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The influence of corporate social responsibility and customer satisfaction on customer loyalty at Bank Central Asia in Indonesia

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Abstract. Corporate Social Responsibility (CSR) activities in Indonesia are currently increasing in various industries, including the hospitality industry. Bank BCA is one of the companies that carry out Corporate Social Responsibility (CSR) activities on the environment, economy, and society. This study aims to determine the effect of Corporate Social Responsibility (CSR) activities and customer satisfaction on customer loyalty at Bank Central Asia (BCA) Bank in Indonesia. This research is included in quantitative research and is included in causal research. This study has 3 variables including Corporate Social Responsibility (CSR) activities, customer satisfaction, and customer loyalty. This study uses a sample of 150 respondents who are customers of BCA Bank with a sampling technique that is non-probability sampling. The data obtained in this study will be processed with Structural Equation Modeling (SEM) techniques through SPSS and AMOS software. Based on the results of this study, shows that Corporate Social Responsibility (CSR) activities have a positive effect on customer satisfaction at BCA Bank, Corporate Social Responsibility (CSR) activities have a positive effect on customer loyalty at BCA Bank and customer satisfaction has positive effect on customer loyalty at BCA Bank.

Keywords: corporate social responsibility (csr) activities, customer satisfaction, customer loyalty

Introduction

Today, customers increasingly understand environmental issues and pay attention to the actions taken by companies in various industries (Sharma, 2019). Customers' views on a company's Corporate Social Responsibility (CSR) activities can attract attention and increase their loyalty to the company. This can certainly have a good impact on company profits. Durst and Zieba (2020) revealed that companies that pay attention to the sustainability of their companies can continuously gain attention from the surrounding people. Several companies in Indonesia are starting to realize the importance of taking social responsibility. Companies carry out social responsibility based on making a good view of the company. Based on the awards made by The Iconomics, currently, companies in Indonesia from various sectors such as insurance, pharmaceuticals, banks, and construction have an awareness of CSR and are future-oriented.

Based on data from Bank Indonesia (BI), it was explained that there was an increase in domestic demand, such as high household consumption which grew by 5.23% (YoY). This was due to the improving income of the Indonesian people. Indonesia's positive economic growth is also caused by the growth of Indonesian tourism which is a major contributor to the country's foreign exchange. In improving the Indonesian economy, banks also have a role in ensuring smooth financial circulation based on regulations set by the state (Bank Indonesia, 2023). CSR activities in the banking industry can influence customers' views of the bank, resulting in the formation of customer loyalty. Several previous studies have examined the effect of CSR activities and customer satisfaction on customer loyalty in the banking industry, including (Al-Ghamdi & Badawi, 2019; Prashella et al., 2021; Faqihudin et al., 2020).

Research conducted by Al-Ghamdi and Badawi (2019) describes the effect of CSR activities on customer satisfaction and customer loyalty in the banking sector in Saudi Arabia. The purpose of this research is to help companies develop their strategies for increasing customer satisfaction and loyalty. The variables used in this study include CSR activities, customer satisfaction, and customer loyalty. This study shows that CSR activities have a significant positive effect on customer satisfaction (CS) and customer loyalty (CL), and customer satisfaction (CS) has a significant positive effect on customer loyalty (CL).

Research conducted by Prashella et al. (2021) describes the effect of CSR programs on customer loyalty mediated by service quality, trust, and electronic service quality in Indonesia. The purpose of this research is to prove that the banking sector does not only pursue profits but also conducts CSR programs as a form of sustainability concern. The variables used in this study are CSR, electronic service quality (E-SQ), trust, customer satisfaction (CS), and customer loyalty (CL). This study shows that CSR has an insignificant relationship to customer loyalty (CL) but has a significant positive effect on electronic service quality, trust, and customer satisfaction (CS). Electronic service quality and trust have an insignificant relationship to customer loyalty (CL) but customer satisfaction (CS) has a significant positive effect on customer loyalty (CL). CSR has a significant positive effect on customer loyalty (CL) when mediated by electronic service quality, trust, and customer satisfaction.

Faqihudin et al. (2020) examined the effect of customer views on CSR activities on customer loyalty. The purpose of this research is to review the application of CSR, and corporate image to customer satisfaction at one of the banks in Jayapura, namely Bank Rakyat Indonesia, in increasing competitiveness in the banking market. The variables used in this study are CSR, corporate image, customer satisfaction, and customer loyalty. This study shows that CSR and Corporate Image (CI) have a positive and significant effect on customer loyalty (CL), while customer satisfaction (CS) has an insignificant effect on customer loyalty (CL).

One of the business magazines from the United States, Forbes, ranked some of the best banks in Indonesia in 2023, including BCA, DBS Bank, Bank Jago, Bank Mandiri, United Overseas Bank, BCA Syariah, BNI, BSI, Bank Neo Commerce (BNC), and BRI (Annur, 2023a). The ranking is based on the results of customer surveys in 32 countries with several indicators such as customer service to customer satisfaction. The ranking shows that BCA is ranked first and can become the only private banking company to enter the global list in 2023 according to Forbes (Darmawan, 2023).

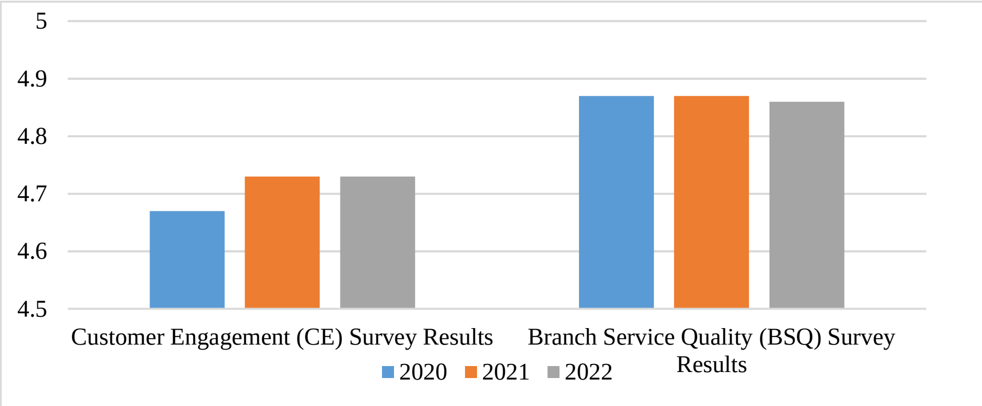

Figure 1. Graph of BCA Customer Satisfaction Survey Results (Source: Sustainability Report PT Bank Central Asia Tbk, 2022)

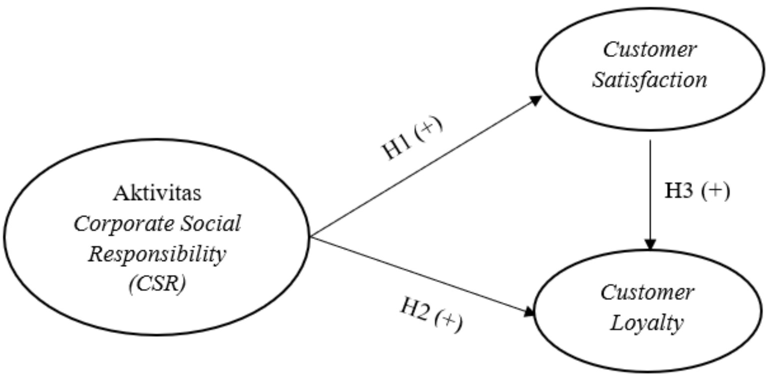

Figure 2. Research Model (Source: Al-Ghamdi & Badawi (2019))

BCA also conducts sustainability activities through Corporate Social Responsibility (CSR) in the environmental, economic, and social fields. Based on the Customer Engagement survey results, in 2022 BCA was able to maintain the same score from the previous year on a scale of 5. Based on the Branch Service Quality (BSQ) survey in 2022, BCA Bank was at 4.86 on a scale of 5. BCA Bank's customer loyalty is seen through an increase in the number of customers by 21.7% in 2022 (see Figure 1). Based on the results of the BAIN & COMPANY survey, shows that Bank BCA has the highest customer loyalty when compared to other banks. Therefore, researchers are interested in conducting research related to the influence of CSR activities and customer satisfaction on customer loyalty at BCA Bank, especially those in the city of Surabaya. With this explanation, the hypothesis proposed is (Figure 2):

H1. Corporate Social Responsibility (CSR) activities positively affect customer satisfaction.

H2. Corporate Social Responsibility (CSR) activities positively affect customer loyalty.

H3. Customer satisfaction positively affect customer loyalty.

Research Methodology

This research is a causal basic research, aiming to prove the cause-and-effect relationship between Corporate Social Responsibility (CSR) activities with customer loyalty and customer satisfaction. This research uses a quantitative approach with Structural Equation Modeling (SEM) analysis techniques, which will be processed using IBM SPSS Statistics 27 and Amos 26 software. The research population consists of BCA Bank customers with the following characteristics:

1. At least 17 years old
2. Is a BCA bank customer
3. Have a minimum high school education or equivalent
4. Aware of Bank BCA's CSR activities, and is an Indonesian citizen.

The sampling technique used is purposive sampling, which selects samples based on predetermined characteristics to suit the research objectives (Paramita et al., 2021: 64). According to Hair et al. (2014: 574), research with ≤ 5 construct variables requires a minimum of 100 respondents. Therefore, this study will involve 150 respondents to support the analysis.

Findings

This study used 150 respondents who are BCA Bank customers. Table 1 shows descriptive data of respondents who have met the criteria in this study.

Table 1. Respondent Demographics

Age	Number of Respondents	Percentage (%)
17-25 years old	131	87,3
26-35 years old	14	9,3
36-45 years old	3	2
≥ 46 years old	2	1,3
Total	150	100
Gender		
Men	56	37,3
Women	94	62,7
Total	150	100
Last Education		

High School/ Equivalent	102	68
Bachelor (S1)	45	30
Master (S2)	3	2
Total	150	100
Type of Work		
Student	110	73,3
Private Employee	26	17,3
Public Servant	1	0,7
Housewife	4	2,7
Self-employed	9	6
Total	150	100
Income Per Month		
≤Rp2,000,000	59	39,3
>Rp2,000,000 - Rp5,000,000	63	42
>Rp5,000,000 - Rp8,000,000	19	12,7
>Rp8,000,000 - Rp10,000,000	2	1,3
>Rp10,000,000	7	4,7
Total	150	100

Testing the validity and reliability of the instrument is done using the measurement model. Calculation of validity and reliability using standardized loading (λ), average variance extracted (AVE), and construct reliability (CR). The standardized loading (λ) criterion is ≥ 0.5; AVE is ≥ 0.5; and CR is ≥ 0.7. Based on Table 2, standardized loading (λ), AVE and CR meet the cut-off criteria, making the instrument valid and reliable.

Table 2. Standardized Loadings, AVE, and CR values for each variable

Variables	Indicator	Standardized Loading (**λ**)	AVE	CR	Description
CSR	CSR1	0,877	0,640	0,876	Valid and reliable
	CSR2	0,747			Valid and reliable
	CSR3	0,806			Valid and reliable
	CSR4	0,764			Valid and reliable

Variables	Indicator	Standardized Loading (λ)	AVE	CR	Description
CS	CS1	0,801	0,702	0,904	Valid and reliable
	CS2	0,835			Valid and reliable
	CS3	0,880			Valid and reliable
	CS4	0,833			Valid and reliable
CL	CL1	0,742	0,653	0,848	Valid and reliable
	CL2	0,899			Valid and reliable
	CL3	0,774			Valid and reliable

After testing the measurement model, Structural Equation Modeling (SEM) testing was conducted to assess the goodness of fit (GoF) model. Table 3 shows that the CMIN/DF value is 1.242, RMSEA is 0.040, GFI is 0.945, CFI is 0.991, and TLI is 0.988; all are classified in the good fit category.

Table 3. SEM Structural Model Goodness of Fit Test Results

No.	Goodness of Fit	Criteria	Results	Description
1.	CMIN/DF	≤3	1,242	Good Fit
2.	RMSEA	≤0,08	0,040	Good Fit
3.	GFI	Marginal Fit (0.8-0.9) Good Fit (>0,9)	0,945	Good Fit
4.	CFI		0,991	Good Fit
5.	TLI		0,988	Good Fit

Furthermore, hypothesis testing is carried out to prove the hypothesis that has been formed. The hypothesis can be said to be supported when the test results have a significance value which can be seen through the |C.R.| value ≥ 1.96 and the p-value is smaller than ≤0.05. Based on Table 4, it shows that all hypotheses are supported.

Table 4. Hypothesis Test Results

Hypothesis	Influence	Standardized Estimate	Critical Ratio	P-Value	Description
H1 (+)	CSR Activities → CS	0,883	9,347	***	Supported Hypothesis
H2 (+)	CSR Activities → CL	0,475	2,577	0,010*	Supported Hypothesis
H3 (+)	CS → CL	0,372	2,091	0,037*	Supported Hypothesis

*** = significant with p-value <0.001
*= significant with p-value <0.05

Table 4 shows that hypothesis 1 is supported because it has the same direction of influence as the hypothesis which can be seen through the standardized estimate value, then has a critical ratio value of 9.347 so that it is greater than 1.96 and a p-value of 0.001 (***). The results of this study are supported by the results of research conducted by Al-Ghamdi & Badawi (2019) which states that a company that carries out Corporate Social Responsibility (CSR) activities will form satisfaction for customers in the long term. This shows that when customer satisfaction is formed, it will allow the customer to continue to use the goods or services provided by the banking company. The results of this study are also supported by research conducted by Zulu-Chisanga (2019) explaining that Corporate Social Responsibility (CSR) carried out by banks can increase customer satisfaction.

Then hypothesis 2 is declared supported because it has the same direction of influence as the hypothesis which can be seen through the standardized estimate value, then has a critical ratio value of 2.577 so that it is greater than 1.96 and a p-value of 0.010 *. The results of this study are supported by the results of research conducted by Al-Ghamdi and Badawi (2019) which states that Corporate Social Responsibility (CSR) activities carried out by a company can be considered positive by customers so that they can form their loyalty to the company. This shows that the existence of Corporate Social Responsibility (CSR) activities carried out by the company will encourage customers to establish a close relationship with the company in the future. The results of this study are also supported by research conducted by Faqihudin et al. (2020) which explains that Corporate Social Responsibility (CSR) carried out by banks that are considered good by customers will increase the number of transactions as a form of customer loyalty to banking companies.

Hypothesis 3 is stated to be supported because it has the same direction of influence as the hypothesis which can be seen through the standardized estimate value, then has a critical ratio value of 2.091 so that it is greater than 1.96 and a p-value of 0.037 *. The results of this study are supported by the results of research conducted by Al-Ghamdi and Badawi (2019) which states that customer satisfaction can shape and direct high customer loyalty to the company. This shows that customer satisfaction will encourage these customers to be loyal to a bank. Forms of customer loyalty or loyalty can take the form of making recommendations and speaking positively about banks to others. Then this research is also supported by research conducted by Abror et al. (2020) states that the satisfaction formed in customers will affect their loyalty to banks such as increasing the number of transactions and making bank recommendations to others.

Overall, the research findings show that all the hypotheses tested in this study are supported. The first hypothesis indicates that Corporate Social Responsibility (CSR) carried out by companies can shape customer satisfaction, which supports the long-term use of the company's products or services. This finding aligns with the research by (Al-Ghamdi & Badawi, 2019; Zulu-Chisanga, 2019). The second hypothesis states that positive CSR can build customer loyalty, encouraging a closer relationship with the company. This is supported by the research of (Al-Ghamdi & Badawi, 2019; Faqihudin et al., 2020). The third hypothesis suggests that customer satisfaction can enhance their loyalty to the bank, including an increase in transactions and bank recommendations to others. This finding is supported by (Al-Ghamdi & Badawi, 2019, Abror et al., 2020).

Conclusions

Based on the results of the data analysis, this study supports the three hypotheses proposed. There is a positive relationship between Corporate Social Responsibility (CSR) activities and customer satisfaction, indicating that CSR activities, such as donations, cultural and natural preservation, and scholarships, can meet customer expectations and create satisfaction. The effect of CSR activities on customer loyalty shows that BCA's social responsibility activities can strengthen customers' positive views of the bank, thus building high loyalty. The results of this study also confirm that customer satisfaction has an influence on loyalty, where the satisfaction that customers get from evaluating the expectations and reality of BCA Bank services increases their likelihood of making more transactions and recommending the bank to others. Therefore, Bank BCA needs to maintain and improve its CSR activities to strengthen customer loyalty. Some recommended CSR activities include scholarships, donations to orphanages and nursing homes, and the establishment of a safety program for employees. Given the limitations of this study in terms of objects and variables, future research is expected to expand the scope of objects and variables studied.

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