

## Research Article

# The Effect of Corporate Social Responsibility (CSR) on Corporate Reputation and Brand Equity At Pt. Bank Aceh Syariah, Banda Aceh, Indonesia With Trust and Customer Satisfaction As Mediating Variables

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**Abstract:** The purpose of this study is to determine the effect of : (1) CSR on reputation (2) CSR on customer trust, (3) CSR on customer satisfaction (4) customer trust on reputation, (6) customer satisfaction on reputation (7) customer trust on brand equity (8) customer satisfaction on brand equity. Data analytical tool used is structural equation modeling (SEM) analysis of which supported by the Amos program. The results of the study show that all independent variables employed in research have a significant influence on dependent variable either directly or indirectly through intervening variable.

**Keywords:** CSR, Trust, Customer Satisfaction, Bank Reputation, and Brand Equity.

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## INTRODUCTION

In today's competitive market, a company cannot be separated from society as its external environment. In maintaining its existence, there is a reciprocal relationship between the company and the community. Companies and communities are life partners who give and need each other. The contribution and harmonization of both will determine the success of nation building. With the alignment between the benefits obtained by the company and giving contributions directly to the community and its environment, it is a check and balances mechanism between the company and the community. The idea of corporate social responsibility (CSR) or also known as the triple bottom line, namely profit (profit), people (human welfare) and planet (environment) is not a new idea starting with the industrial revolution. If the company applies the concept, there will be continuous development in the community. Conversely, if the company does not have this concept, food will be damaged.

Social responsibility or often referred to as Corporate Social Responsibility (hereinafter referred to as CSR) is an increasingly common issue in the

business world in Indonesia. This awareness of CSR can be seen from the increasing number of companies that disclose CSR issues in their annual financial reports and other press releases. In Indonesia the discourse on CSR began to emerge in 2001. But before this discourse surfaced there were many companies that carried out CSR and very few disclosed it in a report. This is possible because at that time there were no supporting facilities such as: reporting standards, skilled workers (both report compilers and auditors).

Consumers consider more than quality goods and services when choosing a brand. Many prioritize corporate social responsibility (CSR), and hold companies that are responsible for influencing social change with their business beliefs, practices and profits. In fact, some will even turn to their favorite companies if they believe they are not taking a stand for social and environmental problems.

Corporate responsibility is only a way for companies to be responsible for the social and environmental impacts of their business operations, said Jen Boynton, vice president of member involvement in 3BL Media. A strong CSR program is an opportunity

for companies to demonstrate their good corporate citizenship and protect the company from big risks by looking at the entire social and environmental environment that surrounds the company.

To illustrate how important CSR is, the 2017 study by Cone Communications found that more than 60 percent of Americans hoped that business would encourage social and environmental change without government regulations. Most consumers surveyed (87 percent) said they would buy products because the company supported the problems they cared about. More importantly, a whopping 76 percent will refuse to buy from the company if they learn to support problems that conflict with their own beliefs.

"CSR creates a filter for corporate actions. It makes the organization accountable and ethical towards the environment and society.

Susan Cooney, head of global diversity, equity and inclusion at Symantec, said that the company's CSR strategy is a big factor where top talent currently chooses to work.

The next generation of workers is looking for employers who focus on the triple bottom line: people, planet, and income. Out of recession, the company's income is getting stronger. Companies are encouraged to include increased profits into programs that give back.

The CSR program is a program for the purpose of interest and to pay attention to the benefits for many people and not for the sake of the company alone. CSR is useful for companies to implement imaging strategies in the community. The concept of CSR is closely related to sustainable development. According to Lesmana (2006), CSR is "the ultimate level towards sustainability of development", which means the level towards sustainable development. The concept of sustainability development, demands of stakeholders and government support related to the implementation of CSR are well responded by Indonesian companies, especially large companies.

A brand that is able to provide quality assurance and comes from a company that has a reputation, consumers will trust their choice and consumers will have confidence in the brand, like the brand, and consider the brand as the best choice. The results of the study relate to customer confidence carried out by Muhammad Ali, Permana Honeyta Lubis, Sorayanti Utami, (2018) which states that Bank BNI's customer trust has an impact on customer satisfaction.

The results of Bambang's research, A. Rahman Lubis and Nurdasila Darsono (2018) state that brand

image has an influence on brand love and loyalty of the Gayo Aceh Coffee brand PT. Oro Gayo Coffee.

Then a study was also conducted by Prasetya (2010) which states that CSR significantly influences the company's image and makes a brand more famous and remembered by the community that can form an emotional bond in his mind. The tendency can be used as a reference because of the importance of implementing CSR programs in companies and increasing corporate reputation, although not all CSR programs implemented by companies successfully increase their brand equity.

Then another study conducted by A. Rahman Lubis, (2016) relating to brand image and trust proves that brand image and trust have an impact on satisfaction and have an impact on the capital market in Aceh.

## LITERATURE REVIEW

### Corporate Social Responsibility

The movement is intended to encourage companies to be more aware of the impact of their business on other communities, including stakeholders and their own environment. Corporate social responsibility (CSR) is a business approach that contributes to sustainable development by providing economic, social and environmental benefits to all stakeholders.

CSR is a concept with many definitions and practices. This method is understood and implemented very differently for each company and country. In addition, CSR is a very broad concept that addresses many and various topics such as human rights, corporate governance, health and safety, environmental effects, working conditions and contributions to economic development. Whatever the definition, the goal of CSR is to drive change towards sustainability.

Although some companies can achieve extraordinary efforts with unique CSR initiatives, it is difficult to be at the forefront in all aspects of CSR. Considering this, the example below provides good practice in one aspect of CSR - environmental sustainability.

### Customer Trust

In a study conducted by brother Suhardi, (2006) trust is translated as a response to the ability of some opinions of people who feel and have experience, or more on transactions and interactions that must be met. It has been considered as an important aspect in various transactions between sellers and buyers so that customer satisfaction can be realized as expected (Yousafzai *et al.*, 2003). It has an important role in the fabric of long-term relationships between customers and companies, especially those that include customer trust regarding quality, reliability, integrity and services

delivered by the company (Morgan and Hunt, 1994). So that it can be concluded that customer trust is the willingness of one party to accept the risk from the other party based on the belief and hope that the other party will take action as expected, even though both parties do not know each other.

### **Customer Satisfaction**

According to Kotler and Keller (2011) satisfaction is a feeling of pleasure or disappointment that arises because someone compares the performance of a product or service that is perceived to their expectations. Consumer dissatisfaction with products or services tends to change their attitude to switch from the product or service.

It is an evaluation of the overall customer experience with the product or service provided by the company (Anderson & Sullivan 1993). When customer expectations have exceeded, fulfilled or not met, then we can measure the level of customer satisfaction. Satisfaction is the consumer's perception of purchasing from the difference between expected value and transaction acceptance (Mbuthia 2015). Zeithaml and Bitner (2000) define customer satisfaction as an evaluation of customers of products or services in terms of whether the product or service has met their needs and expectations. After making a purchase consumers evaluate the entire product or service whether they are satisfied or not satisfied. In the context of services, Asuncion *et al.* (2004) concluded that customer satisfaction is a key factor that influences customer loyalty.

### **Company Reputation**

The company's reputation as a collection of perceptions and beliefs of the past and present based on the stakeholders of the company (consumers, suppliers, business partners, employees, investors and others). In addition, a good reputation will also affect the satisfaction of customers and employees of the company itself, increase customer loyalty and increase company growth and long-term company survival (Davies, 2003). In other word, it is the perception of internal and external stakeholders of the organization, and how companies will be able to provide goals and objectives based on their past reputation.

The reputation of the company's reputation according to Harris-Fomburn (2013) is a comprehensive measurement of company reputation specifically created to capture the perceptions of corporate stakeholder groups such as shareholders, investors, customers, creditors, etc. This instrument allows research on the driver's reputation of the company. It also helps in comparing reputations both within and across industries.

The company's reputation affects the way in which various stakeholders behave towards the

organization, influencing, for example, employee retention, customer satisfaction and customer loyalty. Not surprisingly, the CEO sees the company's reputation as a valuable intangible asset (Institute of Directors 1999). A favorable reputation encourages shareholders to invest in the company; it attracts good staff, retains customers (Markham 1972) and correlates with superior overall returns (Robert and Dowling 1997; Vergin and Qoronfleh 1998). However, many of these claims have been challenged as anecdotal or based on a flawed measure of reputation or unclear conceptualization of reputation. There are a number of problems here that are relevant for academics working in the developing field of reputation studies. The company's reputation is still relatively new as an academic subject. This becomes a paradigm in itself, a coherent way of looking at organization and business performance, but is still abused by its origins in a number of separate disciplines.

### **Brand Equity**

Some well-known works in the literature try to define the term "brand equity" as a set of assets and obligations associated with a brand, including their names and symbols, which can impose beneficial or detrimental effects on values arising from products or services (Aaker, 1991; Yasin *et al.*, 2007).

Added to this, Keller (1998) shows that brand equity signifies a marketing effect that is unique to the brand. Thus regarding the positive side of brand equity, it occurs when consumers are willing to pay more for the same level of quality simply because of the attractiveness of the name inherent in the product (Bello and Holbrook, 1995). However, brand equity can be destroyed if it is not managed properly. Because, poor product quality and customer service can have a negative impact on brand image, resulting in a reduction in sales volume.

Murphy (1998) discusses one classic example of brands as a kind of equity and the imposition of laws to protect intellectual property, his study provides a more complex argument that in countries with an established legal system, brand values have been recognized for consumers and producers. To combat piracy, many countries have enacted laws to protect trademarks, patents, designs, and copyrights. In addition, the brand is also a product that can be traded with financial value that can be measured.

## **RESEARCH METHODS**

### **Location and Object of Research**

This research takes place in Banda Aceh and the objects are social responsibility, customer trust, customer satisfaction, company reputation and brand equity.

### Research Population and Samples

The design in this research model is included in the type of quantitative descriptive research. Descriptive research is a type of research that describes the characteristics of objects, people, groups, organizations, or environments and tries to describe certain situations (Zikmund W.G., Babin, B. J., Carr, J. C., Griffin, M., 2013). In this study, a quantitative approach was used with the survey method. Data collection relates to social responsibility to company reputation and brand equity where customer trust and customer satisfaction are mediated by distributing questionnaires to respondents, with 240 respondents.

### Data Analytical Tool

After collecting data, it is to analyze this data by using methods that can help process, analyze and interpret data. The method of data analysis is the method used to process the results of the investigation to obtain conclusions.

By looking at the theoretical framework, the data analysis technique used in this study is quantitative analysis using the SEM model (Structural Equation Model) or AMOS and SPSS programs for descriptive analysis. SEM may be described as an analysis that approaches factor analysis (factor analysis), structure model (structure model), and route analysis (route analysis). Ghozali (2011), SEM is a combination of separate statistical methods, namely factor analysis (factor analysis) and simultaneous equations.

## RESULTS AND DISCUSSIONS

### Effect of CSR on Bank's Customer Trust

The effect of CSR on customer trust obtained a CR value of 3.570 and a significance level of  $\alpha = 5$  of 0,000. Because it can be concluded that CSR at the Bank has an effect on increasing customer confidence. The magnitude of the effect of CSR on job satisfaction is 0.282 or 28.2%. This indicates that the better CSR at Bank will provide a positive and tangible influence on increasing customer confidence at the agency in the future.

### Effect of CSR on Bank's Customer Satisfaction

The influence of organizational commitment on customer satisfaction obtained a CR value of 3.556 with a significance level of  $\alpha = 5$  of 0.0001. Because it can be concluded that CSR at Bank has an effect on increasing customer satisfaction in services. The magnitude of the effect of CSR on customer satisfaction is 0.320 or 32.0%. This indicates that the more frequent CSR programs are carried out, the more customer satisfaction will be increased.

### The Effect of CSR on the Bank Reputation

The effect of CSR on the reputation of the company obtained a CR value of 3.289 with a significance level of  $\alpha = 5$  of 0.0001. Thus it can be concluded that CSR will have an influence on the Bank

Syariah's reputation in the eyes of its customers. The magnitude of the effect of workload on job satisfaction is 0.250 or 25.0%. This indicates that the existence of a CSR program will enhance the reputation of the in the Acehnese community.

### Effect of CSR on Brand Equity

The effect of CSR on brand equity is obtained by the CR value of 2.161 with a significance level of  $\alpha = 5$  at the level of 0.0001. Therefore, it can be concluded that CSR will have an influence on the brand equity of the company to be more easily remembered by customers. The magnitude of the effect of CSR on brand equity is 0.188 or 18.8%.

### Influence of Customer Trust on Bank Reputation

The influence of customer trust on the reputation of the company obtained a CR value of 4.962 with a significance level of  $\alpha = 5$  of 0,0001. Thus it can be concluded that customer trust in PT. Bank Aceh Syariah has an effect on the reputation of the Bank to be better in the eyes of its customers. The magnitude of the influence of organizational commitment on work engagement is 0.392 or 39.2%.

### Influence of Customer Trust on Bank Brand Equity

The effect of customer trust on brand equity is obtained by CR value of 3.130 with a significance level of  $\alpha = 5$  of 0.0001. Thus it can be concluded that customer trust in PT. Bank Aceh Syariah has an influence on increasing of Bank Syariah brand equity. The effect of organizational commitment on work engagement is 0.216 or 21.6%.

### Effect of Customer Satisfaction on Bank Reputation

The influence of the customer's papacy on the reputation of the company obtained a CR value of 2.352 with a significance level of  $\alpha = 5$  of 0.0001. Thus it can be concluded that customer satisfaction has an influence on improving the reputation of companies. The effect of organizational commitment on work engagement is 0.247 or 24.7%.

### Effect of Customer Satisfaction on Bank Brand Equity

The influence of customer papacy on brand equity obtained a CR value of 2,200 with a significance level of  $\alpha = 5$  of 0,0001. Thus it can be concluded that customer satisfaction has an influence on increasing Bank brand equity. The magnitude of the influence of organizational commitment on work engagement is 0.165 or 16.5%.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

1. Corporate Social Responsibility has an influence on reputation.
2. CSR has an influence on customer trust
3. CSR has an influence on customer satisfaction
4. Customer trust has an influence on bank reputation

5. Customer satisfaction has an influence on bank reputation.
6. Customer trust has an influence on bank brand equity.
7. Customer satisfaction has an influence on bank brand equity.

### Recommendations

1. In order to overcome bank's concern for the environment, it is expected that the CSR program carried out by the bank needs to pay attention to and ensure that it is able to maintain a conducive business environment in the community.
2. Based on customer trust, what needs to be considered is that the Bank must be able to improve services in accordance with customer expectations.
3. Regarding the customer satisfaction, the bank should offer similar services to all customers.
4. To improve the company's reputation, what needs to be considered is that the bank must have a logo, color, vision and mission that is different from other banks, so that customers are easy to remember.
5. As for brand equity, what needs to be paid attention to is that it has to be able to provide education to customers. It is expected that being a customer of Bank Aceh Syariah is a matter of pride and also uses products that are maintained by the Bank

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