dependability of institutions, influenced by customer experiences and robust relationship (Utami, 2015). Banks sometimes try to look good, gain advantage, meet ESG rules, or show support for sustainable finance by using unethical methods like "greenwashing". This involves pretending to be environmentally friendly without real action (Vollero, 2022). Such deceptive practices mislead customers, leading to poor decisions and potential harm to the environment and morality. Awareness of greenwashing can lead to consumer distrust, creating "perceived greenwashing" and scepticism about banks' sustainability efforts (Galletta et al., 2024). Growing scepticism and declining trust impact financial loyalty, causing customers to disengage, avoid banking products, and withdraw loyalty. Negative rumors may spread, discouraging others and causing customer loss. Ultimately, banks failing to meet consumer and stakeholder demands and uphold ESG disclosures face setbacks, reputational damage, and loss of competitive advantage (Kabadayi, 2016).

In conclusion, this study aims to quantify the influence of ESG communication on customer trust and financial loyalty in the Indian banking sector. Customer trust is crucial and plays an important role in banks in a rapidly transforming and evolving banking ecosystem. A genuine approach to ESG practices builds and strengthens banks' reputation and deepens consumer relationships. However, if banks engage in unethical practices such as greenwashing or when consumers get involved in perceived sustainability claims, trust and loyalty erode, resulting in a loss of customers as they shift towards more authentic institutions. Therefore, maintaining transparency and accountability in ESG Communication is important for banks to secure trust and loyal customers to ensure long-term growth in a sustainability-driven era.

2. REVIEW OF LITERATURE

A literature review is essential for any research, providing a foundation for understanding what has been done, studied, and published in a particular area, identifying research gaps, and avoiding the duplication of knowledge. The review of past studies highlights the emergence of ESG as a significant interest in the financial and banking sector. Earlier CSR initiatives focused on ethical obligations, regulatory compliance, and community welfare. However, with increased global and national regulations, CSR evolved into ESG as a structured, measurable, and reporting-based framework (D. C. Tandon, 2025). This study explores the influence of ESG practices on the financial outcomes of Indian commercial banks, addressing a research gap where ESG implementation is evolving. Furthermore, it offers a critical analysis of the evolving European legal framework related to ESG practices in the banking sector (Bruno and Lagasio, 2021). In the banking sector, ESG adoption has been linked to trust-building and financial inclusion. SEBI's BRSR guidelines further reflect the growing concern regarding greenwashing, which creates scepticism among stakeholders and customers, negatively affecting their trust and financial loyalty to the company. Simultaneously, the literature reveals rising concerns about greenwashing (Galletta et.al,2024), which states that banks overstate their sustainability efforts without meaningful implementation, causing greenwashing (Lyon & Montgomery, 2015).

Overall, the existing literature emphasises the growing role of ESG and sustainability communication in the financial sector and how the banking and finance industries rely heavily on ESG. CSR activities have been associated with customer trust and loyalty, which shows a shift towards ESG, reflecting a measurable framework, as prior studies have discussed the positive influence of trust, loyalty, and reputation, limited to CSR or investors. However, greenwashing and information asymmetry remain evident, which not only creates scepticism among shareholders but also affects their long-term loyalty and trust. Therefore, despite SEBI's regulatory framework for banks, a clear research gap persists in understanding how banking customers interpret ESG communication practices in India by Indian banks and how trust and loyalty are affected by customers' interpretation and perceptions.

TABLE 1: TABLE OF LITERATURE REVIEW

S. No.	Author(s) & Year	Title	Objective(s)	Methodology	Key Findings
1	Kumar & Prakash (2020)	Managing Sustainability in Banking Sector: Extent of Sustainable Banking Adaptations in India	To assess the adoption of sustainable banking practices by Indian banks and evaluate sustainability performance.	Secondary data analysis and unstructured interviews with senior banking officials.	Indian banks are relatively slow in integrating sustainability practices and focus primarily on social sustainability. Adoption of global sustainability frameworks is increasing.
2	Mifsud (2024)	The Influence of ESG on Local Consumer Behaviour	To examine the impact of ESG factors on consumer purchasing behaviour in Malta.	Quantitative study using online survey and regression analysis.	Environmental factors have the strongest influence on consumer behaviour, while governance factors have the least. Consumers value ESG transparency but are not always willing to pay a premium.
3	M. Liu et al. (2023)	Public Perceptions	To analyse public perceptions and	Social media data analysis	Public ESG attention fluctuates with policy

		of ESG Based on Social Media Data: Evidence from China	discussions surrounding ESG in China.	using text mining and sentiment analysis.	changes and major events. Overall sentiment towards ESG is positive.
4	Su & Teo (2025)	Understanding Consumer Behaviour in ESG through Stimulus-Response Theory	To understand consumer reactions to ESG practices using S-R Theory.	Conceptual model based on Stimulus-Response Theory.	Environmental stimuli generate positive emotions, social stimuli strengthen emotional bonds, and governance stimuli enhance credibility and trust.
5	Fatma & Khan (2023)	CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification	To investigate the effect of CSR on brand loyalty in Indian banking.	Survey of 315 banking customers; SEM using AMOS 24.0.	CSR positively affects brand credibility and brand identification, which subsequently improve brand loyalty.
6	Kaur et al. (2023)	Impact of Greenwashing on Consumers and Businesses: A Review	To understand the consequences of greenwashing on consumers and firms.	Literature review.	Greenwashing causes consumer confusion, trust erosion, and challenges authentic sustainability efforts.
7	Lyon & Montgomery (2015)	The Means and End of Greenwash	To review the concept, patterns, and future directions of greenwashing research.	Review of 98 scholarly articles using content and trend analysis.	Greenwashing extends beyond deliberate deception and includes symbolic actions and misleading communication.
8	Hao et al. (2025)	Unmasking Greenwashing in ESG Disclosure: Insights from Evolutionary Game Analysis	To analyse stakeholder interactions influencing ESG greenwashing.	Evolutionary Game Theory with payoff matrices and replicator dynamics.	Strong regulation and high disclosure intensity reduce greenwashing and improve ESG credibility.
9	Venturelli et al. (2024)	Assessing the Influence of ESG Washing on Bank Reputational Exposure: A Cross-Country Analysis	To examine how ESG washing affects banks' reputational risks.	Panel data analysis of 120 banks across 35 countries.	Verified and standardized ESG disclosures reduce reputational risks and curb ESG washing.
10	Tu et al. (2024)	Perceived Greenwashing and Its Impact on	To examine the impact of green marketing practices on	Interviews with professionals and survey of	Communication, relationships, and value commitment reduce perceived greenwashing.

		the Green Image of Brands	perceived greenwashing and brand image.	325 respondents using SEM.	
11	Ha (2022)	Greenwash and Green Brand Equity	To examine the impact of greenwashing on brand equity and the moderating role of green concern.	Survey of 436 consumers; PLS-SEM.	Greenwashing negatively affects green image, satisfaction, trust, and ultimately brand equity.
12	Hao et al. (2025)	Perception of Greenwashing and Purchase Intentions: A Model of Gen Z	To analyse Gen Z responses to ESG-labelled digital advertisements.	Survey of 690 respondents; SEM.	Advertising scepticism and perceived greenwashing significantly influence purchase intentions and trust.
13	H. Liu (2025)	Bank-Firm Relationships and Corporate ESG Greenwashing	To investigate how bank-firm relationships affect ESG greenwashing.	Data from 4,454 Chinese firms (2010–2023); Tobit models and robustness tests.	Bank-affiliated firms show higher greenwashing tendencies, while transparency reduces greenwashing behaviour.
14	Sharma & Choubey (2022)	Green Banking Initiatives: A Qualitative Study of the Indian Banking Sector	To analyse implementation of green banking initiatives and their impact on customer trust.	Multiple case study approach involving 12 banks and 36 managers.	Green banking initiatives positively influence customer trust and brand image.
15	Pérez & del Bosque (2015)	How Customer Support for CSR Influences the Image of Companies	To examine how customer support for CSR shapes corporate image.	Cluster analysis and Structural Equation Modelling.	Customers show strong interest in CSR and respond positively to effective CSR communication.
16	Stauropoulou et al. (2023)	The Role of Customer Awareness Towards the SDGs of Banks on Their Behaviour	To examine how awareness of banks' SDGs affects customer behaviour.	Survey of 1,084 customers; PLS-SEM.	SDG awareness positively affects trust, loyalty, bank image, and perceived fair pricing.
17	Xu et al. (2024)	ESG and Customer Stability	To analyse the effect of ESG performance on customer stability.	Two-way fixed effects model using Chinese listed firms.	Higher ESG performance improves customer stability through reputation enhancement and regulatory compliance.
18	Cabeças et al. (2024)	Customer Behaviour in the EU's Retail Banking Markets: Evidence from	To analyse changes in customer behaviour and perceptions in digital banking.	Longitudinal survey study analysed using SPSS.	Trust and satisfaction declined, while loyalty remained relatively stable despite increased digital banking adoption.

		Portugal			
19	Khan et al. (2021)	"Greenwashing" or "Authentic Effort"? An Empirical Investigation of Sustainability Reporting by Banks	To evaluate the quality of sustainability reporting in Bangladeshi banks.	Content analysis of 315 bank-year observations and regression analysis.	Sustainability reporting evolved from symbolic to substantive reporting over time.
20	Aji & Sutikno (2015)	The Extended Consequences of Greenwashing: Perceived Consumer Scepticism	To examine consumer scepticism and switching intentions arising from greenwashing.	Survey of 134 respondents analysed using SEM.	Greenwashing increases scepticism and perceived risk while reducing trust and increasing switching intentions.
21	McBride et al. (2013)	Environmental Literacy, Ecological Literacy, Ecoliteracy: What Do We Mean?	To clarify concepts and theoretical foundations of environmental literacy.	Comprehensive literature review.	Developed a structured framework distinguishing environmental literacy, ecological literacy, and ecoliteracy.
22	Pomering & Dolnicar (2009)	Assessing the Prerequisite of Successful CSR Implementation	To evaluate consumer awareness of CSR initiatives and communication effectiveness.	Interviews with bank executives and survey of 415 customers.	Consumer awareness of CSR initiatives remains low despite organisational efforts.
23	Healy & Palepu (2005)	A Review of the Empirical Disclosure Literature	To review the impact of disclosure on capital markets and investors.	Literature review based on information asymmetry framework.	High-quality disclosures improve market efficiency, liquidity, and investor confidence.
24	Simnett et al. (2009)	Assurance on Sustainability Reports: An International Comparison	To examine why firms seek sustainability assurance and select assurance providers.	Sequential logit analysis of 2,113 companies across 31 countries.	Sustainability assurance enhances report credibility and stakeholder confidence.

3. RESEARCH METHODOLOGY

This study uses a conceptual research methodology to investigate how ESG communication shapes consumer trust and financial loyalty in the Indian banking industry (Muhammad et al., 2025). The study's base is a comprehensive review of the literature on consumer trust, ESG communication,financial loyalty, perceived greenwashing, ESG literacy, information asymmetry, and third-party assurance.The reviewed literature was analysed to understand existing theoretical perspectives, identify research gaps, and establish relationships among key constructs. Drawing on insights from prior studies and relevant theoretical foundations, to illustrate how ESG communication affects customer trust and financial loyalty in the banking industry, a conceptual framework is proposed for consideration.The framework is supported by signaling theory, stakeholder theory, interest-based banking theory, and the lemons principle, which together establish a theoretical framework for understanding the interconnections among the proposed constructs. Based on the synthesis of the prior literature, a set of research propositions is developed to guide future empirical research in this area.

4. RESEARCH GAP

After reviewing the literature, we found that only a few studies have examined how Indian banking consumers perceive ESG communication, which remains limited. While the majority of previous research has concentrated on sustainability frameworks and ESG reporting from the viewpoint of investors and regulators. Existing studies establish the importance of ESG adoption for financial performance, focusing particularly on ESG as a strategic instrument for reducing and boosting investor confidence, corporate credibility, and long-term sustainability performance (Amuda & Saka, 2025). However, research on how consumers in India perceive ESG communication is unexplored, although some Western studies exist that have shown relatively high existing ESG studies and mature institutional frameworks in India. (Gupta & Motwani, 2022). Limited attention has been paid to how ESG communication influences consumer trust and financial loyalty in developing economies such as India.

The banking industry in India is crucial to the development of the country, and ESG has become an integral part of it. International literature provides some insights into ESG initiatives and customer perception; however, the moderating effects of perceived greenwashing, information asymmetry, and third-party assurance, as well as the mediating role of trust, remain underexplored. (Jaiwani & Gopalkrishnan, 2023). Most previous studies have focused on investors and consumer-centric analyses, which shows a clear existing gap in the research. Trust is the major determinant of customer-banking relationships, and ESG is not only a regulatory compliance but also a relationship-building mechanism. ESG communication affects consumer trust and financial loyalty, as greenwashing creates scepticism among consumers in the banking sector, making them switch to another bank and resulting in a loss of customers (Singh et al., 2024). However, existing studies focus on retail, FMCG, and tech companies; therefore, another gap is identified in the limited exploration of perceived greenwashing and ESG literacy in the Indian Banking sector, as stakeholders increasingly incorporate ESG disclosures into their financial and investment decisions on banks' ESG disclosure, which involves transparency and accountability by banks for both consumers and stakeholders. This reveals that authentic ESG communication by banks builds consumer trust, and consumers who trust banks' ESG practices remain loyal to the bank (Sharma & Choubey, 2021). This study aims to reveal that misleading claims, such as greenwashing, can erode both trust and loyalty and states the importance of ESG literacy in consumers, which helps them differentiate between genuine and misleading ESG efforts.

5.CONCEPTUAL FRAMEWORK

The theories used in the proposed study are grounded in four key theories.

- Signaling Theory.
- Stakeholders Theory.
- Interest-Based Banking Theory.
- Akerlof's Lemons Theory.

- **Signaling Theory** : This theory was proposed by Michael Spence in 1973, in the context of job markets, and explains how, in situations with information imbalance (one party knows more than the other), one party (the sender) conveys trustworthy information to another (the receiver). In this study, signaling theory states ESG reports and communication are signals by banks to communicate credible information asymmetry with customers. As in banking, customers do not know banks' internal sustainability efforts; they perceive the bank's trustworthiness, influencing consumer trust and financial loyalty. This theory provides a basis for understanding how ESG communication influences trust and loyalty (Al-Jalahma et al., 2020).

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- **Stakeholder Theory:** Freeman's 1984 proposal suggests that for organisations to achieve enduring success, they should consider the interests of stakeholders, including customers, employees, investors, and the broader community. In reference to my study, this theory will be used as a bank, being a financial institution that addresses stakeholders and customers with information, which results in customer trust strengthening financial loyalty when banks consider Environmental, Social, and Governance issues (Jaiwani & Gopalkrishnan, 2023) .

- **Interest-based Banking Theory :** This theory states how banks use financial incentives, such as interest rates and returns, to attract customers and build customer loyalty and trust. In this study, this theory is used to state how banks develop financial loyalty among consumers, as they not only evaluate banks based on ethical practices but also consider the financial benefits they receive, as combining ethical communication with tangible financial benefits strengthens customers' and banks' relationships (Batool et al., 2022) .

- **Akerlof's Lemons Theory :** This principle was proposed by George A. Akerlof in 1970, describing a "lemon" as a low-quality product presented as high-quality due to information asymmetry. It explains how information asymmetries between buyers and sellers lead to market failure. Customers may not know if a bank's practices are ethical, as banks may engage in greenwashing, causing information asymmetry. Without clear information, customers may perceive the bank as unreliable and cannot identify clear ethical practices. ESG communication acts as a signal of superior quality, lowering perceived risk and fostering client loyalty and trust (Climent & Martínez-Climent, 2019).

In conclusion, signaling theory states how banks use ESG communication to illustrate their credibility to customers, stakeholder theory shows why customers value and appreciate banks' sustainability practices, and Interest-Based Theory shows how trust leads to tangible financial benefits. Finally, Lemon's principle shows how ESG communication reduces information asymmetry and helps in risk minimisation. When taken as a whole, these ideas offer a framework for comprehending how ESG communication affects customer loyalty and trust in the Indian banking industry.

6. RESEARCH PROPOSITIONS

Proposition 1: ESG Communication positively influences consumer trust in Indian

banking sector.

Proposition 2:ESG Communication positively influences financial loyalty.

Proposition 3: Consumer trust mediates the relationship between ESG communication and financial loyalty.

Proposition 4:Perceived greenwashing negatively moderates the relationship between ESG communication and consumer trust.

Proposition 5:ESG Literacy positively moderates the relationship between ESG Communication and Consumer Trust.

Proposition 6: Consumer awareness positively moderates the relationship between ESG communication and consumer trust.

Proposition 7: Information asymmetry negatively moderates the relationship between consumer trust and ESG communication.

Proposition 8: Third-party Assurance positively moderates the relationship between ESG Communication and Consumer Trust.

P1- ESG communication quality has a significant positive effect on consumer trust.

ESG Communication and Consumer Trust-

The growing importance of ESG in the financial industry has highlighted how Indian banks have integrated these components into their operations because it entails customer accountability and transparency (C. Tandon, 2025). In the banking sector, trust is essential for preserving customer-banking relationships, and ESG is critical for sustaining long-term sustainability (Salem et al., 2024). According to signaling theory, the transparency of messages reduces information asymmetry between banks and consumers, resulting in trust development. Indian consumers are aware of sustainability, but are limited to transparency and credibility. Based on this, the following proposition is proposed.

P2- ESG Communication positively influences financial loyalty.

ESG communication and Financial Loyalty-

ESG communication enhances brand trust, resulting in financial loyalty. Studies have shown that banks' sustainability efforts result in positive customer-banking relationships that enhance loyalty (Sen et al., 2016). ESG communication is a significant tool for aligning customer ethical values, resulting in loyalty and trust (Freeman, 1984). Customers who perceive banks as ethically and socially responsible may form longer relationships with them. Based on this, the following proposition is proposed.

P3 - Consumer trust mediates the relationship between ESG communication and financial loyalty.

Consumer Trust and Financial Loyalty-

Corporate communication tactics and customer outcomes are significantly mediated by trust, which closes the gap by turning loyal consumers into devoted ones (Hunt and Morgan 2017). As banks publish ESG reports, which tend to attract customers and convince them to remain loyal, trust acts as a mediator through which ESG communication influences consumer trust and financial loyalty. Exploring this relationship in the context of ESG communication fills this gap in the Indian banking sector. Consumers who trust financial institutions' claims are more supportive in the form of loyalty, rendering regular services, and positive word-of-mouth, which ultimately increases financial performance and loyalty (Jaiwani & Gopalkrishnan, 2023).

P4: Perceived Greenwashing negatively moderates the relationship between ESG communication and consumer trust.

Perceived Greenwashing and Consumer Trust-

Banks adopt strategies to communicate their sustainability performance, but many institutions may try to mislead stakeholders and consumers through greenwashing which involves making excessive ethical claims without practising them to gain benefits which has become a concern for financial institutions (De Novellis et al., 2025), as it erodes the trust of stakeholders and consumer relationships and shows negative relationships, and sceptical consumers will need more validation to be convinced. Based on this, the proposed proposition is as follows:

P5: ESG literacy positively moderates the relationship between ESG Communication and Consumer Trust.

ESG Literacy and Consumer Trust-

A bank's overall reputation is based on stakeholders' and customers' perceptions and experiences with the financial institution's ethical practices (De Novellis et al., 2025). When banks genuinely communicate their ESG practices, they reinforce authenticity and consumer trust. ESG communication involves reports, case studies, etc., which make both consumers and shareholders feel emotionally connected and boost their trust. Based on this, the following proposition is proposed.

P6: Consumer Awareness Moderates the relationship between ESG Communication and Consumer Trust.

Consumer Awareness and Trust-

Trust is built on the reliability and credibility of services and products offered. In ESG communication, consumers believe the company's ESG claims. If credible and reliable, it extends trust, just like products and services. When banks address social, environmental, and governance concerns, they also meet modern concerns and expectations, which builds trust (Sitorus & Yustisia, 2018), and consumers with high ESG are more critical and value genuine efforts.

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P7: Information Asymmetry negatively moderates the relationship between ESG Communication and Consumer Trust.

Information Asymmetry and Consumer Trust-

This proposition addresses information gaps when banks provide ESG-related information to consumers and their shareholders. Overcoming information asymmetry through the open sharing of ESG practices can result in gaining trust and creating awareness among consumers. Based on this, the following proposition is proposed:

P8 : Third-party Assurance positively moderates the relationship between ESG Communication and Consumer Trust.

Third-party Assurance and Consumer Trust.

Third-party assurance of banks' ESG practices through certificates, audits, and early reports enhances consumer trust and confidence, as backing up ESG communication with evidence increases consumers' trust in banks. Information asymmetry generally occurs when consumers have less knowledge, resulting in low trust; thus, reducing information gaps through transparency helps build trust and maintain ESG performance (Oanh et al., 2025). Based on this, the following proposition is proposed.

7. PROPOSED RESEARCH MODEL

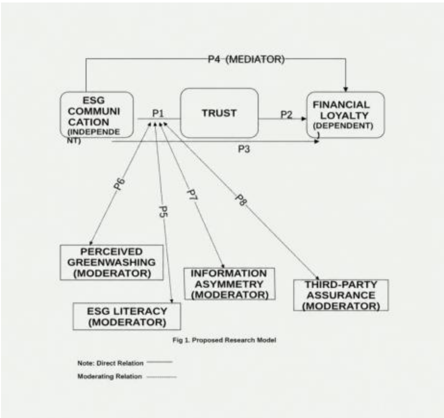

Figure 1. Proposed Conceptual Framework

Figure 1. illustrates the proposed conceptual framework that examines the influence of ESG communication on Financial Loyalty. Trust acts as a mediating variable between ESG communication and Financial Loyalty, The model also proposes that perceived Greenwashing, ESG Literacy, Information Asymmetry, and Third-Party Assurance moderate the relationship between ESG Communication and Trust, thereby affecting the overall effectiveness of ESG communication in fostering financial loyalty.

8. Theoretical Contributions

This conceptual paper adds to the growing body of knowledge on ESG communication by presenting an integrated structure that clarifies how ESG communication affects customer development, trust, and loyalty in the Indian banking industry. While prior studies have focused on ESG disclosure, sustainability reporting, and investor outcomes, limited attention has been given to understanding ESG communication from the customer's perspective. This study builds on signaling theory by framing ESG communication as a deliberate signal that reduces information asymmetry and improves consumer trust. By highlighting customers as crucial stakeholders whose opinions on sustainability projects affect long-term loyalty, this enhances stakeholder theory. To illustrate how perceived greenwashing and information asymmetry can affect trust-building mechanisms, this study also applies the Lemons' Principle. The proposed framework combines ideas like ESG communication and consumer trust into one model. This model helps understand banking and sustainability better and offers a base for more research in developing countries, especially India.

9. Managerial Implications

To avoid accusations of greenwashing, banks must ensure their green claims are backed by actions and results. The proposed framework benefits banks, regulators, and lawmakers by emphasizing clear, consistent ESG communication to gain customer trust. It also underscores third-party assurance for credible ESG disclosures, enhancing consumer trust and reducing doubts. The framework calls for better monitoring to improve disclosure quality and consistency in ESG reporting for lawmakers and regulators, reducing information gaps for informed customer decisions. To boost understanding of sustainable practices, banks should invest in educational initiatives to raise ESG awareness, enabling customers to distinguish genuine sustainability and foster trust-based relationships.

10. Future Research Directions

The current study introduces a conceptual framework for future research. Researchers can test this framework using methods line structural equation modeling (SEM) pr partial least squares structural modeling (PLS-SEM). These methods help check the importance and strength of the connections suggested. Researchers can also compare how public and private banks differs in customer reactions and how well they communicate about ESG. To see how different consumer groups understand ESG information, future studies should look at differences in demographics, such as age, income, education, and ESG knowledge. Also, research in different countries can check how well ESG communication work in different nations to find differences in consumer views and trust. Future research on ESG communication should also consider factors like perceived value, brand image, customer satisfaction, business reputation, and digital engagement as possible influences.

11. Conclusion

Sustainability has shifted from compliance to a strategic tool for fostering relationships in banking due to ESG standards. This paper proposes effective ESG communication which strengthens consumer trust and enhances financial loyalty by reducing information asymmetry and signaling credibility. This study develops a comprehensive framework, grounded in signaling theory, stakeholder theory, interest-based banking theory, and Akerlof's Lemons Theory illustrating ESG communication's impact on consumer trust and financial loyalty in Indian banking. It highlights factors such as perceived greenwashing, ESG literacy, information asymmetry, and third-party assurance shaping consumer responses to ESG disclosures.

In addition, the study argues that while misleading sustainability claims can damage consumer trust and loyalty, authentic and transparent ESG communication can cultivate lasting client relationships. This study paves the way for future empirical research within the banking industry and contributes a customer oriented perspectives to the sustainability literature. The framework underscores the vital role of transparency, accountability, and credibility in ensuring the enduring success of ESG efforts in India’s financial sector.

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