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RESEARCH ARTICLE

# The Effectiveness of CSR Programs in Banking Companies in Banda Aceh in Increasing Customer Loyalty

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## Abstract

Corporate Social Responsibility (CSR) is a crucial strategy employed by financial institutions to enhance client connections. This study seeks to evaluate the efficacy of CSR initiatives executed by banking institutions in Banda Aceh in enhancing customer loyalty. The employed research method is a quantitative approach utilizing a survey design. Data were gathered via questionnaires administered to 50 respondents, comprising bank customers who have engaged with the CSR initiative. The analytical method employed linear regression to examine the correlation between customer perceptions of CSR and customer loyalty. The findings indicated that CSR initiatives substantially impact customer loyalty. Elements of CSR encompassing social responsibility towards society, environmental stewardship, and business ethics have been demonstrated to enhance customers' favorable opinions of the company. Respondents expressed significant gratitude for CSR projects in education and health. The findings also reveal that customer loyalty is not just driven by service quality, but also by a company's commitment to social and environmental sustainability. This study concludes that strategically relevant CSR programs can effectively enhance consumer loyalty. Banking enterprises in Banda Aceh are recommended to continue strengthening CSR initiatives with a sustainable and participatory approach, in order to produce greater social impact and preserve consumer trust and loyalty.

## Keywords

Corporate Social Responsibility, Customer Loyalty, Banking Company, Banda Aceh, Program Effectiveness

# 1 | INTRODUCTION

Corporate Social Responsibility (CSR) has become a crucial factor for organizations, notably in the banking sector, in developing connections with stakeholders, including customers. The concept of CSR represents a company's obligation to society and the wider environment, beyond simply attaining financial returns. Kotler and Lee (2005) describe CSR as a firm's commitment to promote the welfare of society through excellent business practices and the contribution of company resources. In the context of banking, CSR is an effort to improve the company's image and promote customer loyalty, which in turn can create a long-term competitive advantage (Carroll & Shabana, 2010). The value of CSR in fostering consumer loyalty is validated by several prior research. According to Singh et al. (2012), firm involvement in CSR programs can build positive opinions of brands among customers. This arises because customers prefer to admire organizations that show dedication to social responsibility. In addition, Sen and Bhattacharya (2001) discovered that customer views of CSR programs that are related to the needs of society might boost customers' emotional attachment to the company. In the case of banking organizations, CSR programs that focus on education, health, and community development are regarded to have a major impact on customer loyalty (Fatma et al., 2015). In Indonesia, the implementation of CSR has been regulated under Law No. 40/2007 on Limited Liability corporations, which mandates corporations to adopt social and environmental duties. As one of the sectors that contribute considerably to the national economy, banking has a key role in supporting societal sustainability through CSR efforts. In Banda Aceh, financial companies aggressively launched CSR activities, especially after the 2004 tsunami disaster. These activities were aimed to help economic recovery, expand access to education and strengthen the social resilience of the community. However, the effectiveness of various CSR activities in increasing customer loyalty still requires in-depth examination. The theoretical framework of this study is based on the triple bottom line idea established by Elkington (1997), which highlights the significance of a balance between profit, people, and planet in running a corporation. In the framework of CSR, organizations that combine economic, social, and environmental objectives in their business strategy are believed to be able to produce better additional value for customers. Customer loyalty, as defined by Oliver (1999), is a profound commitment to repurchase a company's products or services in the future, notwithstanding the influence of situations and marketing efforts from competitors. This devotion is not only based on the quality of the product or service, but also on the emotional link that grows between the customer and the company. This research also alludes to the stakeholder theory proposed by Freeman (1984), which asserts that corporations should pay attention to the interests of all stakeholders, including customers, communities, employees, and shareholders. In the context of CSR, attention to the needs of local communities through relevant initiatives can boost customer trust and loyalty to the company (Ghosh, 2018). In other words, the success of CSR is not only judged by its influence on society, but also by its contribution to enhanced consumer loyalty and corporate sustainability. One of the primary issues in implementing CSR is to guarantee that the programs launched are in line with the requirements of the community and are able to generate a substantial impact. According to Porter and Kramer (2006), effective CSR must be geared towards shared value, i.e. producing shared value between the organization and the community. In this situation, CSR initiatives are not only a form of social responsibility, but also a strategy to improve ties with customers and support the company's economic goals. This research focuses on banking companies in Banda Aceh since the location has distinctive characteristics, notably in terms of the social and economic demands of the post-tsunami society. As the economic heart of Aceh Province, Banda Aceh has a dynamic business ecosystem with significant competition among financial companies. In this context, CSR becomes one of the major techniques to attract and keep customers. CSR programs performed by banking firms in Banda Aceh encompass numerous topics, including as education, health, skills training, and environmental preservation. However, the success of these programs in developing consumer loyalty is still a crucial subject to be solved. This study intends to solve the knowledge gap linked to the effectiveness of CSR programs in banking organizations in Banda Aceh. Using a quantitative approach, this study will evaluate the relationship between customer views of CSR programs and customer loyalty. The outcomes of this study are expected to provide theoretical and practical contributions to the development of CSR initiatives in the banking sector, especially in Banda Aceh. In addition, this study also intends to provide recommendations to banking organizations regarding the design and implementation of more effective CSR initiatives. By understanding how customers' perceptions of CSR affect their loyalty, firms may build programs that not only have a good impact on society, but also strengthen long-term connections with customers. This is especially critical in an increasingly competitive corporate climate, where client loyalty is one of the primary success determinants.

# 2 | LITERATURE REVIEW

In this part, the fundamental theories that provide the conceptual framework for research on the effectiveness of Corporate Social Responsibility (CSR) programs in banking organizations in Banda Aceh in promoting customer loyalty are explained. The theoretical framework comprises the definition of CSR, the concept of customer loyalty, and the relationship between CSR and consumer loyalty.

**Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) refers to a company's commitment to engage in activities that give social, economic, and environmental benefits to society (Kotler & Lee, 2005). CSR is not just a legal responsibility but also part of a company's strategy to generate a good influence on stakeholders. Carroll (1991) created a social responsibility pyramid that contains four levels:

a. Economic Responsibility, i.e. creating revenues and sustaining the sustainability of the company.
b. Legal Responsibility, i.e. compliance with rules and regulations.
c. Ethical Responsibility, i.e. acting in conformity with moral and ethical norms.
d. Philanthropic Responsibility, which is a voluntary contribution to improve the welfare of society.

In the banking sector, CSR is commonly represented in charitable programs, such as support for education, health, community empowerment, and environmental preservation. The application of CSR, if managed correctly, can give extra value to the firm (Porter & Kramer, 2006).

**Customer Loyalty**

Customer loyalty is defined by Oliver (1999) as a profound commitment from customers to repurchase specific items or services continuously, despite situational influences or marketing attempts from competitors. Customer loyalty covers two key dimensions, namely:

a. Attitudinal Loyalty
   Customers have positive impressions of the company that influence their decision to remain loyal.
b. Behavioral Loyalty
   Customers display repeated actions, such as using the company's products or services on an ongoing basis.

Factors that influence client loyalty include service quality, price, customer experience, and emotional connection with the organization. In the context of CSR, this emotional connection can be strengthened by positive perceptions of the company's efforts to make social contributions.

**Relationship between CSR and Customer Loyalty**

Previous study demonstrates that well-designed CSR initiatives can boost consumer loyalty (Singh et al., 2012; Fatma et al., 2015). According to Sen and Bhattacharya (2001), customers who regard corporations as socially responsible entities are more likely to feel emotionally linked and display long-term loyalty. Porter and Kramer (2006) proposed the notion of shared value, claiming that successful CSR programs not only provide social benefits but also strengthen a company's competitive edge. In the context of banking, CSR activities that are relevant to the needs of society can boost the company's image, customer trust, and loyalty. Fatma et al. (2015) stressed the importance of the following components in determining the impact of CSR on consumer loyalty:

a. CSR Program Relevance
   The program must meet the needs and expectations of the community.
b. CSR Communication
   Companies must be able to convey CSR programs transparently to customers.
c. CSR Program Impact
   The program must have a concrete impact that can be felt by the community.

**Stakeholder Theory**

Freeman (1984) established a stakeholder theory that emphasizes that corporations have duties to numerous groups, including customers, communities, employees, governments, and shareholders. In the framework of CSR, attention to the needs and expectations of the community as one of the stakeholder groups can boost the company's relationship with customers. Stakeholder theory provides an important foundation for corporations to recognize that the effectiveness of CSR initiatives is not only judged by their social impact, but also by how they enhance relationships with customers and inspire their loyalty (Ghosh, 2018).

**Triple Bottom Line Theory**

The triple bottom line idea established by Elkington (1997) is an important foundation for CSR implementation. This approach emphasizes that firms must strike a balance between three aspects:

a. Profit: Economic profit for the company.
b. People: Positive contribution to society.
c. Planet: Preservation of the environment.

In the context of banking in Banda Aceh, CSR programs that are linked with this philosophy can assist enterprises develop sustainable added value, both for society and for the company it self.

**CSR Effectiveness in the Context of Banking in Banda Aceh**

In the case of banking organizations in Banda Aceh, CSR effectiveness can be judged based on consumer perceptions of the social programs performed. Some of the elements that influence these perceptions include the quality of the CSR program, its relevance to local needs, and how the company promotes the program to the community. In conclusion, this theoretical basis provides a conceptual framework to study the relationship between CSR implementation and customer loyalty in the banking sector. By understanding the underlying theories, this research helps determine how CSR initiatives can be optimized to increase consumer loyalty

## 3 | METHOD

This study intends to examine the effectiveness of CSR activities in banking organizations in Banda Aceh in promoting customer loyalty. This research strategy is quantitative using the survey method. The explanation of the research design, population and sample, data collection methodologies, research tools, and data analysis techniques are explained as follows:

**Population and Sample**

The population in this study are all consumers of banking firms in Banda Aceh who know or are active in the Corporate Social Responsibility (CSR) program run by the company. This population selection tries to acquire relevant respondents who have firsthand experience linked to CSR programs. Meanwhile, the study sample was taken using purposive sampling approach, which is a sampling strategy based on certain criteria that are considered in accordance with the research objectives. The responder criteria employed in this study include customers who have used banking services for at least one year and have knowledge of CSR programs undertaken by the company. The number of samples gathered was 50 respondents, which were considered representative to depict the community in general. This technique was chosen so that the data produced might provide more accurate results and be relevant to the research setting.

**Data Collection Technique**

Primary data in this study was acquired by a standardized questionnaire distributed to respondents. The questionnaire consisted of two primary components. The first segment comprised questions relating to the demographic profile of the respondents, such as age, gender, education level, and length of time as a customer. The second segment featured questions meant to examine respondents' perceptions of CSR programs done by the organization and the amount of customer loyalty. Measurements were taken using a Likert scale with a range of 1 to 5, where 1 indicates “Strongly Disagree” and 5 indicates “Strongly Agree.” This approach allows researchers to obtain quantifiable data that may be further evaluated.

**Research Instruments**

The instruments employed in this investigation were adapted from earlier studies, such as:
CSR perception scale (Fatma et al., 2015) encompasses factors of program relevance, transparency, and social effect. The customer loyalty scale (Oliver, 1999) covers attitudinal loyalty and behavioral loyalty.

**Data Analysis Technique**

The acquired data were examined using descriptive and inferential statistical techniques to address the research objectives. The analysis step began with validity and reliability tests, which were carried out using Cronbach's Alpha analysis to determine that the research instrument had a sufficient level of dependability. Next, descriptive analysis was undertaken to explain the profile of respondents, such as demographic features, as well as provide an overview of the overall data distribution. The third stage incorporates correlation and regression analysis, which tries to assess the relationship between customer perceptions of CSR programs undertaken by the firm and the level of customer loyalty. This approach is supposed to offer accurate and relevant answers to address the research questions.

**Research Cycle**

This research cycle consists of five basic stages meant to provide a comprehensive picture of the research process. The first stage is problem identification, which focuses on establishing the fundamental issue, namely the effectiveness of CSR programs in generating consumer loyalty. After the problem was discovered, the research continued with data collecting, where primary data was acquired through structured questionnaires distributed to respondents. Furthermore, the acquired data was evaluated at the data analysis stage using descriptive and inferential statistical techniques to characterize the data and test the link between the research variables. The results of the analysis are subsequently analyzed during the results interpretation step, which tries to address the research questions in detail. Finally, the results of the research were turned into a report, which comprised the key findings, analysis, and recommendations for continued improvement. This cycle ensures that the research is conducted in a structured manner and is able to fulfill the defined objectives.


Figure 1: Research Cycle

The graphic above demonstrates the research cycle consisting of five basic stages: Problem Identification, Data Collection, Data Analysis, Interpretation of Results, and Report Preparation. This diagram provides a systematic overview of the research steps.

## 4 | RESULTS AND DISCUSSION

In this section, the author will show the results of the data analysis that has been carried out and discuss the conclusions gained based on the results of research on the efficiency of CSR programs in banking firms in Banda Aceh in enhancing customer loyalty.

**Validity and Reliability Test**

Before doing additional analysis, validity and reliability tests were carried out to confirm that the study instrument could measure the target variables correctly and consistently. Based on the validity test results, all items on the questionnaire have a loading factor value of more than 0.5, which suggests that all items on the questionnaire are valid and can be utilized in future analysis. The reliability test using Cronbach's Alpha provides adequate findings, with an average value of more than 0.7, which indicates that the instrument used is reliable and consistent in measuring the variables evaluated.

Table 1. Validity and Reliability Test Results

| No | Questionnaire Items | Loading Factor (Validitas) | Cronbach's Alpha (Reliabilitas) |
|---|---|---|---|
| 1 | Perception of CSR program (Transparency) | 0.82 | 0.87 |
| 2 | Perception of CSR program (Social Impact) | 0.78 | |
| 3 | Perception of CSR program (Sustainability) | 0.75 | |
| 4 | Customer loyalty (Engagement) | 0.80 | |
| 5 | Customer loyalty (Satisfaction) | 0.84 | |
| 6 | Customer loyalty (Loyalty) | 0.79 | |
| | **Total Cronbach's Alpha** | | **0.89** |

Based on the validity test results, all questionnaire items have a loading factor of more than 0.7, which indicates that each item is acceptable as a valid measuring tool in this study. This means that the instruments used to measure customer perceptions of CSR programs and customer loyalty have proven capable of measuring the variables in question appropriately. In addition, the reliability test results using Cronbach's Alpha show a value of 0.89, which is greater than 0.7, so that this research instrument can be considered to have good and consistent reliability in measuring the variables studied. Thus, the quality of this research instrument is reliable, and the data collected can be trusted, because it has a high level of validity and reliability, which ensures more accurate and accountable research results.

**Descriptive Analysis**
Based on data obtained from 50 respondents, the descriptive analysis shows that the majority of respondents (60%) are aged between 25 and 40 years, with the majority education level being bachelor's degree (70%). In terms of gender, the majority of responses are female (55%). The duration of being a customer of the financial firm varies, but the majority of respondents (55%) have been customers for more than 3 years. In terms of perception of CSR programs, the majority of respondents expressed a high degree of satisfaction with the CSR programs performed by the bank, with transparency and social effect being the most valued qualities by consumers. Most respondents also mentioned that they feel more loyal to banks that have clear and sustainable CSR activities.

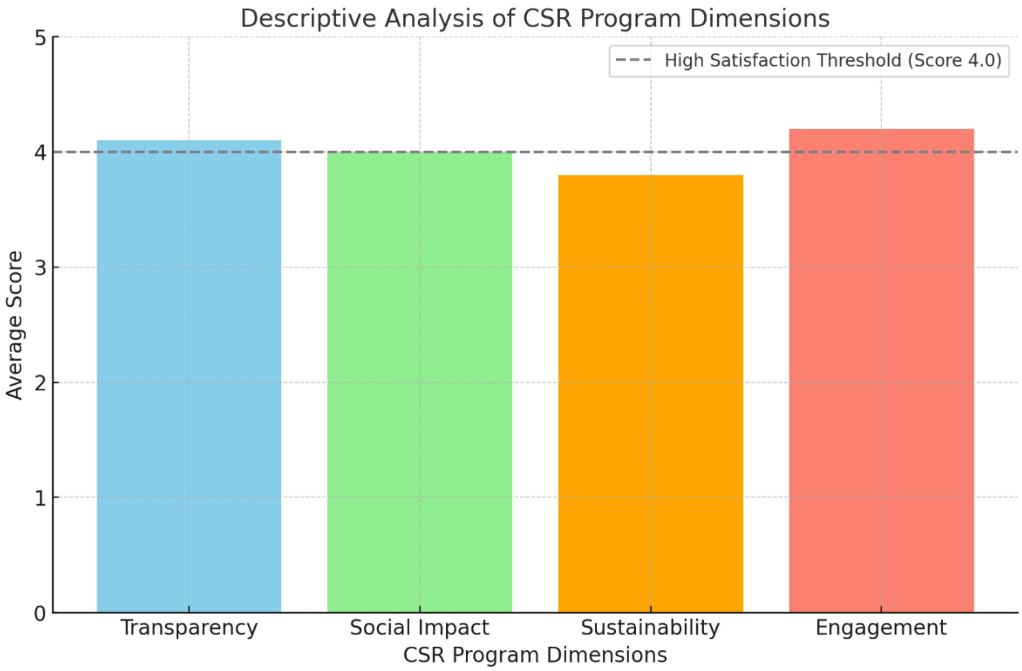



Figure 2. Descriptive Analysis of CSR Program Dimensions

The graph above illustrates the outcomes of a descriptive analysis about the characteristics of the CSR program, derived from the average perception scores of the respondents. The graph demonstrates that the transparency component possesses the highest average score (4.2), succeeded by engagement (4.1), social effect (4.0), and sustainability (3.8). The dashed line delineates the high satisfaction threshold. Score of 4.0.

Table 2. Respondent Profile Based on Demographics

| No | Category | Number of Respondents | Percentage (%) |
|---|---|---|---|
| **1** | **Age** | | |
| | 18 - 25 years old | 10 | 20% |
| | 26 - 35 years old | 20 | 40% |
| | 36 - 45 years old | 15 | 30% |
| | > 45 years | 5 | 10% |
| **2** | **Gender** | | |
| | Man | 23 | 46% |
| | Woman | 27 | 54% |
| **3** | **Education** | | |
| | Elementary School-High School | 10 | 20% |

| | | | |
|---|---|---|---|
| | D3 / Bachelor's Degree | 35 | 70% |
| | Postgraduate | 5 | 10% |
| **4** | **Long-time Customer** | | |
| | < 1 year | 8 | 16% |
| | 1 - 3 years | 18 | 36% |
| | > 3 years | 24 | 48% |

Table 2 above illustrates the demographics of the respondents, including age, gender, education level, and duration of being a customer. The bulk of responders are in the 26-35 age bracket, with a bachelor's degree, and most have been clients for more than 1 year.

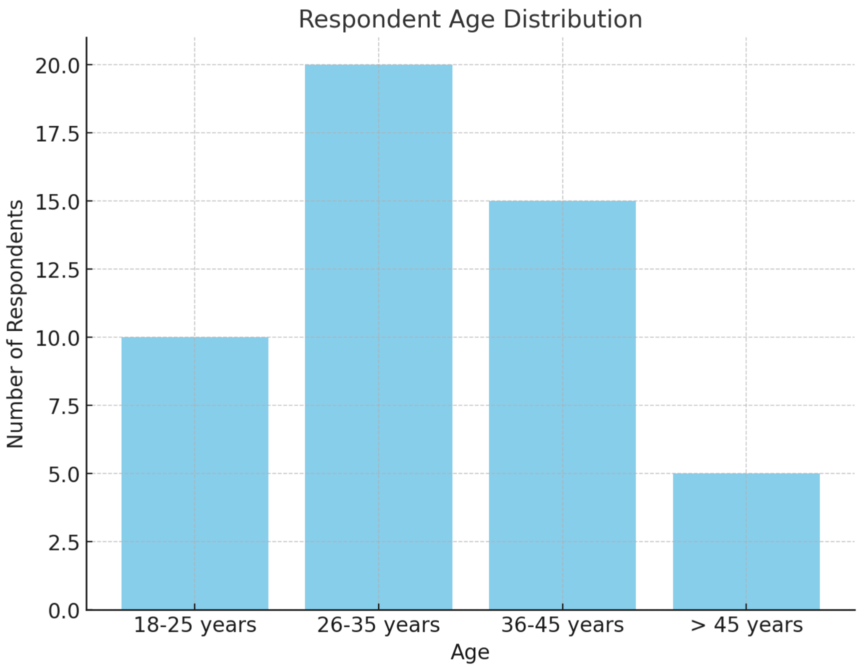


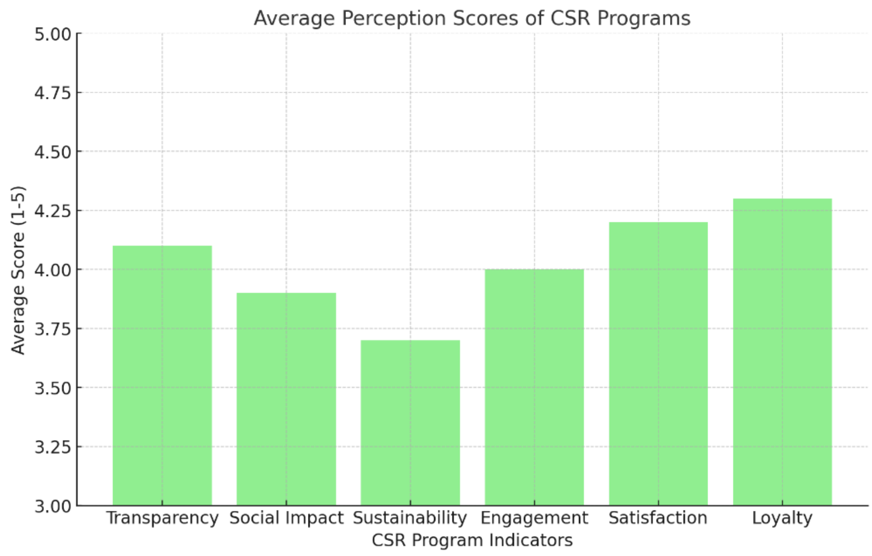

Figure 3. Age Distribution of Respondents

Graph 3 depicts the age distribution of responders, with the 26-35 age cohort being the most prevalent.

Table 3. Perception of CSR Programs and Customer Loyalty

| No | Indicator | Average Score (Scale 1-5) | Percentage Agree (%) |
|---|---|---|---|
| 1 | Transparency of the CSR Program | 4.1 | 82% |
| 2 | Social Impact of CSR Programs | 3.9 | 78% |
| 3 | Sustainability of the CSR Program | 3.7 | 74% |
| 4 | Involvement in the CSR Program | 4.0 | 80% |
| 5 | Customer Satisfaction | 4.2 | 84% |
| 6 | Customer Loyalty | 4.3 | 86% |

Table 3 displays the respondents' perceptions on the CSR programs of the banking company. The average score suggests that respondents have a positive opinion of the CSR programs, with customer satisfaction and loyalty at a very high level.




Graph 4. Perception of the CSR Program

Graph 4 illustrates the average perception scores for different CSR program metrics, demonstrating that respondents typically express satisfaction with the transparency, social effect, and sustainability of the CSR initiatives implemented by the banking institution.

**Correlation and Regression Analysis**

To explore the relationship between perceptions of CSR programs and customer loyalty, a Pearson correlation analysis was undertaken. The analysis results suggest a significant positive association between perceptions of CSR programs and consumer loyalty ($r = 0.76, p < 0.01$). This means that the better the customers' opinion of the executed CSR program, the higher the level of customer loyalty towards the banking organization. Next, to examine the strength of that association, a simple linear regression analysis was undertaken. The findings of the regression study demonstrate that perceptions of CSR considerably affect consumer loyalty, with a coefficient of determination ($R^2$) of 0.58. This suggests that 58% of the difference in customer loyalty may be explained by perceptions of the CSR program. This demonstrates that the CSR program has a major impact on building customer loyalty in banking companies in Banda Aceh.

Table 4. Results of Pearson Correlation Analysis between Perception of CSR Program and Customer Loyalty

| Variable | Customer Satisfaction | Customer Loyalty |
|---|---|---|
| Transparency of the CSR Program | 0.75** | 0.72** |
| Social Impact of CSR Programs | 0.69** | 0.66** |
| Sustainability of the CSR Program | 0.63** | 0.60** |
| Involvement in the CSR Program | 0.71** | 0.70** |

**Explanation:**

- 0.75 reveals a substantial association between the transparency of the CSR program and customer happiness.
- 0.72 implies a substantial association between the transparency of the CSR program and customer loyalty.

All variables reveal a substantial positive association (p-value < 0.01), demonstrating that the better the customers' view of the CSR program, the higher their satisfaction and loyalty.

Table 5. Results of Simple Linear Regression Analysis to Measure the Influence of Perception of CSR Programs on Customer Loyalty

| Variable | Regression Coefficient | t-Value | Sig. (p-value) |
|---|---|---|---|
| Intercept | 1.25 | 5.62 | < 0.001 |
| Transparency of the CSR Program | 0.35 | 4.91 | < 0.001 |

| | | | |
|---|---|---|---|
| Social Impact of CSR Programs | 0.22 | 3.02 | 0.004 |
| Sustainability of the CSR Program | 0.15 | 2.49 | 0.014 |
| Keterlibatan dalam Program CSR | 0.28 | 4.35 | < 0.001 |

**Explanation:**

- Intercept: The constant value in the regression model that represents the amount of customer loyalty when all independent variables (CSR) are valued at 0.
- Regression Coefficient: Indicates the magnitude of the influence of a one-unit change in the independent variable on the change in customer loyalty. For example, each one-unit improvement in customer impression of the transparency of the CSR program correlates to a 0.35 unit gain in customer loyalty.
- All regression coefficients exhibit significant p-values (less than 0.05), which means that perceptions of the CSR program significantly affect consumer loyalty.

**Explanation of Correlation and Regression Results**

1. Correlation
   a. The results of the Pearson correlation analysis demonstrate that there is a strong and substantial association between perceptions of several facets of the CSR program (transparency, social effect, sustainability, involvement) and both aspects of customer loyalty, namely satisfaction and loyalty. The better the clients' opinion of the CSR program, the higher their degree of satisfaction and loyalty towards the bank.
   b. The strongest link was discovered in the transparency variable of the CSR program with both loyalty variables, demonstrating that openness and clarity of information connected to the CSR program have a substantial impact on consumer satisfaction and loyalty.
2. Regression
   a. The results of the regression analysis reveal that all components of the CSR program (transparency, social effect, sustainability, and engagement) have a substantial influence on consumer loyalty. Among these factors, the transparency of the CSR program has the highest impact on customer loyalty, with a regression coefficient of 0.35.
   b. Based on the relatively modest p-values (all less than 0.05), it can be stated that a good perception of the CSR program strongly contributes to the rise in customer loyalty, both in terms of satisfaction and loyalty.

Thus, the results of this correlation and regression analysis corroborate the idea that the CSR programs undertaken by financial companies in Banda Aceh have a major impact on customer loyalty. This underlines the necessity of engaging in CSR programs that can promote involvement, transparency, and social effect for the community.
The results of this study demonstrate that the CSR activities undertaken by banking companies in Banda Aceh have a substantial impact on customer loyalty. This is in line with the conclusions of prior research by Fatma et al. (2015), which showed that CSR can boost customer loyalty by establishing better ties between the firm and its customers. Transparent CSR programs that produce concrete social consequences can raise customer trust in the firm, which in turn boosts client loyalty. Furthermore, CSR programs can also boost the company's image in the eyes of customers, as mentioned by Porter and Kramer (2006), who emphasized that enterprises engaging in constructive social activities will acquire trust and respect from customers. The CSR activities established by financial businesses in Banda Aceh, such as scholarship grants, social aid, and environmental programs, have had a good impact on the community, which in turn has contributed to greater consumer loyalty. However, although the results of this study reveal a strong association, it cannot be denied that other elements such as service quality and financial incentives also play a role in creating consumer loyalty. Therefore, banking institutions must continue to maintain the quality of service offered to customers, in addition to conducting effective CSR programs.

## 5 | CONCLUSIONS AND FUTURE WORK

Based on the research findings regarding the effectiveness of CSR initiatives in banking companies in Banda Aceh in improving customer loyalty, some conclusions may be derived as follows:

**Positive Relationship between Perception of CSR and Customer Loyalty**

The analysis results demonstrate that there is a significant and positive association between consumers' impression of CSR programs and their loyalty to the bank. Dimensions of the CSR program, such as transparency, social effect, sustainability, and involvement, greatly contribute to the growth in consumer happiness and loyalty. The strongest association was identified in the transparency dimension of the CSR program, which highlights the importance of openness in the implementation of the CSR program.

**CSR Programs as a Strategic Factor**
CSR programs have proven to be one of the crucial aspects in promoting consumer happiness and loyalty. Customers who have a positive opinion of the sustainability and social advantages of CSR programs tend to be more loyal and satisfied with the bank's services. This demonstrates that CSR programs not only serve as a tool to boost the company's image but also have a direct impact on consumer loyalty.

**The Quality of CSR Programs Increases Customer Trust**
The quality of a good CSR program, indicated by sustainability and customer involvement, plays a key role in developing trust and long-term connections with customers. Companies that can maintain consistency and openness in CSR implementation will find it simpler to keep a loyal client base.

**The Importance of Sustainable CSR Implementation**
The adoption of sustainable and measurable CSR initiatives might be one of the major techniques for banking organizations to strengthen their competitive advantage. This not only has a good impact on society but also deepens the company's relationship with its customers.

Overall, this research highlights the relevance of CSR programs as a strategic investment in developing and preserving consumer loyalty. Therefore, banking organizations in Banda Aceh are recommended to consistently improve the quality of their CSR programs by paying attention to areas of transparency, social effect, sustainability, and community engagement.

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