

Research Horizon

ISSN: 2808-0696 (p), 2807-9531 (e)

Research Horizon

Volume: 04

Issue: 04

Year: 2024

Page: 351-360

The Influence of CSR on the Reputation of ABC Bank

Nugroho Pamungkas^{*}, M Danial Prasetyo Aditama¹, Adnan Dianda Prima¹, Puji Harto¹, Surya Raharja¹

¹ Universitas Diponegoro, Semarang, Indonesia

^{*} Corresponding author: Nugroho Pamungkas (nugrosinug@gmail.com)

Abstract

Bank ABC is one of Indonesia's largest banks and a state-owned enterprise. A bank's reputation is critical in attracting customers, maintaining stakeholder trust, and influencing the company's position in the market. What is believed to affect the bank's reputation is a social and environmental concern known as Corporate Social Responsibility (CSR). Therefore, this study aims to examine the influence of three CSR programs of Bank ABC on the bank's reputation. The three CSR programs have been measured for their usefulness to the community using the Social Return on Investment (SROI) method. Data were collected through a survey with respondents from the community of banking service users and CSR beneficiaries of Bank ABC. The purposive sampling method became the sample method of this research. Hypothesis testing was conducted using the Structural Equation Modeling - Partial Least Square (SEM-PLS) method. Program 2 (Bank Sampah Saguling) and Program 3 (Sortir Lemon) produced significant results based on the SEM-PLS results. At the same time, Program 1 (Ini SekolahKu) produced insignificant results. Therefore, backward elimination was carried out with a significance level of 5%. Using backward elimination, it was obtained that Program 2 (Saguling Garbage Bank) and Program 3 (Sort Lemon) influenced ABC Bank's Reputation with an R² value of 78.3%.

Keywords

CSR, Reputation, Attracting Customers, Stakeholder, Trust, Company Position

1. Introduction

ABC Bank is one of the largest banks in Indonesia and is a state-owned bank. According to Kompas, ABC Bank has recorded a net profit of 60.4 trillion rupiah in 2024. Founded in 1895, ABC Bank has become one of the key players in Indonesia's banking sector (Sahara & Dalimunthe, 2023). ABC Bank provides various financial services such as savings, loans, credit cards, electronic banking, and other financial products for individuals, businesses, and government institutions. ABC Bank also has an extensive of branches and ATMs throughout Indonesia, thus playing a crucial role in the country's financial infrastructure, especially in serving the needs of rural and underbanked communities (Fad, 2021; Su'un, 2023; Bist, 2023).

Reputation is no longer just a reflection of what a company does but also how the company is viewed by stakeholders, including customers, investors, and society. The role of a company's reputation not only affects public perception but also has a direct impact on overall business performance. The importance of corporate reputation must be a priority (Battisti et al., 2022; Dewandaru & Anggara, 2023). A good reputation can drive growth, increase customer loyalty, attract investment, and generate trust from various stakeholders. Conversely, a poor reputation can lead to financial losses and ruin stakeholder relationships. A bank's reputation is critical in attracting customers, maintaining stakeholder trust, and influencing the company's position in the market. Bank ABC has a strong reputation for providing accessible, affordable, and quality services to the community, especially to micro, small, and medium enterprises (MSMEs). This results from various factors, including service quality, product innovation, integrity, and its commitment to the sustainability of its Corporate Social Responsibility (CSR) Program (Sari, 2023; Fikri & Cahyono, 2023).

The theory of corporate reputation in this study uses the Reputation Quotient approach, better known as the Harris-Fombrun Reputation Quotient (RQ). Charles Fombrun and Harris Interactive developed this approach to measure and evaluate corporate reputation. The RQ examines a company's reputation through six key dimensions reflecting various important public perception aspects. These dimensions include emotional appeal, products and services, vision and leadership, workplace environment, financial performance, and social responsibility (Gopar, 2021; Widiati, 2022; Olimsar et al., 2023).

According to Elkington (1997), companies that want to be sustainable must pay attention to the 3Ps, namely contributions to society (people), actively participating in preserving the environment (planet), and not forgetting also profits for the company (profit). Reputation and CSR are linked to how society and stakeholders view a company, including consumers, investors, government, local communities, and employees. It can help increase their trust and support for ABC (Mursyida & Maulina, 2023). CSR improves a business's brand image and reputation, sales and customer loyalty, and capacity to attract and retain employees (Azzahra & Widiastuty, 2023). Freeman (1984) also shows that companies that fulfill stakeholder needs and expectations through CSR gain more stakeholder support, enhancing the company's reputation.

ABC Bank's CSR also plays a vital role in Indonesia. The Social & Environmental Responsibility Program, known as ABC Peduli, has three pillars, including social, economic, and environmental. ABC Bank's CSR program aims to assist communities in need, especially in natural disasters, poverty, education, health, and other social issues (Tapang & Bassey, 2017; Siregar et al., 2022; Agassi & Ulum, 2023). Through the ABC Bank CSR Program, ABC Bank organizes activities such as humanitarian assistance, social infrastructure development, education and training programs, and various other social activities. This program is often implemented collaboratively with the government, non-governmental organizations, and other organizations to expand its impact (Strauß & van der Meer, 2017; Malini, 2022).

Uraian	2023	2022	Pertumbuhan	
			Rp	%
(1)	(2)	(3)	(4) = (2)-(3)	(5) = (4)/(3)
Laba (Rugi) penjualan aset tetap	125.187	242.077	(116.890)	(48,29%)
Pendapatan sewa	458	6.759	(6.301)	(93,22%)
Tanggung Jawab Sosial dan Lingkungan Non PUMK	(341.998)	(284.912)	(57.086)	20,04%
Corporate Social Responsibility	(28.914)	(29.084)	170	(0,58%)
Sumbangan	(363)	(28.361)	27.998	(98,72%)
Lain-lain - neto	(153.395)	384.185	(537.580)	(139,93%)
Total	(399.025)	290.664	(689.689)	(237,28%)

Figure 1. Annual Report, 2023

Over the last 2 years, Bank ABC has recorded a growth of 20.04% in CSR distribution. It proves that ABC Bank is seriously contributing to the community through its CSR program. CSR plays a vital role in boosting a company's reputation. CSR covers a wide range of activities undertaken by companies to have a positive impact on society and the environment outside of core business activities. When companies pay attention to social and environmental responsibilities, they create an image of a company that is sustainable and concerned about national and global issues (Fauzi & Manao, 2023). Measures such as reducing carbon emissions, assisting green business practices, or supporting social initiatives can show that the company cares about sustainability and the planet's future. In addition, companies can engage directly with their surrounding communities (Matondan et al., 2023). Companies can conduct educational, health, or environmental programs benefiting local communities. By contributing to the community, the company builds strong and positive relationships with local stakeholders, which helps improve the company's reputation in the general public (Hardana et al., 2023).

Based on the Sustainability Report (SR) document of Bank ABC in 2023, 3 CSR programs of Bank ABC have the highest value of usefulness with the Social Return on Investment (SROI) measurement method. The SROI value is the return (in rupiah) generated from every 1 rupiah of funds invested through CSR programs. Bank ABC's programs produce an impact above 1, which means that it positively impacts the beneficiaries (SR ABC, 2023). For example, Bank ABC's CSR program, which is part of Bank ABC's CSR initiatives, has continuously proven its role as an agent of positive change in Indonesian society. The program contributes to economic growth and addresses various social and humanitarian challenges Indonesian society faces (Usman et al., 2022). Using the SROI approach, Bank ABC ensures that every investment made in Bank ABC's CSR programs has a significant and sustainable social impact on Indonesian society.

Table 1. 3 CSR Programs

Programs	SROI Value
Bank Sampah Saguliang	9.42
Ini Sekolahku	7.93
Sortir Lemon	6.88

Based on the background described above, this study aims to see the effect of three CSR programs of Bank ABC on the bank's reputation using SEM-PLS to test the hypothesis. This SEM-PLS method is used to determine the relationship between variables. Therefore, the author is interested in discovering more about it by

involving Bank ABC's reputation and three CSR programs (Bank Sampah Saguling, Ini Sekolahku, and Sortir Lemon) as variables.

2. Methods

The purpose of this study is to evaluate the impact of three Corporate Social Responsibility (CSR) programs of Bank ABC on its reputation. A quantitative research method was used to test the relationship between variables proposed in the hypothesis. Surveys were the primary data collection method, involving respondents from the general public, including those who use banking services and those who benefit from Bank ABC's CSR programs but do not use its services. Nonprobability sampling, specifically purposive sampling, was employed to select samples that fit the criteria determined by the researcher. The statistical analysis technique used in this study was Structural Equation Modeling-Partial Least Squares (SEM-PLS) to test the proposed hypotheses. The study focused on three exogenous latent variables representing the CSR programs (Bank Sampah Saguling, Ini Sekolahku, and Sortir Lemon) and one endogenous latent variable, which is the reputation of Bank ABC. The results aim to provide insights into how these CSR initiatives influence public perception and the bank's reputation.

3. Results and Discussion

The goal is to determine the structural relationship between the three CSR programs and Bank ABC's reputation. In this analysis, bootstrap analysis was carried out to obtain the significance of the best model. Respondents who are the object of this research are from the general public who use banking services and non-users of bank services (specifically CSR beneficiaries). The number of respondents who met the criteria and completed the survey was 123.

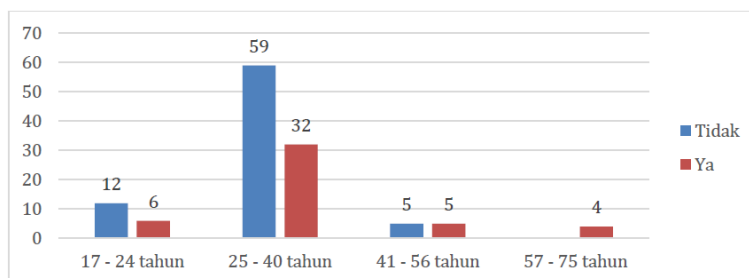


Figure 2. Bar Chart of the number of CSR beneficiaries by age group

The figure above suggests several conclusions. In this research, the most filled-out survey was for people between the ages of 25 and 40. At that age, 59 people did not receive CSR benefits, and 32 people received CSR benefits from Bank ABC. The measurement model is part of SEM, which shows the relationship between latent variables and observable indicators. The measurement model is also called the outer model. The purpose of this measurement model is to measure the dimensions that make up a factor and is a model that represents existing hypotheses. The measurement model identifies how a set of indicators measures each latent variable and ensures that the relationship is reliable and valid.

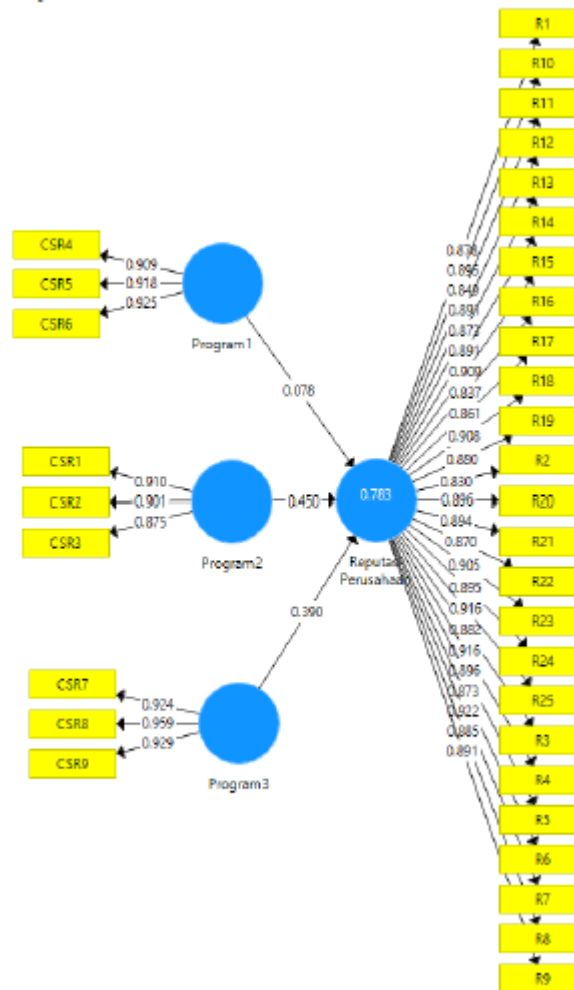


Figure 3. Example

Convergent Validity is essential in measuring how good indicators measure the same latent variable. Factor loadings are the primary tool for evaluating convergent validity, with the accepted criterion being factor loadings ≥ 0.70 . Careful evaluation of convergent validity helps ensure that the SEM measurement model is reliable and valid. Figure 4 shows all factor loadings ≥ 0.70 , so each variable meets the convergent validity criteria.

Another criterion for assessing the feasibility of the measurement model is discriminant validity, which aims to ensure the accuracy and reliability of the SEM measurement model. Discriminant Validity is measured by looking at the cross-loading size. This discriminant validity measure will improve with lower correlation between constructs. The cross-loading measure is used to compare the correlation of indicators with their constructs and constructs from other blocks. Good Discriminant Validity will be able to explain the correlation of its indicators higher than the correlation of indicators of other latent variables. If the correlation of each indicator with its variable is higher than the correlation with other latent variables, then this indicates good discriminant validity. Beside cross-loading, discriminant validity criteria can be tested by comparing AVE values and correlations between constructs. Table 2 below is the Fornell-Larcker Criterion method, which shows that each variable has an AVE value greater than the correlation value between variables and other variables. Therefore, each variable has met the criteria for discriminant validity.

Table 2. Discriminant Validity Value

Variable	Program 1	Program 2	Program 3	Company Reputation
Program1 (Ini SekolahKu)	0.917			
Program2 (Bank Sampah Saguliang)	0.912	0.895		
Program3 (Sortir Lemon)	0.863	0.871	0.937	
Company reputation	0.825	0.861	0.849	0.886

Composite Reliability (CR) is a measure of reliability that indicates how consistent the indicators that make up a latent variable are in a measurement model. The accepted CR value is ≥ 0.70 , which indicates adequate internal reliability of the construct.

Table 3. Composite Reliability Value

Variable	Composite Reliability
Program 1 (Ini SekolahKu)	0.941
Program 2 (Bank Sampah Saguliang)	0.924
Program 3 (Sortir lemon)	0.956
Company reputation	0.989

The data in Table 3 show that the composite reliability value of each variable indicator is greater than 0.7, so it can be said to be reliable. In measuring the same construct, Cronbach's Alpha is a handy measure to assess the internal reliability of a set of indicators. A Cronbach's Alpha value ≥ 0.7 is usually sufficient for social and behavioral research, but higher values indicate better reliability.

Table 4. Cronbach's Alpha Value

Variable	Cronbach's alpha
Program 1 (Ini SekolahKu)	0.906
Program 2 (Bank Sampah Saguliang)	0.876
Program 3 (Sortir lemon)	0.931
Company reputation	0.989

Table 4 shows that the latent variables of Programs 1, 2, 3, and Bank ABC's Reputation are highly reliable because they have Cronbach's alpha value of more than 0.7. The measurement model is good based on the four criteria above because it has met the validity and reliability requirements.

The structural model in SEM analysis is part of the SEM model that describes the relationship between latent variables, both causal and correlational relationships. The structural model is also called the inner model. To evaluate the inner model in this study, use the R-square value. The value shows how much the ability of exogenous latent variables to explain variations in endogenous variables. Based on the software results, the value of the endogenous latent variable corporate reputation is 78.3%. It means that the variability of endogenous variables can be explained by 78.3% of existing latent variables, while other variables outside the model explain the other 21.7%. Therefore, this model is good or moderate.

Bootstrap resampling is a very useful technique in SEM analysis for estimating the model's statistical accuracy and performing hypothesis testing. By repeating the sampling process from the original data, bootstrapping helps overcome the limitations of the distribution assumptions and provides more robust estimates. Using a significance level of $\alpha = 5\%$, t -table = 1.98, the t -statistic values are presented in Table 5, with Program 1 being Ini SekolahKu, Program 2 being Bank Sampah Saguling, and Program 3 being Sortir Lemon. The outer loading value of each indicator on its latent variable and the t statistic, which shows the significance

level at the $\alpha = 5\%$ confidence level. The t-statistic value of all indicators is greater than the t-table value, meaning that all indicators are significant.

Table 5. Inner Model Bootstrap Resampling

Hypothesis	Outer Loading	T-statistic	P-values	Information
Program1->Company Reputation	0.078	0.576	0.565	No Significant
Program2->Company Reputation	0.450	3.815	0.000	Significant
Program3->Company Reputation	0.390	4.091	0.000	Significant

The t-statistic value of the latent variable program 1 (This is My School) on Bank ABC's reputation is 0.576 less than the t-table of 1.98, and the p-value of 0.565 is greater than the alpha of 0.05. So, this effect is not significant. The t-statistic value of the latent variable program 2 (Bank Sampah Saguling) on Bank ABC's reputation is 3.815, greater than the t-table of 1.98. The p-value of 0.000 is smaller than alpha, which is 0.05. So, program 2's effect on reputation is significant, and the effect is 0.45. The t-statistic value of the latent variable program 3 (Sortir Lemon) on the reputation of Bank ABC is 4.091, greater than the t-table of 1.98, and the p-value of 0.000 is smaller than alpha, namely 0.05. The effect of Program 3 on reputation is significant, and the effect is 0.39. From the bootstrap results in Table 6, it was found that program variable 1 (Ini SekolahKu) is not significant to the company's reputation variable. Therefore, the Backward method is applied to refine and improve the model by eliminating insignificant variables iteratively.

Backward Elimination can assess the combined predictive ability of different variables because the process starts by including all variables in the model and eliminating unimportant ones at the beginning, leaving only the most important ones in the model.

Table 6. Backward Elimination

Hypothesis	Outer Loading	T-statistics	P-Value	Information
Program1->Company Reputation	0.502	6.248	0.000	Significant
Program2->Company Reputation	0.413	4.782	0.000	Significant

After the backward method, the best model with two variables, Program 2 and Program 3, has met the bootstrap hypothesis requirements, a p-value less than 0.05 and a t-statistic greater than 1.98.

4. Conclusion

After obtaining a model of exogenous latent variables that significantly affect endogenous latent variables, it can be interpreted that Program variable 2 (Bank Sampah Saguling) positively affects the ABC Bank Company Reputation with the biggest value of 0.502. Then, the Program 3 variable (Sortir Lemon) had a positive effect of 0.413 on Bank ABC's corporate reputation. The r-square value is obtained after removing the variables using the backward method. The r-square value is 0.783 or 78.3%, which means that the variation of Bank ABC's Reputation can be explained by 78.3% by the existing latent variables, while other variables outside the model explain the remaining 21.7%. In this study, it is necessary to add several other latent variables that affect corporate reputation, such as media coverage and other CSR programs. So, this research can be analyzed further. In addition, the assumptions in the best model have yet to be met, so it is recommended to use a method that can overcome or accommodate the assumptions that need to be met. In addition, Bank

ABC should be able to improve the implementation of CSR programs and reputation enhancement strategies to be better in the eyes of the public.

References

- Agassi, D. S., & Ulum, A. S. U. (2023). Determination of A Firm Value with CSR as a Moderation Variable. *Jurnal Manajemen dan Keuangan*, 12(1), 103-123.
- Azzahra, N., & Widiastuty, E. (2023). Peran Reputasi Perusahaan sebagai Pemediiasi pada Pengaruh Pengungkapan Website CSR terhadap Kinerja Bisnis Perusahaan. *Akurasi: Jurnal Studi Akuntansi dan Keuangan*, 6(1), 33-54.
- Battisti, E., Nirino, N., Leonidou, E., & Thrassou, A. (2022). Corporate venture capital and CSR performance: An extended resource based view's perspective. *Journal of Business Research*, 139, 1058-1066.
- Bennett, R., & Kottasz, R. (2000). Practitioner perceptions of corporate reputation: an empirical investigation. *Corporate communications: An international journal*, 5(4), 224-235.
- Bist, A. S. (2023). The importance of building a digital business startup in college. *Startupreneur Business Digital (SABDA Journal)*, 2(1), 31-42.
- Dewandaru, R. O., & Anggara, A. A. (2023). Analysis Effect of Corporate Social Responsibility on the Company Value in LQ45 Index. *Rivayat: Educational Journal of History and Humanities*, 6(3), 1648-1653.
- Elkington, J. (1997). *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*. Oxford: Capston.
- Fad, M. F. (2021). Revitalization of Fiqh Al-Bi'ah in the Implementation of Green Banking for Islamic Bank. *Journal of Islamic Economics Lariba*, 7(1), 11-24.
- Fauzi, A., & Manao, M. (2023). Faktor kebijakan kedisiplinan sumber daya manusia, corporate social responsibility "csr", peningkatan pemberdayaan sumber daya manusia dan tanggung jawab sosial terhadap kesejahteraan karyawan pada pt. Skm. *Jurnal Akuntansi Dan Manajemen Bisnis*, 3(2), 67-80.
- Fikri, I. I., & Cahyono, Y. T. (2023). The Effect of Good Corporate Governance and Disclosure of Corporate Social Responsibility on Company Value with Profitability as a Moderating Variable. *International Journal of Latest Research in Humanities and Social Science (IJLRHSS)*, 6(3), 221-230.
- Gopar, I. A. (2021). Formation of Civil Society Through CSR in Jababeka Industrial Estate Cikarang. *Journal of Research in Business, Economics, and Education*, 3(4), 96-106.
- Hardana, A., Utami, T. W., & Hasibuan, L. (2023). Accounting information in improving corporate values and responsibility to stakeholders in cement manufacturing companies in Indonesia. *Journal of Management Science (JMAS)*, 6(2), 233-231.
- Herbig, P., & Milewicz, J. (1993). The relationship of reputation and credibility to brand success. *Journal of consumer marketing*, 10(3), 18-24.
- Malini, H. (2022). Analyzing Good Corporate Governance and Corporate Social Responsibility of Church of Batak Karo Protestant Using Financial and Ethnographic Approaches. *Internasional Journal of Business and Society*, 23(3), 1516-1534.
- Matondang, R. A. S., Lumbanraja, P., & Siahaan, E. (2023). The Role Of Organizational Commitment In Mediating The Effect Of Employee Well-Being And Workload On Employee Performance: A Case Study Of ABC Company In Medan, Indonesia. *International Journal of Science, Technology & Management*, 4(5), 1310-1316.

- Mursyida, I., & Maulina, R. (2023). The Role of Internal Audit and Internal Control on the Quality of Financial Reports at PT. ABC. *Jurnal Ilmiah Manajemen Kesatuan*, 11(3), 695-702.
- Olimsar, F., Mambuhu, N., Sibua, N., Wahyuningsih, S., & Alfiana, A. (2023). Financial Performance Analysis Banking Company On the Indonesian Stock Exchange. *Kontigensi: Jurnal Ilmiah Manajemen*, 11(2), 598-602.
- Sahara, E., & Dalimunthe, I. P. (2023). Factors Influencing The Disclosure Of Islamic Social Reporting In Islamic Commercial Banks. *JPS (Jurnal Perbankan Syariah)*, 4(1), 1-19.
- Sari, A. K., Kesuma, S. A., & Muda, I. (2023). MSMEs Upgrade with the Concept of Green Accounting and Digitalization (Study Literature Review). *International Journal of Social Service and Research*, 3(3), 763-767.
- Siregar, R., Ritonga, P., & Sumitra, A. (2022). Professional Ethics and Responsibilities for Business Valuation, Business Ownership Interest, Security, or Intangible Assets in Pharmaceutical Companies. *Journal of Pharmaceutical Negative Results*, 1572-1576.
- Strauß, N., & van der Meer, T. G. (2017). News media coverage and initial public offerings in Germany: explaining flotation performance. *Corporate Communications: An International Journal*, 22(4), 523-541.
- Su'un, S. U. (2020). Influence of Good Governance Dimension to Corporate Social Responsibility and Value of Compony in State-Owned Enterprises Listed in Indonesia Stock Exchange. *IOSR Journal of Business and Management*, 22(8), 30-47.
- Tapang, A. T., & Bassey, B. E. (2017). Effect of corporate social responsibility performance on stakeholder's perception of telecommunication companies in Nigeria (a study of MTN, Globalcom & Etisalat). *Journal of Business and Management*, 19(6), 39-55.
- Usman, B., Afandy, C., & Kamaludin, K. (2022). The Value Relevance of Non-Financial Information to Firm Profitability: an Empirical Study on the Hypercompetitive Industry. *JDM (Jurnal Dinamika Manajemen)*, 13(2), 185-201.
- Widiati, E. (2022). The Effect of Intellectual Capital and Corporate Social Responsibility on Firm Value: Managerial Ownership as Moderating Variable. *Jurnal Ilmiah Manajemen, Ekonomi dan Akuntansi*, 2(2), 64-77.



Copyright: © 2024 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution-ShareAlike 4.0 International License (<https://creativecommons.org/licenses/by-sa/4.0/>).