CORPORATE SOCIAL RESPONSIBILITY PROGRAM IMPACTS THE CUSTOMER LOYALTY OF BANK RAKYAT INDONESIA BRANCH MANADO

by:
Gary C. Talumepa[1]
Peggy A. Mekel[2]

[1,2] Faculty of Economics and Business
International Business Administration (IBA) Program
University of Sam Ratulangi Manado
email: [1]garytalumepa@yahoo.com
[2]peggyadeline@yahoo.com

ABSTRACT

The successfulness of a firm is not just determined by its financial metrics. Corporate social responsibility (CSR) lately becomes one major concern in businesses which are indicating whether the company goes well or not. CSR program is the major concern that will be elaborate in this research. The aim of this research is to know if CSR programs of BRI branch Manado impact its customer loyalty and what are the factors that influence. This study is conducted by quantitative technique with associative type of research. Populations in this research are exactly the customers of BRI in Manado. Total of 100 respondents are being sampled. Purposive sampling is used in this research. CSR and customer loyalty theories are the supporting theories in this research. The result shows that CSR significantly impact customer loyalty through three factors that linked between these two variables. BRI management suggested that to develop CSR programs in order to maximizing profit by gaining greater customer loyalty, and also help to improve societal well-being.

Keywords: *corporate social responsibility, customer loyalty*

INTRODUCTION

Research Background

The company has to take responsibility to the whole environment, both for external and internal environment alongside with the growing of firm's impact on society. Every decision and policies made should be reflecting the responsibility of the company itself. The performance of banking institutions and budget for the project itself can't be separated from consideration of social and environment aspect. Role and responsibilities of banking can't be stop when fundraising realize. Investment screening is no longer just for credibility, reputation, and performance.

Financial performance was the major criterion to evaluate a firm's value. Higher ranks were given to firms that provide greater margins financially. Maximization of shareholders' wealth was, by far, the focal point of profit-driven organizations. In this regard, the emphasis on CSR in the past was not evident. In this decade, however, the perception about CSR has changed significantly. Organizations implement a few strategies that should be prepared with extra budgets in order to maximize the results of strategies undertake by company. Moreover managers concern about profit and wealth maximization of organization rather than responsibilities to environment/social. Many studies have been conducted linking CSR to consumer loyalty. Contemporary review of CSR related literature indicates that well implemented CSR initiatives can improve its loyalty. A few organizations in banking industry especially already implemented CSR strategy, some actions published officially but some actions did not. Along with technologies of information and social media that develop so fast, people begin to access information easily today. People become more concern about multi-stream and mainstream company all the way.

Marketing researches acknowledge that acquiring new customer cost is more expensive than existing customer retention cost which customer loyalty may in turn become a crucial business asset for long-term survival, competitive advantages. Further CSR not just fulfilled the needs of company but society and environment that should be the responsibilities of the organization itself. This study will show the relationship between CSR towards customer loyalty at Bank Rakyat Indonesia branch Manado through factors which are able to support this research. CSR concept more than just a philanthropy and disclosure of empathy. Awareness of CSR explains that each process of business activities will have both positive impact even negative one. In Indonesia banking industries, BRI that turning to be a strong one in banking industries realize that business is no longer just an economic activities to maximizing profit in order to survive but also holding responsibilities for environment and societal well-being.

Various type of CSR programs done by BRI assisted by divisions scattered throughout Indonesia , which in head office, branch offices, and BRI unit as a form to corporate social responsibility. It's not easy to realize policies made and commit an ideal banking CSR, but generally CSR program must be related to the effort of maximizing positive impact and minimizing negative impact on banking business activities. So that it needs application of concept that effective and efficient in accordance with banking main activities.

Research Objective

The purposes of this research are to know the influence of CSR program on customer loyalty via customer-company identification, company identity attraction, and brand equity in BRI branch Manado.

THEORETICAL REVIEW

Theories

Corporate Social Responsibility (CSR)

CSR becomes an important issue in ensuring the survival of the business world today. The business world will not be achieved without attention to the situation and the social environment in which the company so that the implementation of CSR become a necessity for companies to support business activities, not just a responsibility but an obligation of a business. Implementation of CSR should be a part of the business roles and policies are included in the company's business, so the business world is not only an achievement- oriented organization that maximizing profit but also become a learning of organization, in which individuals who are involved in it has a social conscience and a sense of having not only on the environment but also the organization of the social environment in which the company is located.

World bank defines Corporate Social Responsibility as a commitment of business to contribute to sustainable economic development working with employees and their representatives, the local community and society at large to improve quality of life, in ways that are both good for business and good for development. CSR is a broader influence from the company to the public for the benefit of the company and the community as a whole. Sembiring (2007) defines CSR as the company's ability to behave in ethical ways that fit the principles of economic, social, and environment with direct interests of the stakeholders involved in any decision-making processes are mutually beneficial.

Brand Equity (BE)

Holding and Pilliing (2006) stated that today corporations know that CSR is linked to their reputation and brand identity while Manhaimer (2007) stated that customer loyalty is linked to brand equity. Stated differently, this means that there is a possible relationship between CSR and loyalty via brand equity. CSR efforts by a company can enhance its brand equity and thus the overall consumer loyalty.

Company Identity Attraction (CIA)

Suggested that companies that associate themselves with consumer attributes do better than companies that identify themselves by their products. Verma (2010) elaborated that companies can distinguish themselves from their competitors through the way that they carry out their business in accordance with their own corporate mission that focuses on consumer loyalty. Explained that a firm can attract consumers by providing a unique identity. He further asserted that identity attraction can also benefit from CSR ideals. Longinos and Salvador (2007), in this context, argued that corporate performance is associated with CSR initiatives and that CSR ideals can help a company to raise its identity attraction thereby increasing consumer loyalty.

Consumer-Company Identification (CCI)

Raman et al. (2012) suggested that CSR efforts can impact CCI as CSR efforts can enhance the ability of consumers to identify themselves with a particular product and company that can be resulted in greater CL. Consumers-company identification (CCI) is often measured in three ways: (1) the feeling of interest towards supporting a particular company, (2) the affiliation towards the particular company and (3) the similarity between the other consumers of the particular company. Related CCI with the way in which a company carries itself during trade and its business goal with the intention of influencing purchasing habit.

Customer Loyalty (CL)

Marketing researches acknowledge that acquiring new customer cost is more expensive than existing customer retention cost which customer loyalty may in turn become a crucial business asset for long-term survival, competitive advantages. Customer loyalty is defined as the relationship of relative attitudes on object (brand, service, and dealer) and repeat patronage. Moreover, it can be determined into three categories: Cognitive- associated with informational determinants. Affective-associated with emotion involving on brand. and Conative- associated with behavioral intention towards brand as found by Sabeena and Krishnamurthy (2012). The concept of customer loyalty is understood as the combination of favorable attitudes leads to repurchase intentions and recommend good or service to others, including willing to pay more. It is widely accepted that customer satisfaction is an antecedent of customer loyalty which in turn influence on profitability.

Previous Research

Raman et al. (2012). Analyzed The Impact of Corporate Social Responsibility on consumer loyalty . It is found that the higher the CSR rating the stronger the bond would be between these two. Given this scenario, the main objective of this study is to find relevant evidence to link consumer loyalty and CSR initiatives within a company. A case study approach was used to empirically test our research model derived from the literature. Quantitative analysis based on a total of 100 responses from a leading electronics manufacturer in Malaysia was used to address the research objectives. The findings of this study suggest that the higher the practice of CSR the stronger is the consumer loyalty towards a particular firm. The study also shows that by investing in CSR, a firm could achieve a positive outcome in terms of its financial performance. CSR can provide the additional competitive edge to a particular firm. However, the linearity of this relationship warrants more testing and empirical research.

Sabeena and Krishnamurthy (2012) Corporate Social Responsibility In Accomplishment And Augmentation Of Customer Loyalty – A Tactics Of Indian Mobile Service Providers - The aspiration of this research is to develop the understanding of corporate social responsibility (CSR) from consumers' perspective toward India mobile service providers. Based on the survey from 125 mobile customers, the result shows that four dimensions of CSR of Indian mobile service providers consist of economic, legal, ethical and philanthropic responsibility. These four CSR factors have positive impacts on enhancing customer satisfaction except one item of economic responsibility - profitability to shareholders. Ethical dimension has the strongest impact on customer satisfaction. Economic, legal, ethical, philanthropic responsibility and customer satisfaction have major impact on loyalty, whilst philanthropic component mostly affects loyalty.
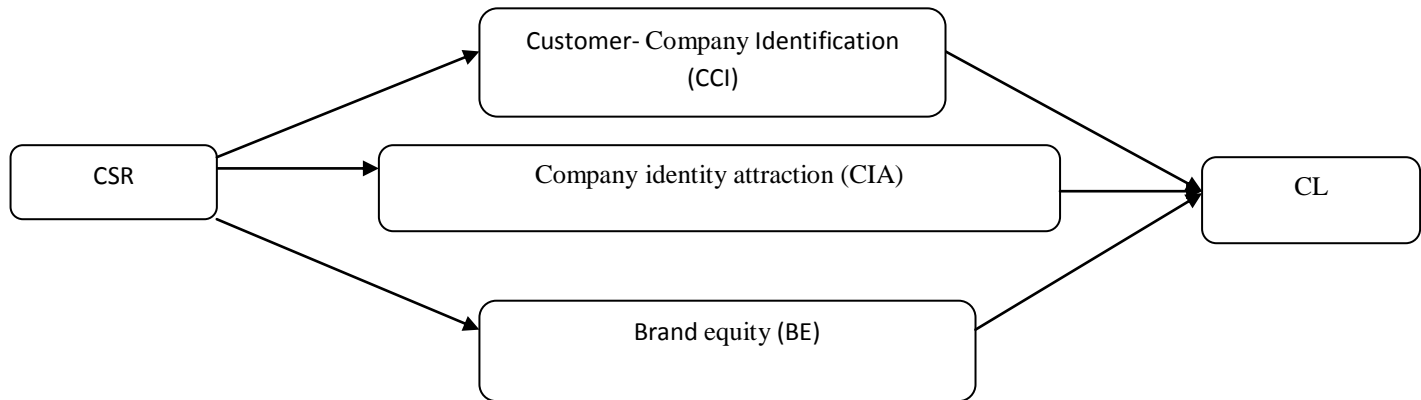
Figure 1. Conceptual Framework

Source: Theoretical review

Type of Research

The study is conducted by quantitative techniques. In General this research uses causal type of research which is measurement of the relationship between exogenous variable corporate social responsibility on endogenous variable customer loyalty through brand equity, company identify attraction, and consumer-company identification.

Place and Time of Research

The study was conducted in Manado between August-December 2013.

Population and Sample

The population that observed in this research are the customers of Bank Rakyat Indonesia Branch Manado. The sample consists of 100 respondents and the sampling method is purposive sampling. This sampling method is used because the subjects are selected because of same characteristic and they will be purposively selected because they meet a certain characteristic.

Data Collection Method

The source of data divided into two categories which are primary data and secondary. Primary data is data collected and processed by the researcher directly from respondents. Secondary data is data that have already been gathered by researcher from related books, journals, articles in magazines or newspaper, internet and other information available from any source which are useful for this research.

Operational definition and measurement of research variable

Definition of research variable :

a. Corporate Social Responsibility (CSR): Responsible efforts by a company in its effort to contribute positively towards various stakeholder groups in society. (Asaad, 2010)

b.Consumer-Company Identification (CCI) : Significant and meaningful relationship between consumers and a company that leads them to become champions for the product and/or company. (Davis, 2008)

c.Company Identity Attraction (CIA) : The ability of a company to create/develop an identity that is unique to the consumers. (Davis, 2008)

d. Brand Equity (BE): Value of a brand as perceived by consumers. (Balsara, 2009)

e. Customer Loyalty: Extent to which consumers affiliate themselves to a company, resulting into repeat purchase behavior. (Kotler and Amstrong 2008:178)

Data Analysis Method

To analyze the validity of questionnaire, Pearson Product Moment is used. Alpha Cronbach is reliable coefficients that can indicate how good items in asset have positive correlation one another.

Path Analysis Model

Analysis and interpretation of data for research aimed to answer the research questions in order to reveal the phenomenon certain social. Data analysis the process of simplification of data into a form that is easier to read and implement. The method chosen to analyze the data should be in accordance with the pattern of studies and variables to be studied. To analyze the data the tool being used is path analysis

Tool used is path analysis, to examine the contribution (contribution) which is addressed by path coefficient on each path diagram of causal relationships between variables (X1), (X2) and (X3) and their impact on (Y). Correlation and regression analysis which is the basis of the calculation of the path coefficients. Later in the calculation using the services of a computer with a software program SPSS for windows version 14.0.

On path diagram using two kinds of arrow which are :

a). One-way arrows stating a direct effect of exogenous variables / variable causes (X) against an endogenous variable / variable result (Y) , as $X_1 \longrightarrow Y$

b). Bidirectional arrows states correlational relationship between exogenous variables, as $X_1 \longleftrightarrow X_2$

Hypothesis Test

1) F test

To determine the effect of the independent variables with the dependent variable, use the F test.

$$F = \frac{JK_{reg} / k}{JK_{res} /(n - k - 1)}$$

Where:

JK_{reg}	=	sum of squares regression
JK_{res}	=	residual sum of squares
k	=	number of independent variables
n	=	number of subject

If significant value is lower than 5% or $F_{counted} > F_{table}$, it was significant which means jointly independent variables affect the dependent variable. And vice versa if the significance of f is greater than 5% or $F_{counted} < F_{table}$, means jointly independent variable has no effect on the dependent variable.

2) t test

To determine the effect of partially independent variables on the dependent variable, t test was used.

$$t = \frac{b_i}{Sb_i}$$

Where :

b_i	= regression coefficient
Sb_i	= standard error of regression coefficient

If the t significance value is lower than 5% or $t_{counted} > t_{table}$ it was significant which means partially independent variables affect the dependent variable. And vice versa if t significance greater than 5% or $t_{counted} < t_{table}$, then partially independent variable has no effect on the dependent variable.

3)   The most dominant variable

To find out where the independent variable is the most dominant note of the value of beta. Variable that has the highest beta value is the most dominant variables affect the dependent variable.

RESULT AND DISCUSSION

Result

The results of the test instrument validity of the five variables: Corporate social responsibility (CSR), consumer-company identification (CCI), company identity attraction (CIA), brand equity (BE) and consumer loyalty shows that the whole grains are all valid , because the arithmetic value of r (correlation) greater than 0.3.

Result of Path Analysis

1. The effect of Corporate Social Responsibility (CSR) on Customer Company Identification (CCI)

Table 1. Result of Path Analysis: Influence of CSR on CCI

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.290	.967		2.368	.020
	Corporate Social Responsibility	.764	.080	.696	9.593	.000

Source: Data analysis result

The result of data analysis in Table 1 (The influence of CSR on CCI) as shown by coefficient (Beta) = 0.696 is very significant indicated by the significance value of $0.000 \leq 0.01$.Then it can be interpreted that the influence of CSR on CCI is very significant and positive, which means that when CSR increases, CCI tend to increase too.

2.The effect of Corporate Social Responsibility (CSR) on Company Identity Attraction (CIA)

Table 2. Result of Path Analysis: Influence of CSR on CIA

	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.949	1.490		3.992	.000
	Corporate Social Responsibility	.435	.123	.337	3.541	.001

Source: Data analysis result

The result of data analysis in Table 2 (The influence of CSR on CIA), as shown by the path coefficient (Beta) = 0.337 is very significant indicated by the significance value of $0.001 \leq 0.01$. Then it can be interpreted that the influence of CSR on CIA is very significant and positive, which means that when CSR increases, CIA tend to increase too.

3. The effect of Corporate Social Responsibility (CSR) on Brand Equity (BE)

Table 3. Result of Path Analysis: Influence of CSR on BE

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.499	1.485		1.009	.315
	Corporate Social Responsibility	.828	.122	.564	6.769	.000

Source: Data analysis result

The result of data analysis in Table 3 (The influence of CSR on BE), as shown by the path coefficient (Beta) = 0.564 is very significant as indicated by the significance value of $0.000 \leq 0.01$. Then it can be interpreted that the influence of CSR on BE is very significant and positive, which means that when CSR increases, BE tend to increase too.

4. The effect of Customer Company Identification (CCI) on Customer Loyalty (CL)

Table 4. Result of Path Analysis: Influence of CCI on CL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.056	1.023		7.874	.000
	Customer- Company Identification	.342	.088	.365	3.881	.000

Source: Data analysis result

The result of data analysis in table 4 (The influence of CCI on CL), the path coefficient (Beta) = 0.365 of the influence of CCI on CL, the path coefficient (Beta) in the table 4.7 is 0.365 is very significant as indicated by the significance value of $0.000 \leq 0.01$. Then it can be interpreted that the influence is very significant and positive, which means that when CCI increases, CL tend to increase too.

5. The effect of Company Identity Attraction (CIA) on Customer Loyalty (CL)

Table 5. Result of Path Analysis: Influence of CIA on Consumer Loyalty CL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.968	.859		10.436	.000
	Company identity attraction	.270	.076	.339	3.564	.001

Source: Data analysis result

The result of data analysis in Table 5 (The influence of CIA on CL), as shown by the path coefficient (Beta) = 0.339 is very significant as indicated by significance value of $0.001 \leq 0.01$. Then it can be interpreted that the influence of CIA on CL is very significant and positive, which means that when CIA increases, CL tend to increase too.

6. The effect of Brand Equity (BE) on Customer Loyalty (CL)

Table 6. Result of Path Analysis: Influence of BE on CL

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.229	.731		11.253	.000
	Brand equity	.328	.063	.467	5.229	.000

Source; data processed in SPSS

Based on the result of data analysis in Table 6 (The influence of BE on CL), as shown by the path coefficient (Beta) = 0.467 is very significant as indicated by significance value of $0.000 \leq 0.01$. Then it can be interpreted that the influence of BE on CL is very significant and positive, which means that when BE increases, CL tend to increase too.

Discussion

The result shows that exogenous variable Corporate social responsibility (CSR) has significant influences on endogenous variable customer loyalty (CL) through consumer-company identification (CCI) , company identity attraction (CIA) , and brand equity (BE).

CSR Influences CL through CCI

Suggesting that there is an influence of CSR on CL through CCI, because simply CSR influences CCI and CCI resulted in CL. In this research generated that CCI can influences CL because there are factors such as sense of owning, relationship between company and customers, and concerning of policies made by particular company that can be logical reasons why loyalty of customers can be retained by CSR through CCI. Study by (Raman et al,2012) as Literature review also suggested that CSR efforts can impact CCI as CSR efforts can enhance the ability of consumers to identify themselves with a particular product and company that can be resulted in greater CL. Regard, more research can be done in to ascertain the impact of CSR on CL through CCI.

CSR influences CL through CIA

Since the result shows that Corporate social responsibility (CSR) influences company identity attraction (CIA), and CIA influences CL then it can be concluded that and CSR influences CL through CIA. Consumers well being-can be related to the firm identity attractiveness (CIA) as identification to a firm that engaged in do-good CSR practices which can contribute to consumers-self esteem (Bhattacharya and Sen, 2001), as a result of a collaboration with an organization that is responsible. CSR efforts do impact the identity of the company, making it more attractive to consumers.

CSR influences CL through BE

In this research generated also that corporate social responsibility (CSR) influences customer loyalty (CL) through (BE). This finding is in line with prior work by (Neito, 2009) who stated that CSR imperatives can add value to all major stakeholders in a company and this includes adding value to consumers. Consumers are likely to perceive CSR ideas and ideals positively and thus could perceive the overall brand as adding value to their lives (Neito, 2009). And CL also closely related with BE, higher BE often leads to more loyal consumers (Manhaimer,2007). When a consumers perceives a brand to be high value, the probability of repeat purchase behavior is greater (Kotler and Armstrong, 2008:178). This finding also echoes prior work by (Buchholtz and Carroll, 2003) who also suggested that CSR, when implemented well in a company, can lead to greater BE. In this regard, more research can be done in to ascertain the influences of CSR on CL through BE.

CONCLUSION AND RECOMMENDATION

Conclusion

This research's findings are concluded as follows:

1. The result shows that exogenous variable Corporate Social Responsibility (CSR) influences endogenous variable Customer loyalty through Consumer-Company Identification (CCI).
2. The result shows that Company Identity Attraction (CIA) linked CSR with CL. Means that CSR has impact toward CL.
3. The result also shows that CSR influences CL through Brand Equity (BE).

Recommendation

Regarding to this research suggests that BRI branch Manado should:

1. Develop the consumer-company identification by concerning more the policies company would held to retain customer's good perceived with those policies in order to tighten the relationship between customer and company.
2. Increase the company identity attraction by creating unique identity to society to raise competitive advantages that differentiate BRI to any other financial institutions.
3. Develop the quality of product and services alongside with high trustworthy to raise greater brand equity.

REFERENCES

Asaad, A. 2010. The role of brand equity in the effects of corporate social responsibility on consumer loyalty. *Unpublished master's diss.,* Universiti Sains Malaysia. http://eprints.usm.my/23730/1/Asaad_almohammad_final.pdf. Retrieved on July 19[th]2013, Pp.9-11

Balsara, L. 2009. Make CSR part of your overall brand strategy. *Article of CSR 2009* http://thisweekbangalore.com/issue209/Lara-Balsara.html. Retrieved on October 19th, Pp 1-3

Bhattacharya, C. and S. Sen. 2003. Consumer-company identification: A framework for understanding consumers' relationships with companies. *Journal of Marketing* vol. 67(2) 2008.

Davis, P. 2008. Is your company identity killing you? *Article of Company identity 2008* http://www.ideamarketers.com/?Is_Your_Company_Identity_Killing_You&articleid=468577&from=PROFIL. Retrieved on October 20th 2013, Pp.1-3

Holding, C. and L. B. Piling. 2006.Six models for CSR/Brand integration. *Article of Brand integration* http://holding.com/articles/Brand_CSR_Integration.pdf. Retrieved on   October 20th 2013, Pp. 1-6

Kotler, P and G. Armstrong. 2008. *Principles of marketing.* 12th ed. Englewood Cliffs, NY: Prentice-Hall.

Longinos, M. and R. Salvador. 2007. "I need you too!" Corporate identity attractiveness for consumers and the role of social responsibility. *Journal of Business Ethics* Vol.71 (3)*, 2007,* http://link.springer.com/article/10.1007%2Fs10551-006-9137-y. Retrieved on October 20th 2013, Pp. 245–260.

Raman Murali, Wayne Lim and SumitraNai 2012.The Impact of Corporate   Social   Responsibility   on Consumer Loyalty. *Kajian Malaysia,* Vol. 30*, No.2, 2012,* http://web.usm.my/km/30(2)2012/KM%2030%20(2)%20ART%204%20(71-93).pdf. Retrieved on October 23rd 2013, Pp.71–93

Manhaimer, E. 2007. Does the brand equity influence the customers' loyalty?. *Article of brand equity 2007* http://www.articlesbase.com/marketing-articles/does-the-brand-equity-influence-the-customers-loyalty-135057.html. Retrieved on October 23rd 2013, Pp.1-3

Neito, D. V. 2009. CSR called the new 'branded content'. *Article of CSR 2009.* http://www.environmental leader.com/2009/05/20/csr- called-the-new-branded-content/. Retrieved on   October 18th 2013, Pp.1-3

Sabeena and. Krishnamurthy 2012 Corporate Social Responsibility In   Accomplishment And Augmentation Of Customer Loyalty – A Tactics Of Indian Mobile Service Providers. *Namex International Journal of Management   Research   ,*   Vol.2,   Issue   No.2.   *2012,   http://www.namexijmr.com/pdf/ archives_july_dec_2012/18.pdf.* Retrieved on October 23rd 2013, Pp.1-9

Sembiring, I. 2007. Corporate Forum for Community Development. Paper published in   workshop about the corporate social responsibility. FEM IPB. February 13, 2007, Bogor. http://www.thejakartapost.com/ news/2007/03/21/firms-urged-empower-people-csr-programs.html. Retrieved on on October 23rd 2013. Pp.1-10

Verma, U. 2010. Business identity package. *Article of Business identity package,* http://www.articlesbase.com/ information-technology-articles/business-identity-package-2301691. html. Retrieved on October 21st 2013, Pp.1-3